NEW ISSUES – BOOK ENTRY ONLY

RATINGS: Fitch: AAA
Moody's: Aa1
Standard & Poor's: AAA
See "RATINGS" herein

In the opinion of Kutak Rock LLP, Bond Counsel, under existing federal and Minnesota laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2020A Bonds, Series 2020B Bonds, Series 2020D Bonds, and Series 2020E Bonds (collectively, the "Tax-Exempt Bonds") is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. The interest to be paid on the Series 2020C Bonds, Series 2020F Bonds, and Series 2020G Bonds (collectively, the "Taxable Bonds") is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. For a discussion of tax matters see "TAX MATTERS'' herein.

$1,198,550,000
STATE OF MINNESOTA
General Obligation State Bonds
consisting of:

$330,360,000 General Obligation State Various Purpose Bonds, Series 2020A

$152,020,000 General Obligation State Trunk Highway Bonds, Series 2020B

$20,515,000 General Obligation Taxable State Various Purpose Bonds, Series 2020C

$128,115,000 General Obligation State Various Purpose Refunding Bonds, Series 2020D

$163,380,000 General Obligation State Trunk Highway Refunding Bonds, Series 2020E

$223,970,000 General Obligation Taxable State Various Purpose Refunding Bonds, Series 2020F

$180,190,000 General Obligation Taxable State Trunk Highway Refunding Bonds, Series 2020G

(collectively referred to as the "Bonds")

Dated: Date of Delivery **Due: as shown on inside cover**

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE OF MINNESOTA (THE "STATE") AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE STATE ARE IRREVOCABLY PLEDGED FOR THE PAYMENT OF THE BONDS AND INTEREST THEREON WHEN DUE.

The Bonds are subject to redemption and prepayment by the State as provided herein.

The Bonds will be available to the purchasers in book entry form only, and initially will be registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. The Bank of New York Mellon Trust Company, N.A. is the Bond Registrar and Paying Agent for the Bonds.

This cover page contains certain information for quick reference only. It is *not* a summary of the Bonds or this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered by the State subject to the legal opinions of Kutak Rock LLP, Bond Counsel, and of the State Attorney General as to the validity of the Bonds, and of Kutak Rock LLP as to the tax exemption of the interest on the Bonds. Delivery will be made on or about Tuesday, August 25, 2020.

Dated: August 11, 2020.

$1,198,550,000
State of Minnesota
General Obligation State Bonds

Maturities, Amounts, Interest Rates, Prices or Yields and Initial CUSIPs

$330,360,000 General Obligation State Various Purpose Bonds, Series 2020A

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A	Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2021	$16,295,000	5.000%	0.080%	SY0	2031	$16,295,000	5.000%	0.650%*	TJ2
2022	16,295,000	5.000	0.090	SZ7	2032	16,295,000	5.000	0.720*	TK9
2023	16,295,000	5.000	0.100	TA1	2033	16,290,000	5.000	0.810*	TL7
2024	16,295,000	5.000	0.130	TB9	2034	16,290,000	5.000	0.860*	TM5
2025	16,295,000	5.000	0.160	TC7	2035	16,290,000	5.000	0.900*	TN3
2026	16,295,000	5.000	0.260	TD5	2036	16,290,000	5.000	0.940*	TP8
2027	16,295,000	5.000	0.360	TE3	2037	16,290,000	5.000	0.980*	TQ6
2028	16,295,000	5.000	0.440	TF0	2038	16,290,000	5.000	1.030*	TR4
2029	16,295,000	5.000	0.510	TG8	2039	16,290,000	5.000	1.070*	TS2
2030	20,795,000	5.000	0.580	TH6	2040	16,290,000	5.000	1.110*	TT0

$152,020,000 General Obligation State Trunk Highway Bonds, Series 2020B

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A	Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2021	$7,605,000	2.000%	0.120%	TU7	2031	$7,600,000	4.000%	0.700%*	UE1
2022	7,605,000	2.000	0.130	TV5	2032	7,600,000	2.000	1.160*	UF8
2023	7,605,000	2.000	0.150	TW3	2033	7,600,000	2.000	1.290*	UG6
2024	7,605,000	2.000	0.200	TX1	2034	7,600,000	2.000	1.390*	UH4
2025	7,600,000	2.000	0.260	TY9	2035	7,600,000	1.500	1.500	UJ0
2026	7,600,000	2.500	0.400	TZ6	2036	7,600,000	1.500	1.590	UK7
2027	7,600,000	4.000	0.360	UA9	2037	7,600,000	1.625	1.670	UL5
2028	7,600,000	4.000	0.440	UB7	2038	7,600,000	1.750	1.770	UM3
2029	7,600,000	4.000	0.520	UC5	2039	7,600,000	1.750	1.820	UN1
2030	7,600,000	4.000	0.600	UD3	2040	7,600,000	1.875	1.870*	UP6

$20,515,000 General Obligation Taxable State Various Purpose Bonds, Series 2020C

$20,515,000 1.350% Serial Bond due August 1, 2030 Price: 100.931 Yield: 1.250% CUSIP No. 60412AUQ4**

*Priced at the stated yield to the August 1, 2030 redemption date at a price of 100%. See "THE BONDS, Optional Redemption" herein.

**The State is not responsible for the use of the CUSIP numbers referenced herein nor is any representation made by the State as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

$128,115,000 General Obligation State Various Purpose Refunding Bonds, Series 2020D

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A	Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2021	$30,880,000	5.000%	0.080%	UR2	2023	$36,940,000	5.000%	0.100%	UT8
2022	36,730,000	5.000	0.090	US0	2024	23,565,000	5.000	0.130	UU5

$163,380,000 General Obligation State Trunk Highway Refunding Bonds, Series 2020E

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A	Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2021	$17,800,000	2.000%	0.100%	UV3	2026	$12,050,000	3.000%	0.300%	VA8
2022	28,320,000	2.000	0.110	UW1	2027	11,900,000	2.000	0.500	VB6
2023	27,100,000	2.000	0.130	UX9	2028	11,685,000	2.000	0.600	VC4
2024	19,600,000	3.000	0.150	UY7	2029	11,470,000	2.000	0.700	VD2
2025	12,150,000	3.000	0.160	UZ4	2030	11,305,000	3.000	0.800	VE0

$223,970,000 General Obligation Taxable State Various Purpose Refunding Bonds, Series 2020F

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A	Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2022	$20,375,000	1.000%	0.240%	VF7	2027	22,480,000	0.930%	0.930%	VL4
2023	25,390,000	1.000	0.310	VG5	2028	21,805,000	1.100	1.100	VM2
2024	24,575,000	0.470	0.470	VH3	2029	21,250,000	1.150	1.150	VN0
2025	23,905,000	0.630	0.630	VJ9	2030	20,715,000	1.350	1.250	VP5
2026	23,280,000	0.800	0.800	VK6	2031	20,195,000	1.320	1.320	VQ3

$180,190,000 General Obligation Taxable State Trunk Highway Refunding Bonds, Series 2020G

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A	Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2022	$12,560,000	0.400%	0.250%	VR1	2027	$18,555,000	0.860%	0.873%	VW0
2023	21,275,000	0.400	0.373	VS9	2028	17,925,000	0.990	0.995	VX8
2024	20,565,000	0.500	0.479	VT7	2029	17,310,000	1.140	1.145	VY6
2025	19,875,000	0.550	0.529	VU4	2030	16,715,000	1.280	1.245	VZ3
2026	19,200,000	0.770	0.773	VV2	2031	16,210,000	1.320	1.295	WA7

**The State is not responsible for the use of the CUSIP numbers referenced herein nor is any representation made by the State as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

(The page has been intentionally left blank)

STATE OF MINNESOTA OFFICIALS

GOVERNOR	Tim Walz
LIEUTENANT GOVERNOR	Peggy Flanagan
SECRETARY OF STATE	Steve Simon
STATE AUDITOR	Julie Blaha
ATTORNEY GENERAL	Keith Ellison
LEGISLATIVE AUDITOR	James R. Nobles

COMMISSIONER OF MANAGEMENT AND BUDGET

Myron Frans

TABLE OF CONTENTS

Unless otherwise indicated, information contained in this Official Statement is based upon material provided by the State and available at the date of publication of this Official Statement.

No dealer, broker, salesman or other person has been authorized by the State or Underwriters to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the State or Underwriters. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information. Certain information contained herein has been obtained from sources other than records of the State and is believed to be reliable, but it is not guaranteed. Information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there have not been any changes in the affairs of the State since the date hereof.

This Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "possible" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The State disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the State's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

SUMMARY STATEMENT

(The Summary Statement information is qualified in its entirety by the detailed information contained in this Official Statement)

Issuer:	State of Minnesota
Offering:	$330,360,000 General Obligation State Various Purpose Bonds, Series 2020A (the "Series 2020A Bonds") $152,020,000 General Obligation State Trunk Highway Bonds, Series 2020B (the "Series 2020B Bonds") $20,515,000 General Obligation Taxable State Various Purpose Bonds, Series 2020C (the "Series 2020C Bonds") $128,115,000 General Obligation State Various Purpose Refunding Bonds, Series 2020D (the "Series 2020D Bonds") $163,380,000 General Obligation State Trunk Highway Refunding Bonds, Series 2020E (the "Series 2020E Bonds") $223,970,000 General Obligation Taxable State Various Purpose Refunding Bonds, Series 2020F (the "Series 2020F Bonds") $180,190,000 General Obligation Taxable State Trunk Highway Refunding Bonds, Series 2020G (the "Series 2020G Bonds") *(collectively referred to as the "Bonds")*
Principal Amounts:	The principal amounts of each serial maturity of the Bonds are set forth on the inside cover pages.
Interest:	Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months, from the Dated Date of the Bonds, payable semiannually on each February 1 and August 1, commencing February 1, 2021.
Dated Date:	Date of Delivery, expected to be August 25, 2020.
Security:	General Obligations of the State of Minnesota to which its full faith, credit and taxing powers are pledged.
Book-Entry Bonds:	The Bonds will be issued in fully registered form without interest coupons in denominations of $5,000 and integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds.
Redemption:	The Series 2020A Bonds and the Series 2020B Bonds are subject to optional redemption by the State on and after August 1, 2030. The Series 2020C Bonds, the Series 2020D Bonds, the Series 2020E Bonds, the Series 2020F Bonds, and the Series 2020G Bonds are not subject to optional redemption prior to their maturity date. See "Optional Redemption" herein for additional information.

Continuing Disclosure:	See “CONTINUING DISCLOSURE” herein. See also APPENDIX G – CONTINUING DISCLOSURE UNDERTAKING”.
Bond Ratings:	The Bonds described herein have been rated “AAA” by Fitch Ratings, “Aa1” by Moody’s Investors Service Inc. and “AAA” by S&P Global Ratings.
Registrar/Paying Agent/ Escrow Agent:	The Bank of New York Mellon Trust Company, N.A.
Verification Agent:	Robert Thomas CPA, LLC
Legal Opinions:	The Bonds are approved as to validity by the State Attorney General and Kutak Rock LLP, as Bond Counsel. Only Kutak Rock LLP will provide the Opinion regarding the tax exemption of interest on the Series 2020A Bonds, the Series 2020B Bonds, the Series 2020D Bonds and the Series 2020E Bonds.
Bonds Outstanding:	The total amount of State general obligation bonds outstanding on the date of issuance of the Bonds, including these issues will be approximately $6.4 billion. The total amount of general obligation bonds authorized but unissued as of the date of issuance of the Bonds, will be approximately $1.52 billion. See “APPENDIX C – GENERAL OBLIGATION BONDS OUTSTANDING AS OF THE DATE OF ISSUE OF THE BONDS” and “GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED AS OF THE DATE OF ISSUE OF THE BONDS” on pages C-1 and C-2.
Additional Information:	Questions regarding this Official Statement should be directed to Jennifer Hassemer, Assistant Commissioner, Minnesota Management and Budget, jennifer.hassemer@state.mn.us, (651) 201-8079, Thomas Huestis, Public Resources Advisory Group, thuestis@pragadvisors.com (610) 580-7007 or Christine Fay, Public Resources Advisory Group, cfay@pragadvisors.com (610) 565-5990. Questions regarding legal matters should be directed to Gregory R. Dietrich, Kutak Rock LLP, (402) 346-6000, gregory.dietrich@kutakrock.com.

STATE OF MINNESOTA
$1,198,550,000
General Obligation State Bonds
consisting of

$330,360,000 General Obligation State Various Purpose Bonds, Series 2020A

$152,020,000 General Obligation State Trunk Highway Bonds, Series 2020B

$20,515,000 General Obligation State Taxable Various Purpose Bonds, Series 2020C

$128,115,000 General Obligation State Various Purpose Refunding Bonds, Series 2020D

$163,380,000 General Obligation State Trunk Highway Refunding Bonds, Series 2020E

$223,970,000 General Obligation Taxable State Various Purpose Refunding Bonds, Series 2020F

$180,190,000 General Obligation Taxable State Trunk Highway Refunding Bonds, Series 2020G

(collectively referred to as the "Bonds")

THE BONDS

General

This Official Statement, including the cover page and the Appendices (this "Official Statement"), has been prepared by the State of Minnesota Department of Management and Budget (the "Department" or "MMB") to furnish information relating to the $330,360,000 General Obligation State Various Purpose Bonds, Series 2020A (the "Series 2020A Bonds"), the $152,020,000 General Obligation State Trunk Highway Bonds, Series 2020B (the "Series 2020B Bonds"), the $20,515,000 General Obligation Taxable State Various Purpose Bonds, Series 2020C (the "Series 2020C Bonds"), the $128,115,000 General Obligation State Various Purpose Refunding Bonds, Series 2020D (the "Series 2020D Bonds"), the $163,380,000 General Obligation State Trunk Highway Refunding Bonds, Series 2020E (the "Series 2020E Bonds"), the $223,970,000 General Obligation Taxable State Various Purpose Refunding Bonds, Series 2020F (the "Series 2020F Bonds") and the $180,190,000 General Obligation Taxable State Trunk Highway Refunding Bonds, Series 2020G (the "Series 2020G Bonds") (collectively referred to as the "Bonds") of the State of Minnesota (the "State") to be dated the date of issuance, to prospective purchasers and actual purchasers of the Bonds. Prospective and actual purchasers should read this entire Official Statement.

Authorization and Purpose

The Bonds are being issued by the State, acting by and through its Commissioner of Management and Budget (the "Commissioner"), pursuant to the constitutional and statutory authority as hereinafter described.

The Series 2020A Bonds in the aggregate principal amount of $330,360,000 are being issued for the purpose of financing all or a portion of the cost of certain programs and capital projects, the types of which generally include educational facilities, parks, pollution control facilities, transportation, natural resources and agricultural enterprises.

The Series 2020B Bonds in the principal amount of $152,020,000 are being issued for the purpose of financing the cost of construction, improvement and maintenance of programs and projects of the State trunk highway system.

The Series 2020C Bonds in the principal amount of $20,515,000 are being issued for the purpose of financing all or a portion of the cost of certain programs and capital projects, the types of which generally include natural resources and agricultural enterprises.

The Series 2020D Bonds in the principal amount of $128,115,000 are being issued for the purpose of refunding $142,480,000 in General Obligation State Various Purpose Refunding Bonds, Series 2010D ("Series 2010D Refunded Bonds") and the Series 2020F Bonds in the principal amount of $223,970,000 are being issued for the purpose of refunding $219,250,000 in General Obligation State Various Purpose Bonds, Series 2011A ("Series 2011A Refunded Bonds", together with the Series 2010D Refunded Bonds, the "Various Purpose Refunded Bonds"). The proceeds to refund the Various Purpose Refunded Bonds will be placed in an irrevocable escrow fund and used, together with other available funds, to pay the principal of and interest on the Various Purpose Refunded Bonds to the dates on which such bonds mature or have been called for redemption and prepayment. The Various Purpose Refunded Bonds and the dates on which they will be called for redemption are described in APPENDIX D.

The Series 2020E Bonds in the principal amount of $163,380,000 are being issued for the purpose of refunding $112,500,000 in General Obligation Trunk Highway Bonds, Series 2010B ("Series 2010B Refunded Bonds") and $53,435,000 in General Obligation State Trunk Highway Refunding Bonds, Series 2010E ("Series 2010E Refunded Bonds") and the Series 2020G Bonds in the principal amount of $180,190,000 are being issued for the purpose of refunding $176,000,000 in General Obligation State Trunk Highway Bonds, Series 2011B ("Series 2011B Refunded Bonds", together with the Series 2010B Refunded Bonds and the Series 2010E Refunded Bonds, the "Trunk Highway Refunded Bonds"). The proceeds to refund the Trunk Highway Refunded Bonds will be placed in an irrevocable escrow fund and used, together with other available funds, to pay the principal of and interest on the Trunk Highway Refunded Bonds to the dates on which such bonds mature or have been called for redemption and prepayment. The Trunk Highway Refunded Bonds and the dates on which they will be called for redemption are described in APPENDIX D.

Constitutional Provisions.

Article XI, Section 5 of the Minnesota Constitution authorizes public debt to be incurred for (a) the acquisition and betterment of public land, buildings and other improvements of a capital nature, or for appropriations or loans to State agencies or political subdivisions for this purpose, as the Legislature by a three-fifths vote of both the House of Representatives and the Senate may direct; (b) repelling invasion or suppressing insurrection; (c) borrowing temporarily; (d) refunding outstanding bonds of the State or its agencies; (e) the construction of improvements to and maintenance of the State's trunk highway system; (f) promoting forestation and preventing and abating forest fires; (g) the construction, improvement and operation of airports and other air navigation facilities; (h) the development of the agricultural resources of the State by extending credit on real estate security; and (i) improving and rehabilitating railroad rights-of-way and other rail facilities; all as the Legislature may direct. Article XI requires all such debt to be evidenced by the issuance of State bonds maturing within 20 years of their date of issue, for which the full faith and credit and taxing powers of the State are irrevocably pledged. Public debt is defined by Article XI, Section 4 to include any obligation payable directly, in whole or in part, from a tax of statewide application on any class of property, income, transaction or privilege, but does not include any obligation which is payable from revenues other than taxes. The Minnesota Constitution places no limitation on the interest rate of bonds that may be authorized for these purposes.

Statutory Provisions.

The Series 2020A Bonds and the Series 2020C Bonds are authorized by Minnesota Statutes, Sections 16A.631 through 16A.675. The Series 2020B Bonds are authorized by Minnesota Statutes, Sections 167.50 through 167.52.

Minnesota Statutes, Section 16A.66, authorizes the issuance of general obligation state refunding bonds with the approval of the State's Executive Council. The issuance of the Series 2020D Bonds, the Series 2020E Bonds, the Series 2020F Bonds, and the Series 2020G Bonds were approved by resolutions of the State Executive Council on September 27, 2010, September 7, 2011, and June 5, 2013.

(The remainder of this page has been intentionally left blank)

Session Law Provisions.

Session laws authorizing the issuance of the Series 2020A Bonds and the amounts included in this issue are set forth below ("X" indicates Special Session Laws):[1]

Law Authorizing	Bonds This Issue[2]
Session 2009, Chapter 93	$ 500,000
Session 2010, Chapter 189	100,000
Session X2010, Chapter 1	300,000
Session 2012, Chapter 293	1,400,000
Session 2013, Chapter 136	1,500,000
Session 2014, Chapter 294	15,500,000
Session X2015, Chapter 5	7,700,000
Session X2017, Chapter 8	151,000,000
Session 2018, Chapter 214	219,000,000
Session 2019, Chapter 2	34,000,000
Session 2020, Chapter 67	4,500,000
Total:	$ 435,500,000

Session laws authorizing the issuance of the Series 2020B Bonds and the amounts included in this issue are set forth below ("X" indicates Special Session Laws):[1]

Law Authorizing	Bonds This Issue
Session 2008, Chapter 152	$ 30,000,000
Session 2012, Chapter 287	20,000
Session X2015, Chapter 5	12,000,000
Session X2017, Chapter 3	105,000,000
Session 2018, Chapter 214	5,000,000
Total:	$ 152,020,000

Session laws authorizing the issuance of the Series 2020C Bonds and the amounts included in this issue are set forth below.

Law Authorizing	Bonds This Issue
Session 2010, Chapter 189	$ 160,807
Session 2020, Chapter 67	20,525,000
Total:	$ 20,685,807

[1]See also "APPENDIX C – GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED" on page C-2 and "APPENDIX D – PROJECT DESCRIPTION".
[2] Including net premium deposited into the Capital Projects Fund.

Bond Terms

The Bonds mature on the dates and in the principal amounts and bear interest at the annual rates shown on the inside front cover page hereof. Such interest is computed on the basis of a 360-day year and twelve 30-day months. Interest on the Bonds is payable to Bondholders as of the 15th day of the preceding month semiannually on each February 1 and August 1 to maturity or prior redemption, if any, commencing February 1, 2021. If principal or interest is due on a date on which commercial banks are not open for business in the states of Minnesota and New York, then payment will be made on the first day thereafter when such banks are open for business.

The Bonds are issued in book entry form and in denominations of $5,000 or multiples thereof of a single interest rate of a single maturity for each series of Bonds. The Bonds will be issued initially registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Accordingly, printed Bonds will not be available to purchasers of the Bonds. For a description of the book entry system pursuant to which the Bonds will be issued see the section hereof entitled "BOOK ENTRY SYSTEM."

Optional Redemption

The Series 2020A Bonds and the Series 2020B Bonds maturing on or before August 1, 2030 will not be subject to redemption prior to their stated maturity dates. The Series 2020A Bonds and the Series 2020B Bonds maturing on or after August 1, 2031 will be subject to redemption and prepayment by the State at its option on August 1, 2030 and any business day thereafter, in whole or in part, in an order determined by the State and by lot within each maturity at a price of par plus accrued interest to the date specified for redemption.

The Series 2020C Bonds, the Series 2020D Bonds, the Series 2020E Bonds, the Series 2020F Bonds, and the Series 2020G Bonds are not subject to redemption prior to their stated maturity date.

Notices of Redemption

So long as the Bonds are registered in the name of the nominee of DTC or another securities depository designated for this purpose as indicated in the section hereof entitled "BOOK ENTRY SYSTEM," notice of any redemption of Bonds will be mailed only to such securities depository, which in turn is obligated to notify its participants who are obligated to notify the Beneficial Owners (as herein defined) of the Bonds. However, the State assumes no responsibility with respect to the giving of such notice of redemption by the securities depository or its participants.

If, in the future, the Bonds are not in book entry form, notice of any redemption of Bonds will be published in financial newspapers circulated in the Minneapolis-St. Paul metropolitan area and in the Borough of Manhattan, City and State of New York, not less than thirty days before the redemption date, stating: (i) the series, original date of issue, maturity dates, CUSIP numbers, and interest rates of the Bonds to be redeemed, (ii) if less than all Bonds of any maturity are to be redeemed, the registration numbers of those to be redeemed, (iii) the principal amount to be redeemed if less than the entire principal amount of any Bond, (iv) the redemption date and price and the name and address of the paying agent where such Bonds must be presented for payment, (v) that on the redemption date the redemption price of the Bonds or portions thereof to be redeemed will be payable, and (vi) that after the redemption date interest will cease to accrue or be payable thereon. Notice will also be mailed to the registered owner of any such Bond at the address shown on the bond register, not less than twenty days before the redemption date.

Notice of redemption having been so given, the Bonds or portion of Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the paying agent so as to be available therefor, interest thereon shall cease to accrue, and such Bonds or portions thereof shall no longer be considered outstanding under the Commissioner's order authorizing their issuance. The failure to publish notice of redemption shall not affect the validity or effectiveness of mailed notice, and the failure to mail notice to any registered owner, or any defect in the notice mailed to any registered owner, shall not affect the validity or effectiveness of the notice of redemption mailed to any other registered owner.

(The remainder of this page has been intentionally left blank)

SECURITY[1]

State Bond Fund and Property Tax: The Bonds are issued as general obligations of the State, and the laws authorizing their issuance pledge the full faith and credit and taxing powers of the State to the payment of the principal of and interest on the Bonds when due. The Minnesota Constitution, Article XI, requires the maintenance of a State bond fund (the "Debt Service Fund"), and provides that when the full faith and credit of the State has been pledged for the payment of State general obligation bonds, the State Auditor is required to levy each year a tax on all taxable property in the State in the amount needed, if any, along with the balance then on hand in the Debt Service Fund, to pay all principal and interest due and to become due on such State bonds through July 1 of the second ensuing year.

General Fund Appropriations: Article XI of the Minnesota Constitution also provides that no money is to be paid out of the State Treasury except pursuant to an appropriation. Each law authorizing the issuance of general obligation bonds appropriates moneys either directly or by reference to Minnesota Statutes, Chapter 16A, to the Debt Service Fund out of the General Fund (the "General Fund" as defined on page B-1) and, in some cases, from special enterprise or loan repayment funds, sufficient to provide for the payment of such bonds and interest thereon without the levy of a property tax otherwise required by the provisions of the Minnesota Constitution. Moneys on hand in the Debt Service Fund, including all moneys derived from: (i) the foregoing statutory appropriations; (ii) the levy of the State property tax required by the Minnesota Constitution if the amount of appropriated funds on hand does not equal the total required amount of the tax at the time the levy is required; and (iii) income from the investment of the foregoing, are appropriated for the payment of the principal of and interest on State general obligation bonds when due. If moneys on hand at the due date are not sufficient, the statutes also appropriate from the General Fund an amount equal to the deficiency. Since 1966, as a result of transfers of moneys to the Debt Service Fund from the General Fund each December, no State property tax has been levied to pay debt service on State general obligation bonds.

Minnesota Statutes, Section 16A.641, makes an annual appropriation to the Debt Service Fund from the General Fund of the amount that, added to the amount already on hand in the Debt Service Fund, is an amount needed to pay the principal of and interest on all State bonds due and to become due through July 1 in the second ensuing year. The transfer of the debt service appropriation from the General Fund to the Debt Service Fund for the Bonds included in this issue will be made by December 1 of each year. (Also see "APPENDIX C – NET AMOUNT TRANSFERRED TO DEBT SERVICE FUND FOR GENERAL OBLIGATION BONDS DEBT SERVICE" on page C-5.)

Additional Security — State Trunk Highway Bonds: The Minnesota Constitution, Article XIV, establishes a Trunk Highway Fund (the "Trunk Highway Fund" or "State Trunk Highway Fund") to be used solely for trunk highway system purposes and for the payment of principal of and interest on trunk highway bonds. Article XIV provides that the payment of the principal of and interest on State trunk highway bonds is "a first charge on money" coming into the State Trunk Highway Fund during the year in which the principal or interest is payable. Article XIV also establishes a Highway User Tax Distribution Fund to be used solely for highway purposes, authorizes the Legislature to impose taxes on motor vehicles and motor vehicle fuels, and requires the proceeds of such taxes to be paid into the Highway User Tax Distribution Fund. The Minnesota Constitution requires that 95% of the revenues deposited into the Highway User Tax Distribution Fund be distributed from such fund as follows: 62% to the Trunk Highway Fund, 29% to the County State Aid Highway Fund, and 9% to the Municipal State Aid Street Fund. The remaining 5% of Highway User Tax Distribution Fund revenues is distributed to the same three funds in accordance with a formula that the Legislature establishes. Currently these remaining revenues are all distributed to the County State Aid Highway Fund. According to the Minnesota Constitution, no change in the formula allocating the 5% may be made within six years of the last previous change. The current distribution formula was established in the 1998 Legislative Session. During the 2017 Legislative Sessions there were changes made to the

---

[1] While the State has adopted the revised Article 9 of the Uniform Commercial Code that generally covers security interests created by government debtors, Minnesota Statutes, Section 475.78 provides that Article 9 does not apply to security interests created by the State, except security interests in equipment and fixtures.

formulas prescribing how the amounts deposited to the County State Aid Highway Fund are distributed to individual counties.

Minnesota Statutes, Section 167.51, makes an annual appropriation to the trunk highway bond account in the Debt Service Fund from the State Trunk Highway Fund of the amount that, when added to the amount already on hand in the trunk highway bond account in the Debt Service Fund, is the amount needed to pay the principal of and interest on all State trunk highway bonds due and to become due through July 1 in the second ensuing year. The transfer of the debt service appropriation from the State Trunk Highway Fund to the trunk highway bond account in the Debt Service Fund for the State trunk highway bonds included in this issue will be made by December 1 of each year.

Waiver of Immunity: Under Minnesota Statutes, Section 3.751, the State has waived immunity from suit with respect to the controversies arising out of its debt obligations incurred pursuant to Article XI of the Minnesota Constitution, and has conferred jurisdiction on State District Courts to hear and determine such controversies. Accordingly, if the State fails to pay in full the principal of and interest on the Bonds when due, a holder of a Bond on which principal or interest is past due is entitled to commence an action in the District Court for Ramsey County, Minnesota, to enforce the pledge of the State's full faith and credit to the payment of such principal and interest.

SOURCES AND USES OF FUNDS

Various Purpose Bonds

Sources:	Series 2020A Bonds	Series 2020C Bonds	Series 2020D Bonds	Series 2020F Bonds	Total
Par Amount of Bonds	$330,360,000.00	$20,515,000.00	$128,115,000.00	$223,970,000.00	$702,960,000.00
Net Premium on Bonds	105,580,481.00	190,994.65	14,700,888.00	1,002,451.10	121,474,814.75
Transfer from State Bond Fund	-	-	3,552,025.00	9,766,700.00	13,318,725.00
Total Sources	$435,940,481.00	$20,705,994.65	$146,367,913.00	$234,739,151.10	$837,753,539.75
Uses:					
Capital Projects Fund	$435,260,000.00	$20,670,807.00	$ -	$ -	$455,930,807.00
Deposit to Escrow Account	-	-	143,328,539.31	233,575,676.15	376,904,215.46
Deposit to State Bond Fund	4,093.94	3,895.64	2,780,140.95	825,608.95	3,613,739.48
Underwriters' Discount	436,387.06	16,292.01	169,232.74	177,866.00	799,777.81
Cost of Issuance	240,000.00	15,000.00	90,000.00	160,000.00	505,000.00
Total Uses	$435,940,481.00	$20,705,994.65	$146,367,913.00	$234,739,151.10	$837,753,539.75

Trunk Highway Bonds

Sources:	Series 2020B Bonds	Series 2020E Bonds	Series 2020G Bonds	Total
Par Amount of Bonds	$152,020,000.00	$163,380,000.00	$180,190,000.00	$495,590,000.00
Net Premium on Bonds	15,410,119.10	14,767,925.70	150,939.65	30,328,984.45
Transfer from State Bond Fund	-	3,519,025.00	8,640,000.00	12,159,025.00
Total Sources	$167,430,119.10	$181,666,950.70	$188,980,939.65	$538,078,009.45
Uses:				
Capital Projects Fund	$151,910,000.00	$ -	$ -	$151,910,000.00
Deposit to Escrow Account	-	166,775,655.97	188,698,725.15	355,474,381.12
Deposit to State Bond Fund	15,144,084.10	14,608,301.78	2,656.80	29,755,042.68
Underwriter's Discount	266,035.00	162,992.95	149,557.70	578,585.65
Cost of Issuance	110,000.00	120,000.00	130,000.00	360,000.00
Total Uses	$167,430,119.10	$181,666,950.70	$188,980,939.65	$538,078,009.45

FUTURE FINANCINGS

The State anticipates the issuance of the following transactions by the State and State entities within the next six months:

Pursuant to Minnesota Statutes, Section 462A.37, the Minnesota Housing Finance Agency ("MHFA") received legislative authorizations to issue housing infrastructure bonds that are supported by a state general fund appropriation in the following years and principal amounts: up to $80,000,000 was authorized in 2018; and up to $60,000,000 was authorized in 2019. MHFA previously issued $10,960,000 under these authorizations. MHFA anticipates issuing approximately $107,960,000 under one or more of the remaining authorizations in August or September 2020.

Pursuant to the Minnesota Statutes, Section 16A.968, the Commissioner of Management and Budget may sell State Appropriation Bonds to finance up to $97,720,000 in public infrastructure costs to facilitate redevelopment within a newly created regional exchange district in the City of Duluth. The State anticipates issuing approximately $39,500,000 of these bonds during the fall of 2020.

See "APPENDIX C - STATE DEBT, CONTINGENT LIABILITIES, State Continuing Appropriations" and "APPENDIX C - STATE DEBT, OBLIGATIONS OF STATE AGENCIES."

POSSIBLE SPECIAL LEGISLATIVE SESSION

Minnesota Governor Walz declared a Peacetime Emergency on March 13, 2020 related to the spread of COVID-19 and most recently extended it on August 12, 2020 (see "APPENDIX B - COVID-19 PANDEMIC AND EXECUTIVE PEACETIME EMERGENCY ORDERS"). A subsequent extension of the Peacetime Emergency for another 30 days may require the Governor to call a special legislative session on or before September 11, 2020. The Governor and legislative leaders may continue to negotiate a limited agenda for a future special legislative session, which could be taken up later in September or October of 2020. The special legislative session may include a bonding bill, a tax bill and a supplemental budget bill. While the specifics of each bill have not been determined, it is possible that these bills would be similar to those proposed at the end of the Second Special Legislative Session that ended July 21, 2020.

The proposed bonding bill would have authorized $1.36 billion of State general obligation bonds, $300.3 million of trunk highway bonds, $147.4 million of State appropriation bonds and $38.8 million of General Fund resources for capital projects. A future tax bill could include modifications relating to the Internal Revenue Code of 1986, as amended (the "Code") section 179 expensing for State income and corporate taxes and smaller changes to other taxes. A future supplemental budget bill could make modifications to current agency appropriations including investments in some areas with possibility of offsetting reductions in other areas.

No assurance can be given that Minnesota Governor Walz will actually convene a special session, or that any proposed legislation described above would actually be considered in any such special session, that other legislation might not also be introduced during any such special session, or that any proposed legislation considered during such special session would actually be approved by the legislature or signed or vetoed by the Governor.

BOOK ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity for each series of the Bonds in the aggregate principal amount thereof and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust` companies, clearing corporations, and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Direct Participants and Indirect Participants (collectively, the "Participants") are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is, in turn, to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar of the Bonds ("Registrar") and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, redemption price and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or its nominee or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Registrar's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The above information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the completeness or the accuracy thereof, or as to the absence of material adverse changes in such information subsequent to the date hereof.

The State cannot and does not give any assurances that DTC, or a successor securities depository, or Participants will distribute to the Beneficial Owners of the Bonds: (i) payments of principal of or interest and premium, if any, on the Bonds; (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in the Bonds; or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, or a successor securities depository, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC or the Participants will serve and act in the manner described in this Official Statement.

The State will have no responsibility or obligation to any Participant, or any Beneficial Owner or any other person with respect to: (i) the Bonds; (ii) the accuracy of any records maintained by DTC, or a successor securities depository, or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (iii) the payment by DTC, or a successor securities depository, or any Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (iv) the delivery by DTC, or a successor securities depository, or any Participant of any notice to any Beneficial Owner which is required or permitted to be given to owners of the Bonds; (v) the selection of which Beneficial Owners will receive payment in the event of any partial redemption of the Bonds; (vi) any consent given or other action taken by DTC, or a successor securities depository as a Bondholder; or, (vii) the performance by DTC, or any successor securities depository, of any other duties as securities depository.

TAX MATTERS

The Tax-Exempt Bonds

General. In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing federal and Minnesota laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants described below, the interest to be paid on the Series 2020A Bonds, the Series 2020B Bonds, the Series 2020D Bonds, and the Series 2020E Bonds (collectively, the "Tax-Exempt Bonds") is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend on such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Arbitrage/Use of Proceeds. Failure to comply with certain provisions of the Code, may cause interest on the Tax-Exempt Bonds to become subject to federal and Minnesota income taxation retroactive to the date of issuance of the Tax-Exempt Bonds. These provisions include investment restrictions, required periodic payments of arbitrage profits to the United States, and requirements concerning the timely and proper use of Tax-Exempt Bond proceeds and the facilities and activities financed or refinanced therewith and certain other matters. The documents authorizing the issuance of the Tax-Exempt Bonds include provisions which, if complied with by the State, are designed to meet the requirements of the Code. Such documents also include a covenant of the Commissioner to take all legally permissible actions necessary to preserve the tax exemption of interest on the Tax-Exempt Bonds. However, no provision is made for redemption of the Tax-Exempt Bonds or for an increase in the interest rate on the Tax-Exempt Bonds in the event that interest on the Tax-Exempt Bonds becomes subject to federal or Minnesota income taxation.

Discount Bonds. The Series 2020B Bonds having a stated maturity in the years 2036 through 2039 (the “Discount Bonds”) are being sold at a discount from the principal amount payable on the Discount Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue discount” under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under Section 1288 of the Code is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes to the same extent that stated interest on such Discount Bonds would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under Section 1288 is added to the tax basis of the owner in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity). Original issue discount is taxable under the Minnesota franchise tax on corporations and financial institutions.

Interest in the form of original issue discount accrues under Section 1288 pursuant to a constant yield method that reflects semiannual compounding on days that are determined by reference to the maturity date of the applicable Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of: (1) the product of (a) one-half of the yield to maturity on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable on such Discount Bond for such semiannual accrual period. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Discount Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond.

Except for the Minnesota rules described above, no opinion is expressed as to state and local income tax treatment of original issue discount.

Purchasers of Discount Bonds should consult their own tax advisors with respect to computation and accrual of original issue discount and with respect to the state and local tax consequences of owning and selling such Discount Bonds.

Premium Bonds. The Series 2020B Bonds having stated maturities in the years 2021 through 2034 and 2040 and all maturities of the Series 2020A Bonds, the Series 2020D Bonds and the Series 2020E Bonds, (the "Premium Bonds"), are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Premium Bonds must, from time to time, reduce their federal and Minnesota tax bases for the Premium Bonds for purposes of determining gain or loss on the sale, redemption or payment at maturity of such Premium Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire Premium Bonds might recognize taxable gain upon sale of such Premium Bonds, even if such Premium Bonds are sold for an amount equal to or less than their original cost. The amount of premium amortized in any period offsets a corresponding amount of interest for such period. Amortized premium is not deductible for federal or Minnesota income tax purposes. Purchasers of Premium Bonds should consult their own tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling such Premium Bonds.

Recognition of Income Generally. Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Tax-Exempt Bonds under the Code.

Collateral Tax Matters. The following tax provisions also may be applicable to the Bonds and interest thereon:

(1) Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain Social Security and Railroad Retirement benefits to take into account interest on the Tax-Exempt Bonds in determining the taxability of such benefits;

(2) passive investment income, including interest on the Tax-Exempt Bonds, may be subject to taxation under Section 1375 of the Code and corresponding provisions of Minnesota law for an S corporation that has accumulated earnings and profits at the close of the taxable year if more than 25 percent of its gross receipts is passive investment income;

(3) interest on the Tax-Exempt Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code;

(4) in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Tax-Exempt Bonds that is received or accrued during the taxable year;

(5) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Tax-Exempt Bonds, and Minnesota law similarly denies a deduction for such interest expense in the case of individuals, estates and trusts; indebtedness may be allocated to the Tax-Exempt Bonds for this purpose even though not directly traceable to the purchase of the Tax-Exempt Bonds;

(6) federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Tax-Exempt Bonds;

(7) in the case of a financial institution, no deduction is allowed under the Code for that portion of the holder's interest expense which is allocable to interest on the Tax-Exempt Bonds within the meaning of Section 265(b) of the Code; and

(8) receipt of interest on the Tax-Exempt Bonds may affect taxpayers otherwise entitled to claim the earned income credit under Section 32 of the Code.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership, disposition, or receipt of interest on the Tax-Exempt Bonds. Prospective purchasers or bondholders should consult their tax advisors with respect to collateral tax consequences and applicable state and local tax rules in states other than Minnesota.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax-Exempt Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

The Taxable Bonds

General. The interest on the Series 2020C Bonds, the Series 2020F Bonds, and the Series 2020G Bonds (collectively, the "Taxable Bonds") is included in gross income for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Purchasers of the Taxable Bonds should consult their own tax advisors as to the federal, state or local tax consequences of purchasing, owning or selling the Taxable Bonds.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Taxable Bonds if the purchasers, upon issuance, fail to supply their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide a certified statement, under penalty of perjury, that they are not subject to backup withholding.

Changes in Federal and State Tax Law

From time-to-time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time-to-time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LEGAL OPINIONS

Legal matters incident to the authorization, issuance and sale of the Bonds will be passed upon by Kutak Rock LLP, Bond Counsel, and the State Attorney General. Kutak Rock LLP will offer an opinion as to tax status of interest on the Bonds. The forms of legal opinions to be issued by Kutak Rock LLP with respect to the Bonds are set forth in APPENDIX H.

FINANCIAL INFORMATION

General financial information relating to the State is set forth in the Official Statement, Appendices A through F, and is a part of this Official Statement. An overview of State actions taken in response to the public health crisis caused by the strain of coronavirus called COVID-19 and certain known impacts on the State's economy and its financial condition to date are included in APPENDIX B. Selected statements from the State's most recent audited financial statements are included as APPENDIX F.

The Office of the Legislative Auditor, the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report included in APPENDIX F, any procedures on the financial statements addressed in that report. The Office of the Legislative Auditor also has not performed any procedures relating to this offering document.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the State, overtly threatened any litigation against the State seeking to restrain or enjoin the sale, issuance, execution or delivery of the Bonds, or in any manner questioning or affecting the validity of the Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

While at any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State's expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 19 to the State Financial Statements for Fiscal Year Ended June 30, 2019, included as APPENDIX F hereto, and additional actions, if any, discussed below, no pending actions are likely to have a material adverse effect in excess of $15 million on the State's expenditures or revenues during the current biennium.

The following is a discussion of developments regarding the actions described in referenced Note 19 that have occurred and are subsequent to the date of the financial statements included in APPENDIX F hereto, and a description of additional actions which have been initiated against the State since the date of the financial statements included in APPENDIX F and are material for purposes of this Official Statement.

Murphy, et al. v. Minnesota Department of Human Services (DHS) et al. (United States District Court, District of Minnesota). The Court stated in April that the trial could occur in November of 2020 at the earliest.

State of Texas et al. v. United States of America et al. (United States District Court, Northern District of Texas). The Fifth Circuit affirmed the district court's conclusion that the individual mandate is unconstitutional, but remanded for further severability analysis. The U.S. Supreme Court granted certiorari, and the matter is currently in the briefing stage.

Target Corporation v. Commissioner of Revenue (Minnesota Tax Court). Target Corporation challenges the Commissioner's denial of its claim for refund of sales tax it paid on computer software. Target contends the software was purchased for use in a "qualified data center" and is therefore exempt from sales tax under Minn. Stat. § 297A.68, subd. 42. The Commissioner contends that the software was distributed from the center for use at other locations where Target does business, and was not "for use in" the data center itself. This is the first case related to qualified data center sales tax refunds, and there are a number of other similar claims in process that will be affected by the outcome of this litigation. The matter is scheduled to be ready for dispositive motion practice in December 2020 with a tax court decision following likely before June 2021. It is estimated that an unfavorable decision will result in $36,400,000 of refund claims for fiscal year 2022, of which $18,900,000 will be for retroactive claims and $17,500,000 will be for prospective claims. The fiscal year 2023 impact is estimated to be $9,400,000.

CONTINUING DISCLOSURE

The Commissioner, in the order authorizing and ordering the issuance of the Bonds, has covenanted and agreed on behalf of the State, for the benefit of the holders of the Bonds from time to time, to comply with the provisions of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, paragraph (b)(5) as currently in effect; and, for this purpose, to provide to the Municipal Securities Rulemaking Board annual financial information of the type included in this Official Statement, including audited financial statements, and notice of the occurrence of certain events which materially affect the terms, payment, security, rating or tax status of the Bonds. The State is the only "obligated person" in respect of the Bonds within the meaning of paragraph (b)(5). A description of the Commissioner's undertaking is set forth in APPENDIX G.

In November of 2014, the State submitted a report to the Securities and Exchange Commission (the "SEC") in response to its Municipal Continuing Disclosure Cooperation Initiative (the "MCDC"). The MCDC provided an opportunity for underwriters and municipal issuers to self-report instances where official statements of municipal issuers failed to report instances in which the municipal issuer failed to comply with its continuing disclosure undertakings.

On August 24, 2016, the SEC issued a Cease-and-Desist Order (the "Order") pursuant to which the State has undertaken the following:

a. Within 180 days of the entry of the Order, establish appropriate written policies and procedures and periodic training regarding continuing disclosure obligations to effect compliance with the federal securities laws, including the designation of an individual or officer at the State responsible for ensuring compliance by the State with such policies and procedures and responsible for implementing and maintaining a record (including attendance) of such training.

b. Within 180 days of the entry of the Order, comply with existing continuing disclosure undertakings, including updating past delinquent filings if the State is not currently in compliance with its continuing disclosure obligations.

c. Disclose in a clear and conspicuous fashion the terms of the Order in any final official statement for an offering by the State within five years of the entry of the Order.

d. Certify, in writing, compliance with the undertakings set forth above.

e. Cooperate with any subsequent investigation by the SEC's Division of Enforcement regarding the false statement(s) and/or material omission(s), including the roles of individuals and/or other parties involved.

Prior to the entry of the Order, the State (i) established written policies and procedures to improve compliance with continuing disclosure obligations, including the designation of an individual responsible for ensuring compliance with such policies and procedures, and (ii) implemented a review of past filings to ensure compliance with existing continuing disclosure undertakings and updated past delinquent filings in the final official statement, dated August 5, 2015, for the State's $1,076,980,000 State of Minnesota, General Obligation Bonds, Series 2015A-E. On August 11, 2017, the State certified compliance with the Order to the SEC.

MUNICIPAL ADVISOR

Public Resources Advisory Group, New York, New York, is serving as Municipal Advisor to the State in connection with the issuance of the Bonds. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Municipal Advisor is not obligated to undertake to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical computations of the adequacy of maturing amounts of principal and interest on the obligations placed in escrow to pay, when due, the principal of, premium, if any, and the interest on the Various Purpose Refunded Bonds and the Trunk Highway Refunded Bonds will be verified by Robert Thomas CPA, LLC.

UNDERWRITING

The Commissioner acting on behalf of the State has sold the Series 2020A Bonds at public sale to RBC Capital Markets, LLC, as Series 2020A Underwriter, for a price of $435,504,093.94, with the Series 2020A Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2020B Bonds at public sale to Wells Fargo Bank, N.A., as Series 2020B Underwriter, for a price of $167,164,084.10, with the Series 2020B Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2020C Bonds at public sale to Morgan Stanley & Co. LLC, as Series 2020C Underwriter, for a price of $20,689,702.64, with the Series 2020C Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2020D Bonds at public sale to RBC Capital Markets, LLC, as Series 2020D Underwriter, for a price of $142,646,655.26, with the Series 2020D Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2020E Bonds at public sale to Morgan Stanley & Co. LLC, as Series 2020E Underwriter, for a price of $177,984,932.75, with the Series 2020E Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2020F Bonds at public sale to Morgan Stanley & Co. LLC, as Series 2020F Underwriter, for a price of $224,794,585.10, with the Series 2020F Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2020G Bonds at public sale to Wells Fargo Bank, N.A., as Series 2020G Underwriter, for a price of $180,191,381.95, with the Series 2020G Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Wells Fargo Bank, N.A. collectively are referred to as the Underwriters, herein.

The following language has been provided by Morgan Stanley & Co. LLC. The State takes no responsibility as to the accuracy or completeness thereof.

Morgan Stanley & Co. LLC., an underwriter of the Series 2020C Bonds, the Series 2020E Bonds and the Series 2020F Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2020C Bonds, the Series 2020E Bonds and the Series 2020F Bonds.

RATINGS

The Bonds described herein have been rated "AAA" by Fitch Ratings, "Aa1" by Moody's Investors Service Inc. and "AAA" by S&P Global Ratings. The ratings reflect only the views of these services. These bond ratings are subject to change or withdrawal by the rating agencies at any time. Therefore, after the date hereof investors should not assume that such ratings are still in effect. A revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

(The remainder of this page has been intentionally left blank)

AUTHORIZATION OF OFFICIAL STATEMENT

The State has prepared and delivered this Official Statement to the Underwriters of the Bonds and has authorized the Underwriters to use it in connection with the offering and sale of the Bonds to investors.

/s/ Myron Frans
Commissioner of Management and Budget
State of Minnesota

APPENDIX A

STATE GOVERNMENT AND FISCAL ADMINISTRATION

(This page has been intentionally left blank.)

APPENDIX A

STATE GOVERNMENT AND FISCAL ADMINISTRATION

Table of Contents

(This page has been intentionally left blank.)

STATE GOVERNMENT AND FISCAL ADMINISTRATION

State Government

The State was formally organized as a territory in 1849 and was admitted to the Union on May 11, 1858, as the 32nd state. Bordered by Canada on the north, Lake Superior and Wisconsin on the east, Iowa on the south, and North and South Dakota on the west, it is the 12th largest and 21st most populous state in the Union.

The State's Constitution organizes State government into three branches: Executive, Legislative and Judicial.

The Executive Branch is headed by the Governor. The Governor, Lieutenant Governor, Attorney General, State Auditor, and Secretary of State are popularly elected to four year terms and together serve on the State's Executive Council (the "Executive Council"). There are 18 departments and over one hundred agencies, boards, councils, and authorities which comprise the Executive Branch. Most departments and agency heads are appointed and serve at the pleasure of the Governor, subject to confirmation by the Senate.

The Legislative Branch is composed of a Senate and a House of Representatives. There are 67 senators who serve four year terms and there are 134 house members that serve two year terms.

The Judicial Branch is headed by a Supreme Court. Three levels of courts function within the Judicial Branch: Supreme Court, Appellate Court, and District Courts.

Fiscal Administration

The Commissioner of the Department of Minnesota Management and Budget ("Management and Budget" or "MMB") is designated by statute as the chief accounting officer, the principal financial officer, and the State controller and is assigned responsibility for the administration of the financial affairs of the State. The Commissioner is also responsible for human resource management, employee insurance and collective bargaining on behalf of the State as an employer. On August 12, 2020, the Governor announced that the current Commissioner of MMB, Myron Frans, will be retiring from State employment on September 1, 2020 and Jim Schowalter, a former Commissioner of MMB, will be joining the Walz administration as Commissioner of MMB as of September 2, 2020. Included in the financial duties of the Commissioner of Management and Budget are:

- Preparation of State biennial budget and capital budget.
- Maintenance of general books of account and administration of the statewide accounting system including a central disbursement system.
- Administration of the State payroll system.
- Sale and issuance of State general obligation bonds, certain revenue bonds and certain State appropriation bonds, general obligation certificates of indebtedness, certificates of participation and equipment lease purchase financings.
- Preparation of periodic and special reports on the financial affairs of the State.
- Operation and control of allotment system (annual agency operating budgets).
- Preparation of revenue, expenditure and cash flow estimates.
- Banking and cash management activities.
- Receiving and accounting for all moneys paid into the State treasury to ensure they are properly disbursed or invested.
- Negotiation and administration of bargaining agreements and compensation plans.
- Development and management of employee, retiree and dependent insurance benefits.

Accounting System

State law requires the Commissioner of Management and Budget to maintain an accounting system that shows at all times, by funds and items, amounts appropriated and estimated revenues therefore; amounts allotted and available for expenditure; amounts of obligations authorized to be incurred; actual receipts, disbursements; balances on hand; and unencumbered balances after deduction of all actual and authorized expenditures.

State law requires the Commissioner of Management and Budget to administer the payroll of all employees of the executive branch of government.

The accounting system is organized on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Funds are established for the purpose of carrying on specific activities or objectives in accordance with legal requirements.

Financial Reporting

State law requires the Commissioner of Management and Budget to prepare a comprehensive financial report for each fiscal year of the State in conformance with generally accepted accounting principles by the December 31 following the end of the fiscal year. These reports are audited by the Legislative Auditor. The Legislative Auditor's opinion and the Fiscal Year 2019 basic financial statements are presented in APPENDIX F and general long-term debt unaudited schedules are presented in APPENDIX C.

Investments

The State Board of Investment, comprised of four of the State's constitutional officers, is responsible for the formulation of State investment policies and for the purchase and sale of securities. Moneys from various funds are invested according to requirements on types and terms of investments imposed by law on each grouping. The investments are grouped as follows:

- Invested Treasury Cash — temporary investment of a pool of cash, not immediately needed, from funds other than funds dedicated by the State constitution, State law, or by federal law.

- Highway Funds — temporary investment of bond proceeds and receipts not immediately needed.

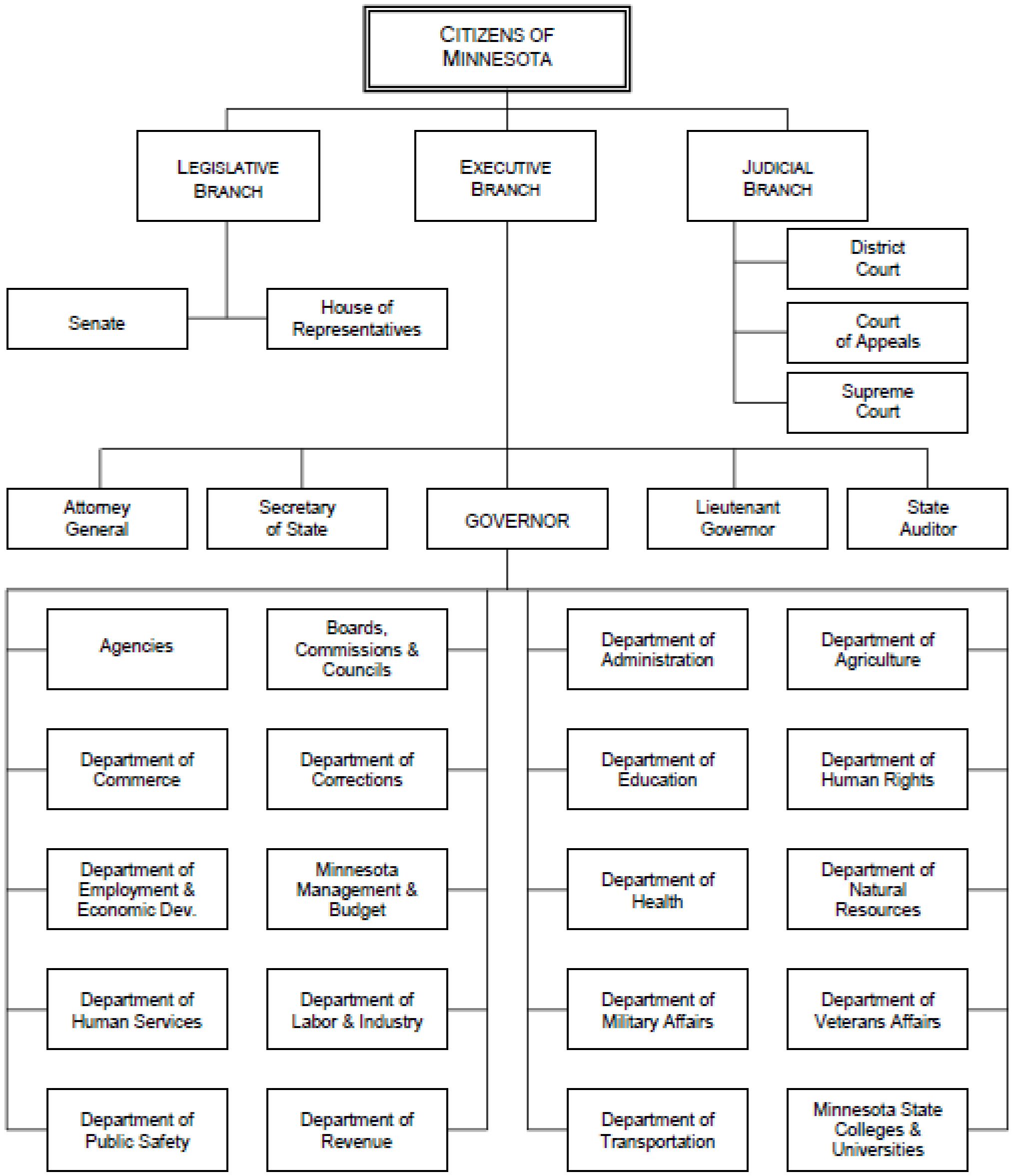
- Various retirement funds — investment of assets and reserves.

- Trust Funds — investment of assets and reserves.

- Other departmental funds.

See "APPENDIX B – MINNESOTA DEFINED BENEFIT PENSION PLANS", for information on the investment of State sponsored pension plans and retirement funds.

A general organization chart of the State government is shown below. This diagram displays the various categories of the State's service functions and the organization units associated with the delivery of the service activities.



Revenues

The Department of Revenue exercises general supervision over the administration of the taxation and assessment laws of the State. In the exercise of such power, the Department of Revenue promulgates guidelines to ensure that property tax laws are administered uniformly by local governmental units and that the assessments of property are made on an equal basis throughout the State.

The Department of Revenue administers taxes due to the State by collecting, among others, individual income and corporation taxes, sales and use taxes, estate taxes, motor fuel taxes and excise taxes on liquor and tobacco. Additionally, the Department of Revenue is responsible for informing localities when their expenditures exceed the limit set for them by the State Legislature.

Audit Control Procedures

The Office of the Legislative Auditor is the post audit agency of all State departments, agencies, boards and commissions. The Office of the Legislative Auditor conducts the audits of all accounts, records, inventories, vouchers, receipts, funds, securities, and other assets at least once a year, if funds and personnel permit, and more often if deemed necessary or as directed by the Legislature or the Legislative Audit Commission. As an agency of the legislative branch, the Office of the Legislative Auditor is independent of the executive branch and the departments, boards, commissions and other agencies thereof that it is responsible for auditing.

Status of Collective Bargaining and Compensation Plans

The State has a total of 19 bargaining units for State employees, including three faculty bargaining units whose labor contracts are negotiated and maintained by the Minnesota State Colleges and Universities System ("Minnesota State") and three bargaining units whose labor contracts are negotiated and maintained by the Judicial Branch.

Each odd-numbered year, MMB negotiates the terms and conditions of employment with the seven exclusive representatives for State employees of the Executive Branch covered by one of the 13 non-faculty labor units listed in the table below. MMB also reviews compensation plans for employees not represented by a union. All Executive Branch contracts and compensation plans are subject to review and approval by the Legislature. The following is a summary that shows the number of Executive Branch employees assigned to State bargaining units.

INFORMATION ON EXECUTIVE BRANCH STATE BARGAINING UNITS

Unit	Employees as of May 2020
American Federation of State, County and Municipal Employees (AFSCME) (7 bargaining units)	17,067
MN Association of Professional Employees (MAPE)	15,458
Middle Management Association (MMA)	3,251
MN Government Engineers Council (MGEC)	1,140
MN Nurses Association (MNA)	882
MN Law Enforcement Association (MLEA)	809
State Residential Schools Education Association (SRSEA)	176
State College Faculty Association (MSCF)	3,765
State University Interfaculty Organization (IFO)	2,782
State University Admin and Service Faculty (MSUAF)	819
Total Represented Employees	46,149
Total State Employment	52,414
Percent of All Executive Branch Employees Unionized	88%

Previous Biennium labor contracts for all Executive Branch bargaining units expired on June 30, 2019. By statute, these contracts remain in effect until subsequent agreements are reached or contracts are cancelled when the right to strike matures. As of the date of this Official Statement, the State has entered into final contracts with all seven of the AFSCME bargaining units, MAPE, MMA, MNA, MGEC, SRSEA, MSCF, IFO, and MUSAF for employees in the Executive Branch for the Current Biennium. The State has a tentative agreement with MLEA as of June 22, 2020, the remaining bargaining unit without a settlement.

The Judicial Branch has ratified contracts with the AFSCME bargaining unit representing 867 employees and two Teamsters bargaining units representing 568 employees. The Judicial Branch has approximately 2,520 employees not including law clerks, judges or justices.

Cybersecurity

Computer networks and data transmission and collection are vital to the efficient operation of the State. The State's services and systems may be critical to operations or involve the storage, processing and transmission of sensitive data. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of the State's or other third party data or systems; theft of sensitive, regulated, or confidential data including personal information; the loss of access to critical data or systems; and service or system disruptions or denials of service. Although the State does not believe that its information technology ("IT") systems are at a materially greater risk of cybersecurity attacks than other similarly-situated governmental entities, any such disruption, access, disclosure or other loss of information could have an adverse effect on the State's operations and financial health.

The Office of Minnesota Information Technology Services ("MNIT") is led by a Chief Information Officer, a Chief Information Security Officer, and Chief Business Technology Officers, who support individual state agency leadership. MNIT is responsible for, among other duties, serving as a cyber risk advisor to the executive branch and training on cybersecurity practices, and has further implemented multifactor authentication and expanded and enhanced secure teleworking capabilities for the State's workforce in response to the COVID-19 pandemic.

To provide advice and recommendations for improving the state of IT for Minnesotans, the Governor established a Blue Ribbon Council on Information Technology ("Council") in February 2019 consisting of executive branch representatives, county IT leaders, union representation, IT experts from the private sector, and state legislators. In June 2020, the Council published a consensus report listing 24 recommendations related to topics including data privacy, cybersecurity, information technology systems modernization, and organizational change management. Recommendations include adding a chief privacy officer outside of MNIT to coordinate and support the development and application of a consistent approach to data privacy across state agencies; establishing a legislative coordinating committee focused on IT-related issues; creating an enterprise-wide data management and governance framework; and developing a consistent and long-term IT funding strategy. The Council expects to issue a subsequent report by February 2021 addressing additional IT-related matters.

(The remainder of this page has been intentionally left blank.)

(This page has been intentionally left blank.)

APPENDIX B

STATE FINANCES

(This page has been intentionally left blank.)

APPENDIX B

STATE FINANCES

Table of Contents

This Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The State disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the State's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

(The remainder of this page has been intentionally left blank.)

STATE FINANCES

FINANCIAL STATEMENTS

The basic financial statements for the State for the Fiscal Year ended June 30, 2019, are included herein as APPENDIX F. These financial statements provide financial information for the State's General Fund, as defined by generally accepted accounting principles, as set forth in the audited financial statements included in APPENDIX F and other major funds; for all other funds, such information is combined into non-major governmental and non-major enterprise funds, which includes the Debt Service Fund. These financial statements have been examined by the Legislative Auditor, independent auditor for the State to the extent indicated in his report included in APPENDIX F. The Legislative Auditor's report and the financial statements, including the Notes, should be read in their entirety. Such financial statements have been included in APPENDIX F in reliance upon the report of the Legislative Auditor. The revenues and expenditures presented consistent with Generally Accepted Accounting Principles for Fiscal Years 2017 through 2019 are summarized on page B-6.

Past Financial Reports

The State's Comprehensive Annual Financial Reports, including information by individual fund for Fiscal Year 2019 and prior years are available at https://mn.gov/mmb/accounting/reports/.

FINANCIAL INFORMATION

Budgeting Process

Major operating budget appropriations for each biennium are enacted during the final legislative session of the immediately preceding biennium (i.e. in odd-numbered calendar years). Supplemental appropriations and changes in revenue and expenditure measures are usually adopted during legislative sessions in even-numbered calendar years.

The Minnesota constitution limits the number of days that the Minnesota Legislature (the "Legislature") may meet to a maximum of 120 days during a biennium. The number of days may be split between the two years in a biennium, provided that the Legislature may not meet in a regular session after the first Monday following the third Saturday in May of any year. The regular sessions of the Legislature are scheduled for and occur between January 2 and the first Monday following the third Saturday in May of each year. Special sessions may be called by the Governor.

Revenue and expenditure forecasts are performed in February and November of each calendar year. See "REVENUE AND EXPENDITURE FORECASTING" in this APPENDIX B. Forecasts are performed for the then current biennium and for next succeeding biennium. Based upon the results of these forecasts, the Governor may recommend revenue and expenditure changes that are then recommended to the Legislature. In addition, the Legislature may, also based on these forecasts, approve budget changes.

The February and November forecasts for the biennium during which the forecasts are made are used to evaluate if the State is on track to finish that biennium with a balanced budget, and may be used by the Governor and the Legislature to revise the budget for that biennium.

The November forecast in even-numbered years for the next succeeding biennium becomes the basis for the Governor's budget recommendations for that biennium. All subsequent February and November forecasts for that biennium supplement and revise the original even-numbered year November forecast with more current data, and the Governor may use these forecasts to submit modifications to the budget that was developed from the original even-numbered year November forecast.

General Fund

The General Fund includes all financial resources except those required to be accounted for in another fund.

Revenues, expenditures, transfers and fund balance information in budgetary fund statements may differ from those in the State's Generally Accepted Accounting Principles ("GAAP") based Comprehensive Annual Financial Report ("CAFR") See APPENDIX F for the most recent CAFR. for three primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. In the modified accrual basis used in the CAFR, expenditures are recognized when goods or services are received regardless of the year encumbered. Second, on a budgetary basis, encumbrances are recognized as expenditures in the year encumbered. Third, as a result of implementing GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", several funds are included in the GAAP fund balance, which are not included in the budgetary fund balance, as these funds are not appropriated funds with legislatively enacted budgets. The budgetary fund statements do not represent the State's official financial report, but rather are prepared as a supplement to the budget documents.

Cash Flow Account

The cash flow account (the "Cash Flow Account") was established in the General Fund for the purpose of providing sufficient cash balances to cover monthly revenue and expenditure imbalances. The amount and use of funds in the Cash Flow Account is governed by statute.

Budget Reserve Account

A budget reserve account (the "Budget Reserve Account") was established in the General Fund, as a special account (separate from the Cash Flow Account) that serves as a savings account to be used to offset budget shortfalls during economic downturns. Funds in the Budget Reserve Account may be spent in the event that projected General Fund receipts will be less than forecast, and the amount of resources available for the remainder of the biennium will be less than needed to cover authorized spending. Funds in the Budget Reserve Account may be used, after consultation with the Legislative Advisory Commission, to the extent needed to balance expenditures with revenues. The amount and use of funds from the Budget Reserve Account and its replenishment are governed by statute. Minnesota Statutes Section 16A.152 directs MMB to allocate funds to the Budget Reserve Account as part of the November budget forecast when the balance in the Budget Reserve Account is below the level recommended to adequately manage the volatility of the General Fund tax structure. If the Budget Reserve Accounts level is below the target and there is a positive forecast balance in the current biennium, up to thirty-three percent of the forecast balance is allocated to the Budget Reserve Account until the target level is reached. See "BIENNIUM BUDGETS – 2020 Legislative Sessions – Current Biennium" in this APPENDIX B.

Stadium General Reserve Account

A stadium general reserve account (the "Stadium Reserve Account") was established in the General Fund by the 2012 Legislature pursuant to Minnesota Laws 2012, Chapter 299 ("Stadium Legislation"). Available revenues as defined in the Stadium Legislation (including certain excise taxes and gambling revenues) are deposited in the Stadium Reserve Account pursuant to Minnesota Statutes, Section 297E.021, subdivision 2. In the 2013 Legislative Session, as part of the cigarette and tobacco products tax increase, the Legislature provided a one-time deposit of the cigarette floor stocks tax (up to $26.5 million) into the Stadium Reserve Account. Amounts in the Stadium Reserve Account are appropriated as necessary for application against any shortfall in the amounts deposited to the General Fund under Minnesota Statutes, Section 297A.994. After consultation with the Legislative Commission on Planning and Fiscal Policy, amounts in the Stadium Reserve Account are also available for other uses related to the professional football stadium authorized under Minnesota Statutes Chapter 473J.

Control Procedures

Dollar Control: Expenditures in excess of legislative appropriations are prohibited by law. In order to prevent spending in excess of appropriations, MMB requires State agencies to identify their appropriations and establish them in the State's accounting system as the limit on spending. The accounting system will reject transactions that exceed these limits. This control procedure is designed to prevent agencies from spending from unauthorized sources of funds.

Allotment and Encumbrance Control: Before money can be disbursed pursuant to an appropriation, it must first be allotted (administratively allocated and approved for expenditure). Prior to each fiscal year, MMB allots the applicable State agency appropriations based on legislatively-enacted budgets. An allotment is a subdivision of an appropriation into smaller, detailed components used by agencies to budget expenditures by category of expenditure. The accounting system prevents allotments from exceeding appropriations.

Once allotments have been established, but before spending obligations can be incurred, for most purchases agencies must establish encumbrances against their allotments. Encumbrances are the accounting control device agencies use for reserving portions of their allotments for expenditures that will soon be incurred. The encumbrance process helps agencies keep track of their outstanding obligations, and the accounting system prevents agencies from encumbering more funding than has been allotted.

Executive Budget Officer Oversight: MMB assigns an Executive Budget Officer to each State agency for the purposes of approving agency accounting structures, appropriations, and allotments, and for monitoring overall agency revenues and expenditures.

Monthly Reports: MMB maintains a data warehouse which is used to produce reports on revenues and expenditures that agency staff and Executive Budget Officers use to monitor agency spending and receipts.

Balanced Budget

Minnesota's Constitution prohibits borrowing for operating purposes beyond the end of a biennium. Options for dealing with a projected deficit are provided for in statute. Borrowing for cash flow purposes within a biennium is allowed; however, revenues for the entire biennium plus any balances carried forward from the previous biennium must be greater than or equal to expenditures for the entire biennium.

If a forecast shows a shortfall for the General Fund for the then existing biennium, the Commissioner of Management and Budget (the "Commissioner") shall use funds and reduce the Budget Reserve Account as needed to balance revenues with expenditures. If there are not enough funds in the Budget Reserve Account to balance the General Fund in the Current Biennium, the Commissioner, with the consent of the Governor and after consulting with the Legislative Advisory Commission may also reduce outstanding appropriations, commonly referred to as "unalloting."

If a forecast shows a shortfall for the General Fund for the next succeeding biennium, the Governor's budget recommendations must propose revenue and/or expenditure changes in order for the budget for that biennium to be in balance at the end of that biennium.

COVID-19 PANDEMIC AND EXECUTIVE PEACETIME EMERGENCY ORDERS

COVID-19 Impact

The following information provides an overview of State actions taken in response to the public health crisis caused by the strain of coronavirus called COVID-19 and certain known impacts on the State's economy and its financial condition to date. The State cannot at this time predict the ultimate economic and fiscal impacts. Capitalized terms not defined in this section are defined elsewhere in this Appendix B.

COVID-19 Pandemic. The spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, is having a material impact on global, national and state economies. On March 11, 2020, the World Health Organization elevated COVID-19 from a Public Health Emergency of International Concern to a "pandemic" ("COVID-19 Pandemic"). The President declared a national emergency related to COVID-19 on March 13, 2020 ("National Emergency Declaration"). Since then, and for the first time in history, the President has approved major disaster declarations for all fifty states and the District of Columbia. On March 15, 2020, Minnesota detected the first confirmed cases caused by "community spread"—infections not epidemiologically linked to overseas travel. By March 17, 2020, all fifty states had reported a confirmed case of COVID-19. The State of Minnesota and other state and local governments in the United States have declared states of emergency and issued numerous other public health emergency orders. These actions and the effects of the COVID-19 Pandemic have significantly disrupted economic activity at all levels, while also significantly increasing public and private health emergency response costs, including within the State.

On March 13, 2020, in Minnesota the Governor declared a Peacetime Emergency and following this implemented multiple executive orders and took various actions to protect the health of Minnesotans and prevent the spread of COVID-19 which included closing non-essential businesses, on-site school operations and implementing a stay at home order, among others. On March 16, 2020, the Executive Council approved an extension of the Peacetime Emergency. After notifying the Legislature, on April 13, 2020, May 13, 2020, June 12, 2020, July 13, 2020, and August 12, 2020, the Governor issued additional executive orders further extending the Peacetime Emergency, which have been approved by the Executive Council. The COVID-19 Peacetime Emergency may be further extended by an executive order on or before September 11, 2020.

Since the onset of the pandemic the State has taken multiple steps to increase its preparedness and be better positioned to treat those who fall ill, including but not limited to i) building out hospital capacity, ii) purchasing additional ventilators and Intensive Care Unit beds, iii) working with public and private partners, as well as individual Minnesotans, to source personal protective equipment and iv) launching a testing strategy with Mayo Clinic and the University of Minnesota to test symptomatic Minnesotans. The State has also created a currently publicly available online dashboard to track the number of cases and the State's response and level of preparedness ("COVID-19 Pandemic Dashboard").

Over the past two months, in consultation with public health and occupational safety experts, the State has begun to gradually re-open sectors of its economy that present a higher risk of COVID-19 transmission. On May 18, 2020 the Governor lifted the State's stay at home order and implemented an order called "Stay Safe Minnesota" which included a phased approach to reopening the economy. Beginning May 18, retail stores and main street businesses reopened with social distancing plans and 50 percent capacity. On June 1, bars and restaurants reopened for patio and outdoor service with social distancing and limited capacity. On June 10, the State further loosened restrictions as the State entered phase III of the Stay Safe Minnesota plan which allowed Minnesotans to gather outdoors with friends and family in groups of 25 or less, and indoors in groups of 10 or less with safe social distancing practices in place. While steps toward reopening the State have begun, the speed and scope of the reopening process is dependent upon progress toward limiting the continued spread of the disease.

The adverse economic, financial and budgetary impacts on the State and its economy from the COVID-19 Pandemic are not fully known at this time but are expected to be significant.

Civil Unrest and Additional Peacetime Emergency. Governor Walz has issued three emergency executive orders related to the death of George Floyd and the subsequent civil unrest. On May 25, 2020, George Floyd died while in custody of the Minneapolis Police Department. Following Mr. Floyd's death thousands of individuals assembled and protested. Although much of the public reaction to the actions of the Minneapolis Police Department was peaceful, some individuals engaged in unlawful and dangerous activity, including arson, rioting, looting, and damaging public and private property. On May 28, 2020, Governor Walz issued an executive order activating the Minnesota National Guard and declaring a Peacetime Emergency to provide safety and protection to the people of Minneapolis, Saint Paul, and surrounding communities ("May 28 Peacetime Emergency"). On May 29, 2020 Governor Walz issued an executive order implementing a temporary nighttime curfew in the cities of Minneapolis and Saint Paul during the overnight periods of May 29th and May 30th and May 30th and May 31st. On May 31, 2020 Governor Walz issued an executive order extending the temporary nighttime curfew in the cities of Minneapolis and Saint Paul during the overnight period of May 31st and June 1st.

Minnesota Economic Outlook. Prior to the COVID-19 Pandemic Minnesota had a high demand for labor, low unemployment, and job growth that had slowed to below the U.S. rate amid a limited supply of workers. The COVID-19 Pandemic, the restrictions applied to slow its spread, and the U.S. and global economic contractions have negatively impacted Minnesota's economy and generated conditions that will remain volatile as long as the pandemic persists, and the U.S. economic outlook remains uncertain.

In May of 2020, MMB updated certain revenue and expense items in its most recent February 2020 forecast to reflect the impact of the COVID-19 Pandemic measures. In its May 2020 Interim Budget Projection, MMB revised its estimates for total Minnesota wage and salary income to decline by 5.9 percent in 2020 as compared to 3.9 percent growth expected in the February 2020 forecast to account for employers reducing hours, cutting pay, and laying off and furloughing workers. MMB expects wage income to grow 0.3 percent in 2021 but not reach its pre-pandemic level until 2022.

Minnesota's seasonally adjusted unemployment rate in June was 8.6 percent, 5.4 percentage points higher than a year ago and 5.7 percentage points above the March 2020 rate. The June 2020 state unemployment rate is down from 9.9 percent in May 2020 and well below the national June 2020 rate of 11.1 percent. Both the state and national rates are likely underestimated, due to low survey response rates and altered or unclear classifications for some statistics.

Minnesota weekly initial claims for unemployment insurance benefits plateaued around 19,000 in June 2020, down significantly from the 116,000 March 2020 peak, but much higher than the 3,000 average weekly claims filed during June of 2019. Continued claims are also trending down, with 326,000 claims filed in the last week of June 2020, compared to 429,000 at the peak in early May 2020, and 26,000 a year ago.

Minnesota Extension of Tax Filing Date. In alignment with a decision announced by the Federal government, the State extended the payment deadline for Minnesota individual and corporate income tax payments from April 15, 2020 to July 15, 2020. To reflect the change in payment date, the State will accrue the budgeted revenue, adjusted for any actual payments received. Accruing for these deferred tax revenues keeps the revenues aligned in the fiscal year in which they are earned. This deferred payment date will result in lower than budgeted income tax collections through the remainder of Fiscal Year 2020, while the accrual shows that these receipts are earned and expected by the State. MMB is monitoring the receipt of revenues and intends to report actual tax year 2019 income tax receipts in a special memo expected to be released at the end of July.

Minnesota Budget Outlook. Minnesota's budget and economic outlook has significantly worsened since the onset of the COVID-19 Pandemic. A deficit of $2.343 billion is projected as of the end of the 2020 Legislative Sessions for the Current Biennium, which is almost a $4 billion change compared to the February 2020 forecast.

Revenues are expected to be $3.611 billion lower and spending, including appropriations enacted since February, is expected to be $391 million higher. The State believes it is well positioned to manage the shortfalls or delays in revenue, and the increases in expenses, caused by COVID-19 in the Current Biennium. The $2.359 billion Budget Reserve Account remains available to mitigate the budgetary impact of the crisis, in addition to other available options. The State has already taken steps to reduce spending in the Current Biennium, including implementing a hiring freeze and restricting travel. Given the uncertainty about the path of the pandemic, the economic outlook will remain volatile for some time. The State also updated estimates for revenue and spending in the Next Biennium. Before setting a budget for the Next Biennium, it is projected that current law base spending will exceed revenue in the Next Biennium by $4.744 billion. See "BIENNIUM BUDGETS – 2020 Legislative Sessions – Current Biennium" and "BUDGET PLANNING ESTIMATES" in this APPENDIX B for additional information.

Federal Support. The State has received financial support from the Federal government enacted laws which provide relief and support in response to the COVID-19 Pandemic. Under the Family First Coronavirus Response Act, the Federal Medical Assistance Percentage was increased 6.2 percentage points during the quarters during which the federal public health emergency declared in January 2020 is in effect. The expected increase in federal funding is $330 million in the Fiscal Year 2020 and an estimated $188 million for each quarter in fiscal year 2021 until the public health emergency[1] ends. Federal emergency aid from FEMA is also available to Minnesota under Section 406 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. FEMA public assistance funding can be used to offset the unanticipated increase in COVID-19 Pandemic related expenditures incurred between January 20, 2020 through the end of the National Emergency Declaration. The State must provide a 25% match to FEMA's public assistance funding, which can be contributed from a combination of cash and in-kind sources. The State also requested $16 million in FEMA public assistance for eligible damages directly related to the fires during the period of civil unrest leading to the May 28 Peacetime Emergency, however this request was denied by FEMA. The State has received to date $2.187 billion of Coronavirus Relief Fund ("CRF") monies under the CARES Act for costs incurred in connection with responding to the COVID-19 Pandemic between March 1, 2020, and December 30, 2020. Of this amount, $317 million was allocated directly to Hennepin and Ramsey counties while the remaining $1.870 billion was deposited into the State treasury. The CRF monies can be used to cover any non-federal match portion of costs reimbursed by FEMA. The State and State higher education institutions were also allocated an additional $1.403 billion in federal formulaic allocations through the CARES Act and other federal COVID-19 Pandemic response acts.

Under current State statutes, to expend federal receipts executive branch agencies must submit a proposal to the Legislative Advisory Commission ("LAC") through a process governed by Minn. Stat. §3.30 and Minn. Stat.§ 3.005.

[1] The U.S, Department of Health and Human Services Secretary ("Secretary") declared COVID-19 a nationwide public health emergency on January 31, 2020, retroactive to January 27, 2020. The public health emergency ends when the Secretary declares that the emergency no longer exists or after 90 days, whichever happens first, although the Secretary can renew the public health emergency declaration for subsequent periods. The Secretary subsequently extended the public health emergency on April 21, 2020 effective April 26, 2020.

Proposals to expend CRF monies and other federal funds allocated to the state in the CARES Act and other federal COVID-19 Pandemic response acts are submitted under a 10-day review period that is considered an urgent request under applicable statutory law. See “BIENNIUM BUDGETS - COVID-19 Pandemic Federal Funding – Sources and Uses” in this APPENDIX B for additional information.

Cash and Liquidity. The State is well-positioned with a Statutory General Fund Cash Balance of $7.715 billion as of June 30, 2020, not including cash receipts received under the CARES Act. The State has a variety of administrative tools to manage Statutory General Fund cash flow on a daily basis. Those tools may consist of, and are not limited to, statutorily permitted delays in certain payments to higher education institutions, and health care providers, as well as delays in remittance of certain corporate and sales tax refunds. For the remainder of the Current Biennium, the State will continue to monitor cash flow needs and consider whether any liquidity measures may be necessary. The State has no plans to pursue external borrowing for cashflow purposes in Fiscal Year 2021 at this time. See “CASH FLOW INFORMATION” in this APPENDIX B for additional information.

Conclusion. The extent to which the COVID-19 Pandemic impacts the State's operations and its financial condition will depend on future developments, which are uncertain and cannot be fully predicted with confidence at this time, including the duration of the pandemic, new information which may emerge concerning the severity of the COVID-19 Pandemic and the actions to contain the COVID-19 Pandemic or treat its impact, among others. The information in this Official Statement reflects current estimates and projections, which consider the impact of this pandemic to the extent practicable. There can be no assurances that the outbreak will not further materially adversely affect the financial condition of the State.

Climate Change and Resiliency

Minnesota is susceptible to significant seasonal weather shifts during the course of a calendar year, including weather events such as flooding, tornadoes, blizzards, and drought. Future changes to the climate in Minnesota may produce ecological, environmental, and economic impacts on the State. Climate change as a result of emissions of greenhouse gases may also produce ecological, environmental, and economic impacts on the State and additional federal and State regulations to fight climate change.

On December 2, 2019, Governor Walz signed Executive Order 19-37 to establish the Climate Change Subcabinet and the Governor’s Advisory Council on Climate Change to provide guidance to the State in the pursuit of collaborative action to combat climate change.

REVENUE AND EXPENDITURE FORECASTING

General

The State’s biennial budget appropriation process relies on revenue and expenditure forecasting as the basis for establishing aggregate revenue and expenditure levels. Revenue forecasting for the State is conducted within MMB by the Economic Analysis Unit. Expenditure forecasts for the State are prepared by MMB based on current annual budgets and on current cash expenditure estimates provided by State agencies responsible for significant expenditure items.

In addition to the forecasts prepared for the Legislature before the commencement of each new biennium, forecasts are updated periodically through the biennium. Based on each revenue and expenditure reforecast, MMB prepares a new cash flow analysis for the biennium.

Forecasting Risks

Risks are inherent in the revenue and expenditure forecasts. Assumptions about U.S. economic activity and federal tax and expenditure policy underlie these forecasts. In the forecast it is assumed that existing federal tax law and current federal budget authority and mandates will remain in place. Reductions in federal spending programs may affect State spending. Finally, even if economic and federal tax assumptions are correct, revenue forecasts are still subject to other variables and some normal level of statistical deviations.

The COVID-19 Pandemic and the measures taken to slow its spread present risks to economic, revenue, and expenditure forecasts. The shock to the U.S. economy from the pandemic is unprecedented in modern history, and the economic outlook is exceptionally uncertain and volatile. Economic outcomes will depend critically on the pandemic's course, the prospects for an effective treatment and vaccine, government restrictions on economic activity, consumers' and businesses' responses as those restrictions are lifted, and the impact of fiscal and monetary policies.

Current Forecast Methods and Assumptions

The baseline U.S. economic forecast which the State Economist uses in preparing the State revenue and expenditure forecast is provided by IHS Markit ("IHS" formerly IHS Global Insight, Inc.) of Lexington, Massachusetts. IHS furnishes a monthly forecast of U.S. economic growth and individual incomes across all segments of the national economy.

The IHS national economic forecasts are reviewed by Minnesota's Council of Economic Advisors (the "Council"), a group of macro-economists from the private sector and academia. The Council provides an independent check on the IHS forecast. If the Council determines that the IHS forecast is significantly more optimistic than the current consensus, the Commissioner may base the State forecast on a less optimistic scenario of national economic growth.

Forecasts of individual income tax receipts are based on IHS forecasts of national production, employment, and corresponding wage and salary earnings, by industrial sector. The IHS forecasts are then entered into a model of Minnesota's economy developed and maintained by MMB. State forecasts of employment by major industry sector as well as wage and aggregate earnings are obtained from this model. Non-wage income, itemized deductions and other adjustments to income are in general forecast using national data allocated to Minnesota. The forecasts of income, deductions and adjustments are input to a micro-simulation of the State's individual income tax liability. Calendar year liabilities are converted into fiscal year income tax revenues, with regard given to the timing of withholding tax receipts, quarterly estimated payments, refunds and final payments.

Capital gains realizations have become an increasingly volatile and important share of Minnesota's income tax base. Minnesota capital gains are forecast using an econometric model which relates the increase in taxable capital gains to the underlying growth in household wealth and to changes in inflation and in the real growth rate of the economy. To account for taxpayer response to anticipated changes in federal tax rates on capital gains, federal tax variables are also included. The model is designed to allow capital gains realizations to move gradually toward an equilibrium rate of realizations instead of adjusting instantaneously to a shock in model variables.

Corporate income tax receipts are forecast using IHS forecast of major variables affecting pre-tax corporate profits. The volatility of corporate profits and the various loss carry-forward and carry-back provisions make this the most difficult revenue source to forecast.

Sales tax receipts are estimated on the basis of a forecast of the sales tax base. The historical base is constructed largely on the basis of national data for items that would be subject to tax if sold in Minnesota. This data is then allocated to Minnesota on the basis of Minnesota's share of national income and employment to arrive at a Minnesota specific base. By means of a regression equation, the base is calibrated to historical collections. Using national forecasts of sales of taxable items and allocating them to Minnesota on the basis of forecasts on Minnesota's share of national income and employment the base is extended into the future. Using information from the aforementioned regression equation the forecast collections are derived from the forecast of the base.

Numerous other revenue sources are forecast, some by MMB and others by the agencies responsible for their collection. These sources account for less than 20 percent of General Fund revenues. As a group, the revenues in this category do not present as large a forecasting risk to the General Fund as do the major taxes. Most are relatively stable and less sensitive to the business cycle than the major tax types. Moreover, many are forecast by agencies with specific knowledge about the magnitude and timing of revenues.

While the State typically prepares forecasts in February and November of each year, the outbreak of the COVID-19 Pandemic and the measures taken to prevent its spread dramatically weakened the outlook for U.S. growth since the State's Budget and Economic Forecast was prepared in February 2020. MMB released an updated limited budget projection on May 5, 2020 (the "May 2020 Interim Budget Projection") based on the April 2020 baseline forecast from IHS, the scenario which IHS considered to be the most likely at the time it was made. See "BIENNIUM BUDGETS – May 2020 Interim Budget Projection- Current Biennium" in this APPENDIX B for additional information. The forecast growth rates for real and nominal Gross Domestic Product ("GDP") are shown below. In their April 2020 outlook, IHS forecasts a three-quarter recession, resulting in a 5.4 percent decline in real GDP in calendar year 2020. In February 2020, IHS had forecast 2.1 percent annual growth for 2020. IHS expects real GDP to contract in the 1st quarter of 2020 to the 3rd quarter of 2020 and begins to recover in the 4th quarter of 2020. It is not until the 3rd quarter of 2021 that real GDP is expected to exceed the 2019 4th quarter pre-recession level.

IHS APRIL 2020
GROSS DOMESTIC PRODUCT (GDP)
BASELINE FORECAST[1]
(Chained Rates of Growth)

	Calendar Year 2017 Actual %	Calendar Year 2018Actual %	Calendar Year 2019 Actual %	Calendar Year 2020 Forecast %	Calendar Year 2021 Forecast %
Real GDP Growth Rate	2.4	2.9	2.3	-5.4	6.3
GDP Deflator (Inflation)	1.9	2.4	1.8	1.5	1.4
Nominal GDP Growth Rate	4.3	5.4	4.1	-4.0	7.8

[1] Totals may not foot due to rounding.

A report is published with each forecast and is available at https://mn.gov/mmb/forecast/, including the State's most recent February 2020 forecast and May 2020 Interim Budget Projection. See "FINANCIAL INFORMATION" in this APPENDIX B. The November 2020 IHS Baseline will be used as the baseline for the next revenue and expenditure forecast.

July Revenue and Economic Update

Minnesota's net General Fund receipts (excluding certain income tax payments for tax year 2019 but received in Fiscal Year 2021 as discussed below) for FY 2020 are estimated to total $21.798 billion, $168 million (0.8 percent) more than projected in the May 2020 Interim Budget Projection. Net tax receipts exceeded the projection for income, corporate, and sales taxes, more than offsetting net revenues from other taxes that were lower than projected. State revenues in the final quarter of FY 2020 were $168 million (2.9 percent) more than projected in May.

Net individual income tax receipts are estimated to end the year $75 million (0.7 percent) more than projected. Gross income tax receipts were $16 million above the projection, and refunds were $59 million less than expected. Because this year taxpayers were allowed to make their final tax year 2019 payments on July 15, the estimate of those payments is excluded from the net income tax projection. Final tax year 2019 income tax liability will not be known until extension returns are filed, and processing is complete.

Income tax withholding receipts exceeded the projection by $93 million, however, this is the result of timing of receipts and not higher than projected economic activity. MMB expects the positive variance to be offset by lower than projected withholding receipts in July.

Estimated income tax payments includes $29 million of extension payments for tax year 2019 paid ahead of the July 15 deadline. On net, estimated payments were $49 million below the projection. This may be due—in part or in whole—to a change in the safe harbor rule that allows taxpayers to avoid penalty, interest, or additional tax charges on their 2020 balance due by paying at least 75 percent of their 2018 liability.

Net general sales tax receipts are estimated to end FY 2020 $87 million (1.5 percent) above the projection. Gross sales tax payments were above the projection, and refunds were lower than expected. Net corporate receipts were $29 million (1.9 percent) more than projected. Gross corporate tax payments were above the projection, and refunds were lower than expected. Other revenues were $24 million (0.7 percent) lower than expected.

FY 2020 results are unaudited, preliminary, and subject to change. The State's fiscal year that ended June 30, 2020, will officially close on August 21. Total net revenues at closing are estimated to be $21.798 billion, which reflects actual revenues attributable to FY 2020 as well as estimates of revenue accruals through closing and other pre-close adjustments. Tax year 2019 income tax payments—which were not due until July 15 this year—are attributable to FY 2020. The estimate of those payments is excluded from both the accruals estimate and the projection. The State reported actual tax year 2019 income tax receipts in a special revenue update released on July 30, 2020. A complete reporting of FY 2020 revenues—including the delayed tax year 2019 income tax payments—will be part of the State's October *Revenue and Economic Update*.

July 30 Special Revenue Update

The State's net General Fund receipts for FY 2020 are now estimated to total $22.890 billion, $58 million (0.3 percent) lower than projected in the May Interim Budget Projection.

In the July Revenue and Economic Update, published July 10, 2020, the State reported that estimated revenues for FY 2020 were $168 million (0.8 percent) more than projected in the May 2020 Interim Budget Projection. The State noted in the July Revenue and Economic Update that tax year 2019 income tax final payments are attributable to FY 2020, even though this year they were not due until July 15. Now that those payments have been received and processed, it is estimated that tax year 2019 income tax final and extension payments net of refunds are $226 million below the May Interim Budget Projection for those payments. This shortfall reduces the FY 2020 estimated closing variance from the positive $168 million (0.8 percent) reported in the July Revenue and Economic Update to negative $58 million (0.3 percent).

HISTORIC REVENUES AND EXPENDITURES

The following table sets forth the State's General Fund revenues and expenditures for the Fiscal Years ended June 30, 2017 through 2019, on an accrual basis. The revenues and expenditures shown include all revenues and expenditures for that fiscal year, including revenue received and expenditures made after June 30 of such fiscal year which are properly allocable to such fiscal years. The schedules of revenues and expenditures are presented for comparison purposes only and are not intended to reflect any increases or decreases in fund balance. Beginning balances or deficits are not included.

(The remainder of this page has been intentionally left blank.)

STATE OF MINNESOTA
GENERAL FUND COMPARATIVE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(THOUSANDS OF DOLLARS)
UNAUDITED

	Fiscal Year Ended June 30 (1)		
	2017	2018	2019
NET REVENUES:			
Individual Income Taxes	$ 11,263,573	$ 12,082,631	$ 12,674,858
Corporation Income Taxes	1,272,913	1,327,533	1,613,373
Sales Taxes	5,442,302	5,533,851	5,775,278
Property Taxes	848,463	819,654	811,117
Motor Vehicle Taxes	301,443	309,565	323,059
Other Taxes (7)	1,877,330	2,724,021	2,817,669
Tobacco Settlement	168,226	166,931	162,765
Federal Revenues	4,796	4,001	12,788
Licenses and Fees	233,905	234,410	234,462
Departmental Services (7)	190,439	235,290	242,310
Investment/Interest Income	177,989	177,692	243,163
All Other Revenues (2)	330,477	366,677	479,461
NET REVENUES	$ 22,111,856	$ 23,982,256	$ 25,390,303
EXPENDITURES:			
Current:			
Agricultural, Environmental and Energy Resources	$ 263,932	$ 261,267	$ 280,074
Economic and Workforce Development	249,026	244,522	237,288
General Education (3)	8,962,695	9,323,311	9,678,641
General Government	876,249	855,543	865,390
Health and Human Services (4)	6,443,833	7,397,368	8,029,374
Higher Education (8)	902,068	962,131	942,218
Intergovernmental Aid (5)	1,644,033	1,698,970	1,867,151
Public Safety and Corrections	683,232	689,217	725,507
Transportation (6)	452,701	487,101	542,645
Total Current Expenditures	$ 20,477,769	$ 21,919,430	$ 23,168,288
Capital Outlay	52,135	87,621	115,086
Debt Service	27,341	26,605	30,673
TOTAL EXPENDITURES	$ 20,557,245	$ 22,033,656	$ 23,314,047
EXCESS Of REVENUES OVER (UNDER) EXPENDITURES	$ 1,554,611	$ 1,948,600	$ 2,076,256
OTHER FINANCING SOURCES (USES)			
Bond Issuance	$ -	$ -	$ 3,875
Bond Issue Premium	-	-	625
Transfer-In	402,721	260,506	265,088
Transfer-Out	(1,597,690)	(1,666,239)	(1,536,801)
NET OTHER FINANCING SOURCES (USES)	$ (1,194,969)	$ (1,405,733)	$ (1,267,213)
NET CHANGE IN FUND BALANCES	$ 359,642	$ 542,867	$ 809,043

(1) For FY 2017, 2018, and 2019, the schedule of revenues and expenditures includes all financial activity for the fiscal year, including revenue and expenditure accruals at June 30.
(2) During FY 2019, Other Revenues increased as a result of receipts from Worker's Compensation Assigned Risk Plan.
(3) During FY 2018 and 2019, General Education function spending increased due to a 2% per pupil increase and an increase in number of pupils.
(4) During FY 2018 and 2019, Health and Human Services function spending increased due to an increase in enrollment and growth in costs for medical assistance. During FY 2018, Health and Human Services function spending also increased due to the Health Care Access account moving into the General fund.
(5) During FY 2019, Intergovernmental Aid spending increased due to an increase in grants to local governments and an additional homestead credit grant to agricultural landowners.
(6) During FY 2019, Transportation function spending increased due to an increase in grants to Metropolitan Council.
(7) During FY 2018, Departmental Services and Other Taxes increased due to the Health Care Access account moving into the General Fund.
(8) During FY 2018, Higher Education function spending increased due to an increase in grants to the University of Minnesota and the Office of Higher Education.

BIENNIUM BUDGETS

The biennium that began on July 1, 2017, and ended on June 30, 2019, is referred to herein as the "Previous Biennium." The biennium that began on July 1, 2019, and will end on June 30, 2021, is referred to herein as the "Current Biennium." The biennium that will begin on July 1, 2021, and will end on June 30, 2023, is referred to herein as the "Next Biennium." An individual fiscal year is referred to herein as "FY" or "Fiscal Year."

Forecast and projected revenues and expenditures are based on the legal requirements contained in Minnesota statutes and session laws as of the time of the forecast and projections.

February 2019 Forecast – Current Biennium

The November 2018 forecast provided the first official forecast for the Current Biennium, as well as revenue and expenditure planning estimates for the Next Biennium. In November 2018 a balance of $1.544 billion was projected for the Current Biennium. Revisions in the February 2019 Forecast reduced the projected balance to $1.052 billion. General Fund revenues for the Current Biennium were forecast to be $47.941 billion, $2.728 billion (6.0 percent) higher than the Previous Biennium. General Fund expenditures for the Current Biennium were expected to be $47.403 billion, $1.895 billion (4.2 percent) higher than the Previous Biennium.

Revenues: Total general fund revenues for the Current Biennium were forecast to be $47.941 billion, $2.729 billion (6.0 percent) more than the forecast at the time for the Previous Biennium. Total tax revenues for the Current Biennium were forecast to be $46.062 billion, a $2.926 billion increase (6.8 percent) over estimates for the Previous Biennium. Growth in the individual income and sales taxes accounted for 93 percent of the biennial tax revenue change. All major tax types showed positive biennial change

Expenditures: Expenditures were projected to grow at a rate of 4.2 percent into the Current Biennium, an increase of $1.895 billion over the Previous Biennium. The two largest budget areas, E-12 education and Health and Human Services ("HHS"), along with property tax aids and credits and debt service more than accounted for the growth due to formula and cost growth that is authorized to increase in law. Partially offsetting the overall biennial growth was reduced projected spending in other areas of state government due to the expiration of one-time spending where base appropriations for current services did not continue into the Current Biennium.

Reserves: The $2.075 billion budget reserve balance and $350 million cash flow account balance were not projected to change from the Previous Biennium in the February 2019 Forecast. The Stadium Reserve Account balance was expected to be $98 million by the end of FY 2021, an increase of $48 million from the Previous Biennium due to growth in lawful gambling tax receipts and expected contributions from city of Minneapolis sales tax receipts beginning in FY 2021 under current law.

2019 Legislative Sessions – Current Biennium

During the 2019 Legislative Sessions, the Legislature enacted significant revenue and expenditure measures in the General Fund for the Current Biennium. The 2019 Legislative Sessions concluded May 25, 2019, with a balanced budget for the Current Biennium. The enacted budget increased net General Fund revenues by $214 million and appropriated an additional $1.067 billion over the February 2019 Forecast base spending amount; changes were not made to the reserves for the Current Biennium. After accounting for all revenue and expenditure changes enacted for the Current Biennium, the General Fund balance at the end of the Current Biennium is estimated to be $242 million.

Revenues in Enacted Budget: The approved budget reflects changes in General Fund revenues from the February 2019 Forecast for the Current Biennium. Net General Fund Revenues total $48.156 billion, $214 million higher than February's estimates.

<u>Tax Revenues:</u> The Legislature enacted significant tax changes in the 2019 Legislative Sessions. In total, net tax revenues were projected to be $61 million higher than forecast. Tax law changes included conformity to federal tax law for individual income tax, pass-through income, and corporate income tax. The net tax income increase was then offset by a reduction to income tax rates, expansion of the working family credit and the reduction to the statewide property tax.

<u>Non-Tax and Transfers</u>: Legislation in the 2019 Legislative Sessions also had a significant impact on non-tax revenues and transfers from other funds. Enacted non-tax revenue and transfer changes totaled $152 million over February Forecast estimates. The largest portion of this change is a $142 million transfer of unused resources from a

special revenue fund account created to fund reinsurance payments to health insurers to help cover the cost of high claims in the individual market back to the General Fund. Other small changes to fees, surcharges, departmental earnings and other transfers accounted for the remainder of the changes.

Expenditures in Enacted Budget: After completion of the enacted budget, General Fund expenditures in the Current Biennium are expected to total $48.470 billion, $1.067 billion higher than forecast estimates. Appropriations in State and local programs were made across all areas of the State budget. Significant appropriations were provided to E-12 education, higher education, public safety and judiciary, environment and agriculture, and economic development. Cost shifting in health and human services partially offset increases in other areas of the budget.

E-12 education expenditures were estimated to be $20.122 billion, $569 million higher than previously forecast. E-12 education spending represents 42 percent of total General Fund expenditures. The Legislature enacted major appropriations in education finance including a 2 percent increase in the basic education formula in each year ($389 million), an increase in special education funding to prevent growth in district cross subsidization with general education funding ($91 million) and $47 million to maintain funding for pre-kindergarten programs.

Higher education spending was projected to be $3.406 billion, $150 million higher than February's projections. An additional $44 million was provided to the University of Minnesota, and an additional $82 million was provided to Minnesota State. An increase of $18 million was also made for the Office of Higher Education to fund its state grant program.

Property tax aid and credit spending was projected to be $3.804 billion in the Current Biennium, $64 million higher than the February 2019 Forecast. Increases to local government aid (cities) and county program aid along with an increase to the school building bond agricultural credit program drove the change.

Reductions of $101 million to Health and Human Services set the Current Biennium spending in the area at $14.774 billion. HHS is projected to account for 30 percent of total General Fund spending. Cost shifting of some Medical Assistance program (Medical Assistance) spending from the General Fund to the Health Care Access Fund in the Current Biennium resulted in savings of $270 million. Partially offsetting this savings was increased funding for disability services providers, personal care attendant funding, expansion of tribal child welfare initiatives, and behavioral health programs.

Public safety and Judiciary spending was estimated to total $2.492 billion in the Current Biennium, an increase of $141 million over February 2019 Forecast. Significant increases in appropriations to the court operations and the department of corrections accounted for the majority of the change.

Spending in all other areas of the budget totaled $3.874 billion, $252 million higher than February projections. Accounting for the change was $84 million higher spending in General Fund transportation spending for transit operations and funding for license and registration systems, $89 million in state government operations, $61 million in economic development, and $34 million in environment, agriculture and housing. These increases were partially offset by a $16 million decrease in projected debt service spending due to the passage of smaller than assumed bonding bill.

Reserves in Enacted Budget: The reserve amounts for the Current Biennium were unchanged from levels projected in the February 2019 Forecast. Total General Fund reserves in the enacted budget were $2.522 billion: $2.075 billion in the Budget Reserve Account, $350 million in the Cash Flow Account and $98 million in the Stadium Reserve Account.

November 2019 Forecast – Current Biennium

A higher than expected incoming balance from the Previous Biennium, combined with an increased revenue forecast, slightly decreased spending estimates and an increased allocation to the Stadium Reserve Account resulted in a November 2019 forecast balance of $1.616 billion. However, under current statutory requirements, a portion of any November forecast balance is allocated to the Budget Reserve Account until the statutorily defined target is met. With the November 2019 forecast, $284 million was allocated to the Budget Reserve Account, bringing it to the target level of $2.359 billion. After the reserve allocation, the available General Fund balance for the Current Biennium was $1.332 billion.

Revenues: Total General Fund revenues for the Current Biennium were forecast to be $48.656 billion, $501 million (1.0 percent) more than the end of 2019 Legislative Sessions estimates. Total tax revenues for the biennium were forecast to be $46.580 billion, $457 million (1.0 percent) above the prior estimate. Higher expected individual, sales, and other tax revenue more than offset a lower forecast for corporate tax revenue.

Spending: Overall projected spending in the Current Biennium was materially unchanged from end of 2019 Legislative Sessions estimates. The November 2019 forecast assumed spending for the Current Biennium to be $48.463 billion, a reduction of $7 million (0.0 percent) from estimates when the budget was enacted. Forecast expenditures for education aid programs were down $54 million (0.3 percent) from previous estimates but were partially offset by an additional appropriation for safe schools supplemental aid of $30 million that was activated when FY 2019 closed with a General Fund balance that was higher than projected at the end of the legislative session. Total HHS spending was projected to be down $97 million from end of 2019 session estimates largely due to lower enrollment in Medical Assistance. These savings, along with $51 million (4.3 percent) lower projected debt service, were partially offset by increases in property tax aids and credits, the implementation of two additional contingency appropriations in the Current Biennium, and the carryforward of unspent appropriations.

Reserves: Minnesota Statutes section 16A.152 directs the Commissioner of MMB to allocate funds to the Budget Reserve Account when there is a positive forecast balance in the Current Biennium and the current Budget Reserve Account Balance is below the statutory target. These conditions were met with the November 2019 forecast and $284 million was credited to the Budget Reserve Account, increasing the reserve to its target amount of $2.359 billion for the Current Biennium. The Cash Flow Account remained at $350 million and the Stadium Reserve Account Balance was expected to grow to $124 million, $26 million higher than prior estimates.

February 2020 Forecast – Current Biennium

With the February 2020 forecast, an improved revenue forecast and lower spending estimates resulted in a $181 million increase in the projected balance compared to the November 2019 forecast. Given this, the Current Biennium was projected to conclude with a budgetary balance of $1.513 billion.

Revenues: Total General Fund revenues for the Current Biennium were forecast to be $48.752 billion, $96 million (0.2 percent) more than the November 2019 forecast. Total tax revenues for the biennium were forecast to be $46.669 billion, $89 million (0.2 percent) above the prior estimate. A higher forecast for net corporate tax revenue more than offset lower forecasts for the individual and general sales taxes.

Expenditures: With the February 2020 forecast, expenditures for the Current Biennium were projected to be slightly lower than prior forecast. Total spending in the Current Biennium was expected to be $48.373 billion, $91 million (0.2 percent) lower than prior estimates. A reduced forecast for the largest budget area, E-12 education, was partially offset by small forecast increases in property tax aids and credits and HHS. All remaining budget areas remained materially unchanged.

Reserves: The Budget Reserve Account and Cash Flow Account balances were unchanged with this budget update. The Cash Flow Account balance was $350 million and the Budget Reserve Balance was $2.359 billion. The Stadium Reserve Account was expected to grow to $130 million by the end of FY 2021, $6 million more than prior projections.

May 2020 Interim Budget Projection – Current Biennium

In May 2020, MMB released a limited interim budget projection in order to give policy makers updated budget information after the onset of the COVID-19 Pandemic and resulting economic changes. The projection was more limited than the regular November and February budget and economic forecasts. For revenues, only the largest General Fund revenue sources – income, sales, corporate, and select excise taxes – were re-estimated. For expenditures, only Medicaid, including increased federal participation, and other public programs administered by the Department of Human Services were re-estimated. Legislative action taken prior to the release of the May 2020 Interim Budget Projection was also included. Given the degree of uncertainty due to the pandemic and path of economic recovery, the May 2020 Interim Budget Projection did not include updated estimates for the for the Next Biennium.

The COVID-19 Pandemic and resulting economic crisis has had a direct and immediate impact on the Current Biennium General Fund budget. With the May 2020 Interim Budget Projection, General Fund revenue was projected to be $3.611 billion (7.4 percent) lower than the February 2020 forecast and State spending, including enacted appropriations, was expected to be $391 million higher than the February 2020 forecast. These changes, partially offset by a $63 million lower forecast balance in the Stadium Reserve Account, resulted in a projected deficit of $2.426 billion for the Current Biennium. By law, the $2.359 billion Budget Reserve Account and $350 million Cash Flow Account remained intact with this projection.

Revenues: Total General Fund revenues for the Current Biennium were projected to be $45.141 billion, $3.611 billion (7. 4 percent) less than the February 2020 Forecast. Total tax revenues for the Current Biennium were forecast to be $43.158 billion, $3.511 billion (7.5 percent) below the prior estimate. Individual income tax receipts were projected to be $1.659 billion (6.4 percent) less than the February 2020 Forecast. The decrease was primarily due to projected declines in wage and non-wage income, including capital gains and business income.

General sales tax revenue in the Current Biennium was projected to be $1.351 billion (11.2 percent) less than the prior forecast. Gross sales tax receipts were estimated to be $1.378 billion lower than in February, and the refunds projection was $27 million lower. The lower gross sales tax receipts projection reflected a lower forecast for taxable sales and a lower share of U.S. sales allocated to Minnesota compared to the February 2020 forecast. The corporate franchise tax was projected to generate $405 million (13.0 percent) less than the February 2020 forecast. Lower expected gross corporate payments and higher refunds both contributed to the change.

Other tax revenue was projected to be $84 million (2.1 percent) lower than in the February 2020 forecast mainly due to a lower gambling tax projection and a lower estimate for investment income brought the projection for non-tax revenues $100 million below the prior forecast.

Expenditures: In the May 2020 Interim Budget Projection expenditure updates were limited to forecast programs in HHS because it was not expected that other forecast programs like E-12 education, property tax aids and credits, and debt service would show immediate budgetary impacts related to the pandemic and economic downturn. However, legislatively enacted appropriations totaling $550 million were also included in the budget projections. Combining enacted and projected changes, total Current Biennium spending was projected to be $48.763 billion, $391 million (0.8 percent) higher than prior estimates.

Estimated HHS spending was expected to be $160 million lower than February estimates. The HHS interim budget projection incorporated changes due to the COVID-19 Pandemic and the economic situation, as well as appropriations already enacted in the 2020 Legislative Sessions, the fiscal impact of executive orders, and the impact of increased federal medical assistance participation on state spending.

General Fund HHS Expenditures
May 2020 Interim Budget Projection
Change from February 2020 Forecast
($ in millions)

	May Budget FY 2020-2021	
	$ Change	**% Change**
Increased federal share of MA, 6.2% enhanced FMAP	($330)	(2.1)%
Increased caseload due to economic conditions	164	1.4
Executive orders and administrative actions	108	0.9
COVID-19 Pandemic related disruption to MA long term care services	(70)	(1.3)
All other change	(32)	(0.2)
Subtotal	**($160)**	**(1.1)%**
Chapter 66 – Public Health Response Contingency Account	21	
Chapter 70 – Public Health Response Account	50	
Chapter 70 – Health Care Response Fund	150	
Chapter 71 – Increased Housing Support and DHS Grants	71	
Enacted Change	**$292**	**2.0%**
Total HHS General Fund Change	**$132**	**0.9%**

The projection also included enacted appropriations outside of the HHS area totaling $259 million. These appropriations included $200 million transferred to the COVID-19 Minnesota Fund, $30 million transferred to the disaster assistance contingency account, $11 million in grants to tribal nations, $10 million for the small business loan guarantee program, $6 million to the Department of Veteran's Affairs for special emergency grants and $1 million for food assistance grants.

Reserves: The Budget Reserve Account and Cash Flow Account balances were unchanged from February 2020 forecast. The Budget Reserve Account Balance was $2.359 billion, and the Cash Flow Account Balance was $350 million. The Budget Reserve Account and Cash Flow Account are established in statute and use of these accounts does not occur automatically with a new forecast or budget projection. Executive authority to use the Budget Reserve Account when a deficit is projected is defined in Minnesota Statutes 16A.152 Subd. 3. The projected balance of the Stadium Reserve Account was $63 million lower than February 2020 forecast estimates due to lower projected lawful gambling tax receipts.

2020 Legislative Sessions – Current Biennium

The 2020 Regular, 1st, 2nd and 3rd Special Legislative Sessions (the "2020 Legislative Sessions") concluded with minimal budget changes compared to the May Interim Budget Projection. Revenue changes totaled $19 million due to the recognition of a statutory transfer of surplus workers compensation fund balance which was allocated to the Budget Reserve Account and spending was decreased $83 million. Spending changes were due to the recognition of increased federal participation in Medicaid, which results in reducing state obligations, offset partially by $7 million in appropriations related to police reform legislation and other small appropriations in other areas. At the end of the 2020 Legislative Sessions, total revenue in the Current Biennium was expected to be $45.160 billion and total spending was expected to be $48.680 billion. The Budget Reserve Account balance increased by $19 million due to the statutory transfer from the workers compensation fund surplus while the Cash Flow Account and Stadium Reserve Account were unchanged from prior estimates. As of the end of the 2020 Legislative Sessions in July, the combined balance of the reserve accounts was $2.793 billion and the projected deficit for the Current Biennium was $2.343 billion.

COVID-19 Pandemic Federal Funding – Sources and Uses

The State was allocated $2.187 billion from the Coronavirus Relief Fund that was part of the federal CARES Act. Of this amount, $317 million was allocated directly to Hennepin and Ramsey counties while the remaining $1.870 billion was deposited into the State treasury. Of this amount, as of July 30, 2020 $1.268 billion has been authorized for spending and an additional $26.4 million has been submitted for review to the LAC as summarized in the following table. Additional spending requests are expected to be submitted for review by the LAC. Requested and authorized federal spending levels for the COVID-19 Pandemic are updated daily and available on the State's COVID-19 Pandemic Dashboard.

(The remainder of this page has been intentionally left blank.)

CORONAVIRUS RELIEF FUND ALLOCATIONS
AS OF JULY 30, 2020

State Agency	**Allocation**	**Submitted to LAC for Review**	**Funding Authorization Granted**
Local Government Allocation	Transfer of local Coronavirus Relief Funds	$ -	$ 841,464,000
Health	Flexible Spending for Critical Care Supplies Pre-Authorization	-	19,484,000
	Testing Supplies, Equipment	-	10,000,000
	Nursing Triage Line	-	3,000,000
	Public Awareness Campaign	-	8,750,000
	Testing Supports Staffing	-	2,430,000
	Case Investigation and Contact Tracing - MDH Staffing	-	3,000,000
	Case Investigation and Contact Tracing - Software Solution Phase 1	-	8,000,000
	Mobile Testing Teams	-	20,000,000
	Statewide Surveillance	-	1,975,628
	MDH Operating Cost Reimbursement	-	9,734,903
Human Services	Operating Costs for C-ACS (Langton Place)	-	3,342,625
	Pandemic-EBT, Emergency-SNAP, and Online EBT Systems Adoption	-	2,005,000
	Emergency Temporary Staffing Pool	4,641,000	-
	State-Paid Enhanced Homecare Benefit	1,063,000	-
	Prepared Meals for At-Risk Adults in Shelters, Isolation, and Encampments	-	3,668,000
	Summer Food Support for Children	-	35,500,000
	Senior Nutrition Funding	-	11,300,000
	DHS DCT Staffing and OT	-	13,059,000
	DHS Central Office Operating Adjustment	-	5,430,000
	Food Support for Tribal Nations (July & August)	-	1,608,000
	Food Shelf and Transportation Support	-	6,000,000
	Child Care Supports (T+B49hru September)	-	56,598,924
	HF 105 - Housing Support Temporary Absence Good Cause Exemption	-	1,135,000
	Sustaining Homeless and Victim Services COVID Response and Establish Temporary Isolation Space	19,000,000	-
Education	Expanded Food Access for Minnesotan Children and Families	-	10,000,000
	Education Coronavirus Relief Request	-	323,000
Minnesota Housing	Emergency Housing Assistance	-	100,000,000
Employment & Economic Development	Small Business Emergency Grant Program	-	60,000,000
	DEED Operating Cost Reimbursement	-	149,000
Agriculture	Agriculture Grants	-	600,000
	Food Bank Support	-	6,000,000
Administration	Workers' Comp (State Gov't)	-	33,763
	Admin - Coronavirus Relief Request	-	402,000
Other Agencies	COVID Response Reimbursement and Other Costs	1,706,608	23,472,236
Grand Total		**$ 26,410,608**	**$ 1,268,465,079**

(The remainder of this page has been intentionally left blank.)

CURRENT BIENNIUM
GENERAL FUND – BUDGETARY BASIS
ESTIMATES OF REVENUE AND EXPENDITURES
END OF 2020 LEGISLATIVE SESSIONS
($'s in Thousands)[1]

	Enacted FY 2020	Enacted FY 2021	Biennial Total FY 2020-21
Actual & Estimated Resources			
Balance Forward From Prior Year	3,971,359	2,910,781	3,971,359
Current Resources:			
Tax Revenues	22,180,466	20,977,858	43,158,324
Non-Tax Revenues	766,866	715,139	1,482,005
Subtotal - Non-Dedicated Revenue	22,947,332	21,692,997	44,640,329
Transfers In	155,936	300,050	455,986
Prior Year Adjustments	26,660	36,985	63,645
Subtotal - Other Revenue	182,596	337,035	519,631
Budget Changes - Taxes	0	0	0
Budget Changes - Non-Taxes	(342)	330	(12)
Subtotal-Current Resources	23,129,928	22,030,032	45,159,960
Total Resources Available	**27,101,287**	**24,940,813**	**49,131,319**
Actual & Estimated Spending			
E-12 Education	9,853,360	10,145,303	19,998,663
Higher Education	1,698,853	1,707,299	3,406,152
Property Tax Aids & Credits	1,872,901	2,010,277	3,883,178
Health & Human Services	7,262,133	7,459,437	14,721,570
Public Safety & Judiciary	1,284,418	1,266,661	2,551,079
Transportation	210,447	138,190	348,637
Environment	174,898	167,282	342,180
Agriculture & Housing	128,833	120,126	248,959
Jobs, Economic Development & Commerce	211,867	170,517	382,384
State Government & Veterans	827,681	588,012	1,415,693
Debt Service	540,081	589,970	1,130,051
Capital Projects & Grants	130,034	141,870	271,904
Estimated Cancellations	(5,000)	(15,000)	(20,000)
Total Expenditures & Transfers	**24,190,506**	**24,489,944**	**48,680,450**
Balance Before Reserves	**2,910,781**	**450,869**	**450,869**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,358,698	2,377,319	2,377,319
Stadium Reserve	56,052	66,255	66,255
Budgetary Balance	**146,031**	**(2,342,705)**	**(2,342,705)**

[1] Totals may not foot due to rounding.

The following table sets forth by source the forecasted amounts of non-dedicated revenues allocable to the General Fund for the Current Biennium, presented on a budgetary basis.

CURRENT BIENNIUM
GENERAL FUND – BUDGETARY BASIS
ESTIMATES OF NONDEDICATED REVENUES
END OF 2020 LEGISLATIVE SESSIONS
($'s in Thousands)[(1)]

	Fiscal Year 2020	Fiscal Year 2021	Current Biennium
Non-Dedicated Revenues			
Individual Income Tax	12,277,400	12,051,200	24,328,600
Corporate Income Tax	1,554,822	1,154,679	2,709,501
Sales Tax	5,674,515	5,018,622	10,693,137
Statewide Property Tax	726,660	823,446	1,550,106
Estate Tax	163,900	160,200	324,100
Liquor, Wine & Beer Tax	95,260	96,610	191,870
Cigarette & Tobacco Products Tax	577,270	567,180	1,144,450
Taconite Ocupation Tax	19,700	19,700	39,400
Mortgage Registry Tax	146,376	127,518	273,894
Deed Transfer Tax	145,257	153,918	299,175
Insurance Gross Earn & Fire Marshall	421,727	423,202	844,929
Controlled Substance Tax	5	5	10
Other Gross Earnings	50	50	100
Lawful Gambling Taxes	79,750	72,050	151,800
Medical Assistance Surcharges	303,777	314,831	618,608
Other Tax Refunds	(6,003)	(5,353)	(11,356)
Investment Income	70,000	10,000	80,000
Lottery Revenue	61,500	63,255	124,755
Tobacco Settlements	154,254	154,241	308,495
Departmental Earnings	206,855	201,501	408,356
DHS MSOP Collections	14,000	14,000	28,000
DHS SOS Collections	78,650	81,150	159,800
Fines & Surcharges	74,965	73,025	147,990
All Other Non-Dedicated Revenue	106,642	117,967	224,609
Transfer and Adjustments	182,596	337,035	519,631
Total Net Non-Dedicated Revenues	**23,129,928**	**22,030,032**	**45,159,960**

(1) Totals may not foot due to rounding.

HISTORICAL AND PROJECTED REVENUE AND EXPENDITURE GROWTH

The following tables display historical and projected General Fund revenue and expenditure growth by year for the General Fund for the Previous Biennium and the Current Biennium. Information is provided by major revenue and expenditure categories based on end of 2020 Legislative Sessions.

HISTORICAL AND PROJECTED REVENUE GROWTH
GENERAL FUND END OF 2020 LEGISLATIVE SESSIONS
($'s in Millions)(1)

	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Enacted FY 2020	Enacted FY 2021	Planning FY 2022	Planning FY 2023	Average Annual
Individual Income Tax	$ 10,739	$ 10,931	$ 11,784	$ 12,405	$ 12,277	$ 12,051	$ 12,361	$ 12,830	
$ change	335	192	852	622	(128)	(226)	310	469	
% change	**3.2%**	**1.8%**	**7.8%**	**5.3%**	**-1.0%**	**-1.8%**	**2.6%**	**3.8%**	**2.6%**
Sales Tax	$ 5,233	$ 5,405	$ 5,453	$ 5,762	$ 5,675	$ 5,019	$ 5,609	$ 5,789	
$ change	101	172	48	309	(88)	(656)	591	179	
% change	**2.0%**	**3.3%**	**0.9%**	**5.7%**	**-1.5%**	**-11.6%**	**11.8%**	**3.2%**	**1.5%**
Corporate Tax	$ 1,473	$ 1,205	$ 1,315	$ 1,660	$ 1,555	$ 1,155	$ 1,325	$ 1,570	
$ change	18	(268)	109	345	(105)	(400)	170	245	
% change	**1.2%**	**-18.2%**	**9.1%**	**26.3%**	**-6.3%**	**-25.7%**	**14.7%**	**18.5%**	**0.9%**
Statewide Property Tax	$ 854	$ 858	$ 811	$ 811	$ 727	$ 823	$ 768	$ 768	
$ change	16	4	(47)	(1)	(84)	97	(56)	0	
% change	**1.9%**	**0.5%**	**-5.5%**	**-0.1%**	**-10.4%**	**13.3%**	**-6.8%**	**0.0%**	**-1.5%**
Other Tax Revenue	$ 1,812	$ 1,833	$ 1,885	$ 1,961	$ 1,947	$ 1,930	$ 1,960	$ 2,020	
$ change	53	21	53	76	(14)	(17)	30	60	
% change	**3.0%**	**1.1%**	**2.9%**	**4.0%**	**-0.7%**	**-0.9%**	**1.5%**	**3.1%**	**1.6%**
Total Tax Revenue	$ 20,110	$ 20,233	$ 21,248	$ 22,600	$ 22,180	$ 20,978	$ 22,023	$ 22,976	
$ change	524	122	1,015	1,352	(419)	(1,203)	1,045	953	
% change	**2.7%**	**0.6%**	**5.0%**	**6.4%**	**-1.9%**	**-5.4%**	**5.0%**	**4.3%**	**1.9%**
Non-Tax Revenues	$ 779	$ 819	$ 814	$ 879	$ 767	$ 715	$ 699	$ 691	
$ change	27	40	(5)	65	(112)	(52)	(16)	(8)	
% change	**3.5%**	**5.1%**	**-0.6%**	**8.0%**	**-12.7%**	**-6.7%**	**-2.3%**	**-1.1%**	**-1.7%**
Transfers, All Other*	$ 262	$ 282	$ 235	$ 264	$ 183	$ 337	$ 190	$ 68	
$ change	91	20	(47)	29	(82)	154	(147)	(122)	
% change	**53.6%**	**7.8%**	**-16.6%**	**12.3%**	**-30.9%**	**84.6%**	**-43.6%**	**-64.2%**	**-17.5%**
Total Revenue	$ 21,151	$ 21,334	$ 22,297	$ 23,743	$ 23,130	$ 22,030	$ 22,912	$ 23,735	
$ change	642	182	963	1,446	(613)	(1,100)	882	823	
% change	**3.1%**	**0.9%**	**4.5%**	**6.5%**	**-2.6%**	**-4.8%**	**4.0%**	**3.6%**	**1.7%**

(1)Totals may not foot due to rounding.
*Transfers/All Other includes transfers into the General Fund available for general use, dedicated revenue and prior period accounting adjustments.

HISTORICAL AND PROJECTED SPENDING GROWTH
GENERAL FUND END OF 2020 LEGISLATIVE SESSIONS
($'s in Millions)[1]

	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Enacted FY 2020	Enacted FY 2021	Planning FY 2022	Planning FY 2023	Average Annual
E-12 Education	$ 8,507	$ 8,901	$ 9,233	$ 9,588	$ 9,853	$ 10,145	$ 10,296	$ 10,449	
$ change	319	394	332	355	266	292	150	154	
% change	**3.9%**	**4.6%**	**3.7%**	**3.8%**	**2.8%**	**3.0%**	**1.5%**	**1.5%**	**3.0%**
Higher Education	$ 1,529	$ 1,556	$ 1,651	$ 1,642	$ 1,699	$ 1,707	$ 1,703	$ 1,703	
$ change	77	27	95	(9)	56	8	(4)	-	
% change	**5.3%**	**1.7%**	**6.1%**	**-0.5%**	**3.4%**	**0.5%**	**-0.2%**	**0.0%**	**1.6%**
Prop. Tax Aids & Credits	$ 1,646	$ 1,675	$ 1,724	$ 1,927	$ 1,873	$ 2,010	$ 2,070	$ 2,100	
$ change	33	29	49	203	(54)	137	60	30	
% change	**2.1%**	**1.8%**	**2.9%**	**11.8%**	**-2.8%**	**7.3%**	**3.0%**	**1.4%**	**3.5%**
Health & Human Services	$ 5,601	$ 5,944	$ 6,622	$ 6,677	$ 7,262	$ 7,459	$ 8,250	$ 8,470	
$ change	(590)	343	678	55	586	197	791	220	
% change	**-9.5%**	**6.1%**	**11.4%**	**0.8%**	**8.8%**	**2.7%**	**10.6%**	**2.7%**	**6.1%**
Public Safety & Judiciary	$ 1,041	$ 1,133	$ 1,130	$ 1,226	$ 1,284	$ 1,267	$ 1,267	$ 1,270	
$ change	6	92	(3)	96	58	(18)	0	3	
% change	**0.6%**	**8.9%**	**-0.3%**	**8.5%**	**4.7%**	**-1.4%**	**0.0%**	**0.2%**	**2.9%**
Debt Service	$ 609	$ 529	$ 563	$ 550	$ 540	$ 590	$ 610	$ 595	
$ change	(14)	(80)	34	(13)	(10)	50	20	(15)	
% change	**-2.3%**	**-13.1%**	**6.4%**	**-2.4%**	**-1.8%**	**9.2%**	**3.4%**	**-2.5%**	**-0.3%**
All Other	$ 1,218	$ 1,300	$ 1,424.33	$ 1,444.35	$ 1,678.76	$ 1,311.00	$ 1,302.63	$ 1,304.89	
$ change	28	82	124	20	234	(368)	(8)	2	
% change	**2.4%**	**6.8%**	**9.5%**	**1.4%**	**16.2%**	**-21.9%**	**-0.6%**	**0.2%**	**1.0%**
Total Spending	$ 20,152	$ 21,039	$ 22,347	$ 23,054	$ 24,191	$ 24,490	$ 25,499	$ 25,892	
$ change	(141)	887	1,308	707	1,136	299	1,009	392	
% change	**-0.7%**	**4.4%**	**6.2%**	**3.2%**	**4.9%**	**1.2%**	**4.1%**	**1.5%**	**3.6%**

[1]Totals may not foot due to rounding.

(The remainder of this page has been intentionally left blank.)

BUDGET PLANNING ESTIMATES

Planning estimates for the Next Biennium are based on the May 2020 Interim Budget Projection adjusted for legislative action. The planning projections contain revenue and expenditure estimates for the Next Biennium based on the most recent information about the national and state economic outlook, caseloads, enrollments and cost projections as amended to reflect legislative enactment of the budget for the Current Biennium. The longer-term estimates for the Next Biennium carry a higher degree of uncertainty and a larger range of potential error. As with the Current Biennium, not all forecasted revenue and spending areas were updated with the May 2020 Interim Budget Projection for the Next Biennium. For revenues, only income taxes, sales taxes, corporate taxes, lawful gambling taxes, insurance premium taxes, investment income, and transfers from the Health Care Access Fund were updated. For spending, only HHS programs estimates were updated. All other areas for revenue and spending were left at February 2020 Forecast levels.

Action taken during the 2020 Legislative Sessions had minimal impact on revenue and spending in the Next Biennium. For revenues, legislative action resulted in $21 thousand less revenue than projected in May. For spending, appropriations made for the Current Biennium increased base level spending by $31 million compared to the May 2020 Interim Budget Projection.

General Fund revenues, including the impact of legislative changes, in the Next Biennium are estimated to be $46.647 billion, $1.488 billion (3.3 percent) higher than estimates for the Current Biennium. Projected spending, including the impact of legislative changes, in the Next Biennium is now estimated to be $51.390 billion, $2.710 billion (5.5 percent) higher than estimates for the Current Biennium. Spending projections only include increases incorporated in current law to education aids, health care, and local aid/property tax relief programs based on enrollment, caseload and current law formula provisions. The impact of inflation is not reflected in expenditure projections.

Enacted legislation from the 2019 Legislative Sessions direct the General Fund Budget Reserve Account to be reduced $491 million on the first day of FY 2022. Given this, estimates in the Next Biennium include $1.886 billion in the Budget Reserve Account, and a $350 million balance in the Cash Flow Account. The balance in the Stadium Reserve Account is projected to be $101 million by the end of the Next Biennium.

Revenue, spending and reserve estimates for the Next Biennium will be updated in the November 2020 forecast.

(The remainder of this page has been intentionally left blank.)

GENERAL FUND REVENUE SOURCES

Tax Sources

The State's principal sources of non-dedicated revenues are taxes of various types. A description of the major taxes is set forth below.

The State's primary General Fund revenue sources, including Income Tax, Sales and Use Tax and Corporate Franchise Tax, have been negatively impacted by the COVID-19 Pandemic. These reductions are due to reduced economic activity associated with COVID-19 Pandemic mitigation efforts including stay at home Executive Orders. See "COVID-19 PANDEMIC AND EXECUTIVE PEACETIME EMERGENCY ORDERS" and "BIENNIUM *BUDGETS* - May 2020 Interim Budget Projection – Current Biennium" *in this APPENDIX B for information regarding the effect of COVID 19 Pandemic on the State's General Fund revenue sources.*

Income Tax: The income tax rate schedules for 2020 consist of four income brackets having tax rates of 5.35 percent, 6.80 percent, 7.85 percent and 9.85 percent as shown below. The tax brackets are indexed annually for inflation, as measured by the national chained consumer price index. The starting point for computing tax liability is federal adjusted gross income (FAGI), per the Internal Revenue Code as of 1986, as amended, through December 31, 2018. In computing taxable income, Minnesota allows the same standard deduction as the IRS. Itemized deductions are similar to federal itemized deductions, with some exceptions. Minnesota allows for dependent exemptions (not taxpayer and spouse exemptions) that match the federal amount prior to 2018. Minnesota requires numerous other additions and subtractions to FAGI to arrive at taxable income. There is a subtraction for social security benefits included in FAGI. The subtraction phases out for higher-income taxpayers. In 2019 the maximum subtraction amount was increased and the phase-out thresholds were decreased slightly. The subtraction amounts and phase-out thresholds are indexed annually for inflation. Two earner couples are entitled to a non-refundable credit against tax liability to offset the additional tax liability that results from the "married joint" filing status as opposed to the "single" filing status. The maximum credit per return to offset this "marriage penalty" is $1,533.00. In addition, the State tax code contains a refundable child-care credit, a working family credit, and an education credit all targeted at low income parents. An alternative minimum tax is imposed on Minnesota alternative minimum taxable income or AMTI (which is similar to federal alternative minimum taxable income) at a flat rate of 6.75 percent on AMTI in excess of an exemption amount, to the extent the minimum tax exceeds the regular tax.

SINGLE FILER

Taxable Income	Tax
on the first $26,960	5.35%
on all over $26,960 but not over $88,550	6.80%
on all over $88,550 but not over $164,400	7.85%
on all over $164,400	9.85%

MARRIED FILING JOINTLY

Taxable Income	Tax
on the first $39,410	5.35%
on all over $39,410, but not over $156,570	6.80%
on all over $156,570, but not over $273,470	7.85%
on all over $273,470	9.85%

Married individuals filing separate returns, estates and trusts must compute their income tax by applying married rates, except that the income brackets will be one-half of the above amounts.

HEAD OF HOUSEHOLD

Taxable Income	Tax
on the first $33,190	5.35%
on all over $33,190, but not over $133,360	6.80%
on all over $133,360, but not over $218,540	7.85%
on all over $218,540	9.85%

Sales and Use Tax: The sales tax rate of 6.875 percent is applicable to most retail sales of goods with the exception of food, clothing, and drugs. Purchases made by non-profit organizations, the federal government, all local governments and school districts are exempt. In general, capital equipment used in manufacturing, fabricating, mining and refining is exempt from tax. In November 2008, Minnesota voters voted to amend the constitution to raise the sales tax rate beginning on July 1, 2009, by 3/8 of 1 percentage point. The proceeds from the incremental increase are dedicated to funds other than the General Fund for the purpose of protecting the environment and preserving Minnesota's arts and cultural heritage. The new general statewide rate is 6.875 percent. The 3/8 of 1 percent point increment will be in place through 2034.

Statewide Property Tax: A State general property tax is levied on commercial and industrial property, public utility property, unmined iron ore property, and seasonal recreational property, including cabins. Electric generation attached machinery and property located at the Minneapolis-St. Paul International Airport and the St. Paul Airport are exempt from this tax. Effective beginning with taxes payable in 2018, the first $100,000 is exempt. The tax is levied at a uniform rate across the State. In the 2019 Legislative Sessions, the levy amount was set at $778.78 million.

Corporate Franchise Tax: A flat tax rate of 9.8 percent is imposed on corporate taxable income. In 2019, Minnesota adopted legislation in response to the federal Tax Cuts and Jobs Act. The legislation includes a number of provisions that expand the corporate tax base by limiting or repealing corporate deductions. Net operating losses are limited to 80% of income and the net interest deduction is limited to 30% of income, among other changes.

Beginning in 2014, corporations apportion their income to Minnesota solely on the basis of sales in Minnesota. Prior to 2014 a three factor formula of property, payroll and sales had been used. That formula was phased out between 2007 and 2014. An alternative minimum tax is imposed on Minnesota alternative minimum taxable income (which is similar to federal alternative minimum taxable income) at a flat rate of 5.8 percent, to the extent the minimum tax exceeds the regular tax. In the 2013 Legislative Session numerous changes were made to the corporate income tax. Among the significant provisions were: 1) the repeal of special rules for foreign operating corporations, 2) the repeal of the exclusion for foreign royalties, 3) An increase in the minimum fee, 4) a broadened definition of sales to include the sales of no- nexus subsidiaries of corporations subject to Minnesota tax, 5) a change in the Research & Development credit from refundable to non-refundable, and 6) a provision that subjects the income of foreign entities who elect not to be treated as corporations, that are part of a unitary business taxable in Minnesota, and whose income is included in federal taxable to Minnesota tax.

Beginning in tax year 2002, Minnesota required 80 percent of federal "bonus depreciation" be added to taxable income and then deducted in five equal parts over the next five years. The effect of this provision is to negate the revenue loss that would otherwise result from federal "bonus depreciation".

A fee is imposed as a part of the franchise tax liability. The fee is in addition to the regular and alternative minimum tax. The amount of the fee is based on the sum of Minnesota property, payroll and sales. The 2013 Legislature adjusted the fee schedule and indexed the dollar amounts for inflation, based on the consumer price index. The chained consumer price index is used beginning in 2020. The fee schedule for tax year 2020 is shown below:

Fee Basis	Amount of Fee
Less than $1,040,000	$0
$1,040,000 to $2,069,999	$210
$2,070,000 to $10,379,999	$620
$10,380,000 to $20,749,999	$2,070
$20,750,000 to $41,499,999	$4,160
$41,500,000 or more	$10,380

Insurance Gross Earnings Tax: A tax is imposed on the gross premium revenue of insurance companies at the following rates:

1.5%	Life insurance
1.26%	Mutual property and casualty companies with assets in excess of $5 million but less than $1.6 billion on 12/31/89
1.0%	Mutual property and casualty companies with assets less than $5 million; town and farmers' mutual companies
1.0%	Health Maintenance Organizations ("HMOs") and nonprofit health service plan corporations
3.0%	Surplus line agents
2.0%	All other insurance
0.5%	Fire safety surcharge on homeowner's insurance, commercial fire and commercial nonliability insurance
2.0%	Surcharge on fire premiums for property located in cities of the first class

Liquor, Wine and Fermented Malt Beverages Tax: Liquor is taxed at $5.03 per gallon. Wine is taxed at rates that vary from $.30 per gallon to $3.52 per gallon, depending on the alcohol content. Beer is taxed at $2.40 per 31-gallon barrel for beer with alcoholic contents of 3.2 percent by volume or less, and $4.60 per 31-gallon barrel for strong beer.

A gross receipts tax of 2.5 percent is imposed on alcoholic beverages sold at retail; this is in addition to the 6.875 percent sales tax on alcoholic beverages.

Cigarette and Tobacco Products Tax: The cigarette tax is $3.04 per pack. The 2017 Legislature repealed the annual inflationary adjustment. In addition, a pack is subject to a tax in lieu of sales tax of 61 cents. The tax on tobacco products is 95 percent of the wholesale price. An electronic cigarette or e-cigarette is a device that simulates smoking tobacco. Electronic cigarettes ("e-cigarettes") and e-juice (fluid in cartridges used with e-cigarettes) are considered tobacco products and are subject to the tobacco tax.

Estate Tax: The tax base is the federal gross estate less various exemptions and deductions, multiplied by the percentage of the decedent's total property that has a Minnesota situs. Estate tax rates range from 13% to 16% for decedents dying in 2018 and thereafter. There is a general state subtraction or exclusion amount equal to $3.0 million for deaths in 2020 and after.

Mortgage Tax: A tax of 23 cents is imposed on each $100 dollars of debt secured by real property. 97 percent of the proceeds go to the State's General Fund and 3 percent to the county in which the property is located.

Deed Tax: A tax of .0033 percent or $1.65 for increments less than $3,000 of consideration is imposed on the transfer of real estate by any deed, instrument, or writing. 97 percent of the proceeds go to the State's General Fund and 3 percent to the county in which the property is located.

Gambling Tax: A 6 percent tax is imposed on the takeout of pari-mutuel horse races at licensed tracks. The takeout is 17 percent of straight pools and 23 percent for multiple pools.

The Stadium Legislation imposed a tax on net gambling receipts -- gross receipts less prizes paid (see table below). The Stadium Legislation authorized two types of electronic charitable gambling: electronic linked bingo and electronic pull tabs.

The current gambling tax structure is as follows**:**

Net Receipts Tax on Existing Bingo, Raffles, Paddlewheels	8.5%
Net Receipts Tax on All Pull-tabs, All Tip boards Except Sports Tip boards, and Electronic Linked Bingo (taxed on an organization basis)	
Not over $87,500	9.0%
Over $87,500, but not over $122,500	18.0%
Over $122,500, but not over $157,500	27.0%
Over $157,500	36.0%
Sports-themed Tip boards	exempt

Taconite and Iron Ore Occupation Tax: The base of the occupation tax is the value of the ore less expenses required to convert it into marketable quality. Since tax year 2006, the rate of the tax has been 2.45 percent. For purposes of the corporate franchise tax apportionment formula, transfers of ore are deemed to be Minnesota sales.

Health Care Provider Tax: A tax is imposed upon licensed nursing homes, hospitals, and health maintenance organizations, including a $2,815 tax per licensed nursing home bed, a 1.56 percent tax on the net patient revenue of hospitals (excluding Medicare revenue), and a 0.6 percent tax on the total premium revenue of health maintenance organizations.

Other Sources

In addition to the major taxes described above, other sources of non-dedicated revenues include minor taxes, unrestricted grants, certain fees and charges of State agencies and departments, and investment income.

The General Fund receives no unrestricted federal grants. The only federal funds deposited into the General Fund are to reimburse the State for expenditures on behalf of federal programs.

Under the Stadium Legislation, proceeds of certain local special sales, liquor, lodging and restaurant taxes imposed by the City of Minneapolis under Minnesota Laws 1986, Chapter 396, as amended, are to be deposited in the General Fund each year from 2021 through 2046 in an aggregate present value amount of $150,000,000, plus certain specified amounts each year for the purpose of paying a portion of annual operating costs and contributions to a capital reserve for the stadium project authorized by the Stadium Legislation.

Tobacco Settlement

On May 8, 1998, the State of Minnesota settled a lawsuit initiated against several tobacco companies. The settlement agreement as amended as of June 1, 2001, (the "Minnesota Agreement"), between the Attorney General of the State and the then-existing four largest United States cigarette manufacturers, Philip Morris, Reynolds Tobacco, Lorillard and B & W (collectively, the "Settling Defendants")[2], requires the Settling Defendants to make annual payments to the State. The payments are to be made at the beginning of the calendar year and are scheduled into perpetuity. These amounts are adjusted based on volume of tobacco products sold and the consumer price index as indicated in the settlement documents. Payments made pursuant to the Minnesota Agreement are made to an account designated in writing by the State, which is an account within the General Fund of the State Treasury. The increased use of e-cigarettes may have an impact on the tobacco revenues.

Pursuant to the Minnesota Agreement, the State agreed to settle all its past, present and future smoking- related claims against the Settling Defendants in exchange for agreements and undertakings by the Settling Defendants concerning a number of issues. These issues include, among others, making payments to the State, abiding by more

[2] On January 5, 2004, Reynolds American Inc. was incorporated as a holding company to facilitate the combination of the U.S. assets, liabilities and operations of B & W with those of Reynolds Tobacco, which occurred on June 30, 2004. References herein to the "Settling Defendants" mean, for the period prior to June 30, 2004, collectively, Philip Morris, Reynolds Tobacco, B & W and Lorillard and for the period on and after June 30, 2004, collectively Philip Morris, Reynolds American and Lorillard. On June 12, 2015, Reynolds American Inc. acquired Lorillard by way of merger, and in a related divestiture, certain of the settling Defendants' cigarette brands were sold to ITG Brands, LLC. No settlement payments are being made on the cigarette brands sold to ITG Brands. The State does receive fee-in-lieu of settlement tax payments on the transferred brands pursuant to Minnesota Statute, Section 267F.34. On March 23, 2018, the State filed suit against Reynolds Tobacco and ITG to collect the difference between what the State receives in fee-in-lieu taxes and what is owed to the State as settlement payments on the transferred brands. The Court entered summary judgment in favor of the State holding that Reynolds is liable for payments on the transferred brands. The judgement is not final, and the State's claims against ITG Brands are scheduled for hearing on August 31, 2020.

stringent advertising restrictions, funding educational programs, ensuring public access to court documents and files and requiring disclosure of certain payments to lobbyists, all in accordance with the terms and conditions set forth in the Minnesota Agreement.

The Minnesota Agreement requires that the Settling Defendants make two types of payments, "Initial Payments" due in the years 1998 through 2003 and "Annual Payments" due in 1998 and continuing in perpetuity, which historical payments are set forth in the table that follows, as well as certain court-administered payments. The base amount of these payments (with the exception of the up-front Initial Payments) are subject to certain adjustments (including those for inflation and volume), which could be material.

Payments required to be made by the Settling Defendants are calculated by reference to the Settling Defendants' respective share of sales of cigarettes (which in practice have been measured by shipments) by unit for consumption in the United States (excluding Puerto Rico). Payments to be made by the Settling Defendants are recalculated each year, based on the market share of each individual Settling Defendant for the prior year. A significant loss of market share by the Settling Defendants could have a material adverse effect on the payments by the Settling Defendants under the Minnesota Agreement. The Minnesota Agreement does not contain any terms providing for a process to dispute the calculation of Annual Payments or any adjustments to such payments. To date, neither the Settling Defendants nor the State have disputed any of the calculations of payments under the Minnesota Agreement.

As required, the Settling Defendants have made all of the Initial Payments and have made Annual Payments from 1998 through 2020 and certain other amounts pursuant to the Minnesota Agreement totaling approximately $4.812 billion to date.

	Unadjusted Minnesota Agreement Applicable Base Payment	State's Actual Receipts(1)
Up-Front Initial Payment†	$240,000,000	$240,000,000
1999 Initial Payment†	220,800,000	220,800,000
2000 Initial Payment	242,550,000	221,784,750
2001 Initial Payment	242,550,000	220,885,523
2002 Initial Payment	242,550,000	215,007,990
2003 Initial Payment	121,550,000	107,669,822
FY1999 Annual Payment†	102,000,000	102,000,000
FY2000 Annual Payment	114,750,000	104,925,995
FY2001 Annual Payment	127,500,000	145,136,835(2)
FY2002 Annual Payment	165,750,000	161,022,719
FY2003 Annual Payment	165,750,000	157,711,642
FY2004 Annual Payment	204,000,000	168,566,764
FY2005 Annual Payment	204,000,000	175,488,332
FY2006 Annual Payment	204,000,000	180,789,740
FY2007 Annual Payment	204,000,000	183,911,438
FY2008 Annual Payment	204,000,000	184,410,711
FY2009 Annual Payment	204,000,000	179,854,486
FY2010 Annual Payment	204,000,000	168,297,369
FY2011 Annual Payment	204,000,000	169,375,081
FY2012 Annual Payment	204,000,000	166,861,093
FY2013 Annual Payment	204,000,000	170,060,090
FY2014 Annual Payment	204,000,000	175,398,533
FY2015 Annual Payment	204,000,000	170,746,036
FY2016 Annual Payment	204,000,000	171,238,161
FY2017 Annual Payment	204,000,000	168,226,161
FY2018 Annual Payment	204,000,000	166,931,236
FY2019 Annual Payment	204,000,000	162,765,479
FY2020 Annual Payment	**204,000,000**	**152,282,216**

† Not subject to the Inflation Adjustment or the Volume Adjustment. Deposited in a cessation account administered by the Court, as permitted in the Minnesota Agreement and required by the Consent Judgment, to provide cessation opportunities to Minnesota smokers.

(1) As reported by the State and to the best of the State's knowledge, amounts reflect the State's actual receipts, including applicable adjustments.

(2) Includes $29,025,087 paid by the Settling Defendants on June 11, 2001 pursuant to the 2001 Amendment.

CASH FLOW INFORMATION

The Statutory General Fund is established in Minnesota Statutes, Section 16A.671, subdivision 3a, and is defined as follows:

> "…all cash and investments from time to time received and held in the treasury, except proceeds of State bonds and amounts received and held in special or dedicated funds created by the constitution, or by or pursuant to federal laws or regulations, or by bond or trust instruments, pension contracts, or other agreements of the State or its agencies with private persons, entered into under State law."

The General Fund, special revenue funds, internal service funds, enterprise funds and capital projects funds make up the Statutory General Fund. Cash contained in the Statutory General Fund is available for State cash flow purposes.

Major special revenue funds included in the Statutory General Fund include the Petro Tank Release, the State Airports, the Game and Fish, the Workforce Development, the Tobacco Use Prevention, the Workers Compensation, the Environmental Waste and the Northeast Minnesota Economic Development funds.

Internal service funds, enterprise funds and capital project funds included in the Statutory General Fund include Minnesota State, General Projects, Risk Management, Lottery Cash Flow and State Operated Services Funds.

The estimated vs. actual revenues and expenditures are monitored to ensure adequate cash flow. There are more than 80 funds within the Statutory General Fund. MMB manages short-term intra-fund borrowing within the Statutory General Fund, balancing the cash needs of various programs with actual daily receipts and disbursements.

The State may, subject to certain limitations, issue certificates in anticipation of the collection of taxes levied for and other revenue appropriated to the Statutory General Fund for expenditure during the biennium. Minnesota Statutes, Section 16A.671, authorizes the Commissioner to sell certificates of indebtedness in the following manners:

- advertising for competitive bids;
- negotiating contracts with banks in or out of State to establish lines of credit;
- negotiating contracts with firms of underwriters that will purchase or act as agents in the placement of certificates of indebtedness;
- entering into contracts with banks in or out of State to authenticate, issue, pay principal and interest on, cancel, and otherwise deal as fiscal agents of the State with certificates of indebtedness issued as outlined above; and
- selling certificates of indebtedness to the State Board of Investment without advertising for bids.

The tables on the following pages show the projections of monthly Statutory General Fund cash flows for FY 2020 and FY 2021 based on the end of 2020 Legislative Sessions. The table for FY 2020 represents actual Statutory General Fund cash flow balances through June 30, 2020. The table for FY 2021 represents projected Statutory General Fund cash flow balance for that fiscal year. The projected monthly cash flow analyses have been formatted to include transfers in and transfers out to more accurately reflect State operations. The payment of debt service is included in transfers out for each fiscal year. Please note that monthly cash flow projections are subject to a high level of variability.

The State's projected monthly cash flow balances, including low points, are projected to decline in FY 2021 compared to the actual monthly balances in FY 2020. The State may, if needed, utilize a variety of administrative tools to manage Statutory General Fund cash flow on a daily basis. Those tools may consist of, and are not limited to, statutorily permitted delays in certain payments to higher education institutions, and health care providers, as well as delays in remittance of certain corporate and sales tax refunds.

The State does not currently have any outstanding short-term debt and does not have any plans to pursue a short-term borrowing for cashflow purposes in Fiscal Year 2021 at this time.

STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS
END OF 2020 LEGISLATIVE SESSIONS
ACTUALS FOR FISCAL YEAR ENDED JUNE 30, 2020
($'s in Thousands)

	Jul-19 Act	Aug-19 Act	Sep-19 Act	Oct-19 Act	Nov-19 Act	Dec-19 Act	Jan-20 Act	Feb-20 Act	Mar-20 Act	Apr-20 Act	May-20 Act	Jun-20 Act
Beginning Cash Balance	9,295,768	8,210,014	6,909,626	6,955,614	7,354,592	7,210,558	7,636,139	8,224,776	7,140,842	6,667,591	6,294,608	5,987,361
Individual Income Tax	928,997	895,895	1,241,236	946,049	638,421	1,059,407	1,474,015	368,765	643,965	980,110	636,742	1,097,425
Corporate Tax	(87,470)	13,651	365,164	26,187	59,567	327,483	15,625	15,580	318,515	178,408	29,280	308,184
Sales Tax	206,396	560,557	548,807	557,303	523,205	455,293	604,124	442,066	350,559	398,418	470,910	715,631
Property Tax	16,411	-	-	163,819	169,896	19,355	5,741	10	9	265	204,465	175,302
Tobacco Tax	4,772	60,294	59,887	52,264	52,784	48,877	74,964	36,596	35,053	63,162	31,279	98,858
Insurance Tax	4,158	11,796	109,152	635	6,227	110,388	2,359	26,997	128,355	1,973	3,194	109,242
Excise Tax	169,995	116,106	108,661	219,857	101,820	105,659	211,284	135,604	113,866	158,676	116,432	197,182
Investment Earnings	17,381	18,911	15,538	13,334	13,462	13,786	12,446	12,735	10,880	10,469	8,310	5,233
Interagency Grants	13,542	23,778	7,030	10,419	13,703	6,929	16,380	14,530	14,235	16,160	6,930	8,301
Other Revenue	364,995	419,042	433,651	355,559	274,940	447,331	553,423	287,772	268,615	291,119	249,773	265,144
Total Revenue	1,639,177	2,120,030	2,889,128	2,345,426	1,854,023	2,594,508	2,970,360	1,340,655	1,884,052	2,098,759	1,757,315	2,980,499
Transfer In	1,595,814	176,591	153,522	209,774	105,337	92,871	191,692	164,941	587,358	112,773	72,526	276,697
Total Sources	3,234,991	2,296,621	3,042,650	2,555,200	1,959,360	2,687,379	3,162,052	1,505,596	2,471,410	2,211,533	1,829,841	3,257,196
Compensation	329,700	441,611	324,934	322,240	338,232	329,836	456,577	336,315	334,884	336,976	337,134	349,555
Agency Operations	377,207	310,369	186,196	251,431	173,240	144,606	225,773	230,075	159,566	200,739	221,272	161,878
Aid to Schools	199,121	1,443,956	917,033	634,206	213,933	752,832	946,282	928,026	1,139,946	1,142,383	919,364	459,355
Aid to Cities & Towns	213,183	55,747	83,097	13,706	10,668	292,551	9,578	6,106	9,859	9,079	5,463	6,011
Aid to Counties	199,553	31,095	36,774	27,941	14,200	171,097	17,926	18,594	27,149	24,447	23,177	16,632
Aid to Higher Ed	85,163	111,175	112,166	76,533	65,731	89,565	153,926	72,306	67,365	64,909	64,494	90,709
Aid to Non-Gov't	34,931	39,993	19,812	29,391	23,876	24,959	23,834	33,187	31,258	84,435	31,695	52,720
Aid to Other Gov't	23,728	9,760	35,337	18,020	11,300	11,769	10,020	16,065	11,287	10,580	11,428	10,272
DHS Payments to Individuals	1,088,836	621,160	803,946	495,947	532,680	335,797	522,814	763,127	546,028	522,519	397,967	131,938
Other Aid to Individuals	64,520	294,377	319,434	48,859	12,915	6,030	5,927	9,510	10,514	9,736	8,950	4,171
Other Expenditures	13,174	12,060	9,451	24,723	17,382	5,878	6,571	8,757	7,961	53,227	4,678	9,681
Total Expenditures	2,629,114	3,371,304	2,848,181	1,942,996	1,414,156	2,164,921	2,379,228	2,422,065	2,345,816	2,459,031	2,025,622	1,292,922
Transfer Out	1,691,631	225,705	148,482	213,226	139,453	96,876	194,188	167,465	598,844	125,483	111,466	254,196
Transfer Out Debt Service	-	-	-	-	549,785	-	-	-	-	-	-	-
Total Uses	4,320,745	3,597,009	2,996,663	2,156,222	2,103,394	2,261,797	2,573,416	2,589,530	2,944,661	2,584,514	2,137,088	1,547,118
Sources Less Uses	(1,085,754)	(1,300,387)	45,987	398,978	(144,034)	425,582	588,637	(1,083,933)	(473,251)	(372,981)	(307,247)	1,710,078
High Point	9,350,349	8,360,327	8,249,635	8,110,544	8,155,572	7,682,437	8,621,347	8,159,204	7,482,246	7,005,558	6,438,432	7,824,415
Low Point	8,001,532	6,839,335	6,676,873	6,905,064	7,210,558	6,942,655	7,171,612	7,140,842	6,259,300	5,749,946	5,587,696	5,863,456
Ending Cash Balance	8,210,014	6,909,626	6,955,614	7,354,592	7,210,558	7,636,139	8,224,776	7,140,842	6,667,591	6,294,608	5,987,361	7,697,438

STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS
END OF 2020 LEGISLATIVE SESSIONS
ESTIMATES FOR FISCAL YEAR ENDING JUNE 30, 2021
($'s in Thousands)

	Jul-20 Est	Aug-20 Est	Sep-20 Est	Oct-20 Est	Nov-20 Est	Dec-20 Est	Jan-21 Est	Feb-21 Est	Mar-21 Est	Apr-21 Est	May-21 Est	Jun-21 Est
Beginning Cash Balance	7,697,438	7,781,783	5,989,921	5,729,216	5,770,539	5,217,523	5,252,052	5,424,527	4,551,034	3,698,816	4,835,267	4,549,868
Individual Income Tax	2,153,949	677,194	1,170,494	847,613	529,108	1,078,737	1,334,887	523,635	805,171	2,380,304	701,920	1,217,171
Corporate Tax	61,622	27,890	304,358	48,060	18,038	243,070	24,686	25,251	191,696	123,339	30,117	56,550
Sales Tax	165,249	478,981	446,831	457,123	443,899	422,746	502,261	395,697	358,822	366,173	433,832	731,178
Property Tax	13,338	(0)	(0)	220,069	162,159	19,305	3,861	(0)	-	(0)	206,175	198,539
Tobacco Tax	2,486	55,273	82,179	51,163	47,450	58,228	90,378	23,549	31,492	41,928	48,769	86,659
Insurance Tax	2,192	11,850	126,217	274	6,446	132,084	2,829	62,349	161,154	1,509	5,710	136,644
Excise Tax	169,547	111,222	131,899	210,403	108,129	107,822	207,128	121,580	105,901	244,077	102,340	135,297
Investment Earnings	3,677	4,235	4,511	377	9,063	10,475	830	10,688	944	6,457	13,135	845
Interagency Grants	28,810	26,147	33,764	18,478	9,798	18,462	16,745	28,998	26,231	27,052	38,185	27,922
Other Revenue	399,131	395,407	343,325	258,939	246,795	498,002	495,170	211,357	320,721	393,837	234,748	389,913
Total Revenue	3,000,000	1,788,200	2,643,577	2,112,500	1,580,885	2,588,932	2,678,775	1,403,106	2,002,131	3,584,676	1,814,933	2,980,717
Transfer In	742,866	537,470	117,359	103,556	120,829	92,857	97,071	130,801	222,753	87,178	109,566	1,364,967
Total Sources	3,742,866	2,325,670	2,760,936	2,216,057	1,701,714	2,681,790	2,775,846	1,533,907	2,224,885	3,671,854	1,924,498	4,345,684
Compensation	382,034	411,410	300,924	323,560	322,703	387,200	425,060	331,371	305,040	338,883	338,567	332,049
Agency Operations	329,461	214,090	206,922	199,886	111,919	273,745	204,787	118,595	252,783	218,332	145,639	256,092
Aid to Schools	276,879	1,428,539	994,274	567,300	220,717	788,721	1,002,043	992,831	1,233,424	1,194,002	993,214	487,520
Aid to Cities & Towns	335,764	13,237	51,150	96,155	17,469	331,694	27,013	9,454	8,029	13,450	(13,272)	9,301
Aid to Counties	194,650	34,413	39,389	54,323	16,687	173,025	12,524	13,440	15,348	17,143	32,856	9,199
Aid to Higher Ed	89,525	228,443	3,396	66,674	62,120	122,170	120,220	77,711	67,781	121,731	89,759	72,150
Aid to Non-Gov't	40,921	31,172	40,768	33,691	29,746	30,692	39,129	43,586	34,544	90,216	35,385	25,402
Aid to Other Gov't	33,987	20,433	36,369	18,732	15,761	13,129	13,992	7,510	13,039	12,298	12,513	228
DHS Payments to Individuals	1,022,723	735,826	893,282	556,182	630,183	399,350	616,567	650,209	883,840	408,750	448,411	456,669
Other Aid to Individuals	57,128	262,525	330,554	108,536	16,657	14,790	11,604	4,501	15,429	6,126	4,757	19,364
Other Expenditures	23,450	21,406	13,313	44,315	17,657	12,281	27,124	16,157	16,445	15,151	22,415	1,510
Total Expenditures	2,786,523	3,401,495	2,910,340	2,069,355	1,461,619	2,546,798	2,500,063	2,265,365	2,845,702	2,436,081	2,110,245	1,669,483
Transfer Out	871,999	716,037	111,302	105,378	203,141	100,464	103,307	142,035	231,401	99,322	99,653	1,060,839
Transfer Out Debt Service	-	-	-	-	589,970		-	-	-	-	-	-
Total Uses	3,658,521	4,117,532	3,021,642	2,174,733	2,254,730	2,647,261	2,603,370	2,407,400	3,077,102	2,535,403	2,209,898	2,730,322
Sources Less Uses	84,345	(1,791,862)	(260,706)	41,324	(553,016)	34,528	172,475	(873,493)	(852,218)	1,136,451	(285,400)	1,615,363
High Point	8,048,252	7,669,058	6,893,918	6,312,670	6,091,205	5,612,477	6,017,868	5,437,662	4,827,518	5,552,390	4,956,976	6,184,874
Low Point	6,667,430	5,987,481	5,729,216	5,769,931	5,173,842	5,002,256	5,130,009	4,551,034	3,660,423	3,839,481	4,376,880	4,575,799
Ending Cash Balance	7,781,783	5,989,921	5,729,216	5,770,539	5,217,523	5,252,052	5,424,527	4,551,034	3,698,816	4,835,267	4,549,868	6,165,230

TRUNK HIGHWAY SYSTEM

The State trunk highway system consists of approximately 12,000 miles of highways, 4,860 bridges of ten-foot spans or longer, and 1,075 maintenance, enforcement, service, and administrative buildings at 269 sites. Minnesota has 913 miles of interstate highways, all of which are part of the State trunk highway system. Total highway mileage, including roads and streets under local jurisdiction, is almost 143,000 miles.

The State trunk highway system is constructed and maintained by the Minnesota Department of Transportation ("MnDOT"). Construction work is contracted to private construction contractors on a competitive basis, while maintenance is performed by MnDOT employees. Maintenance includes routine patching; short overlays; snow and ice control; and traffic services such as signing, paint striping, etc.

Trunk Highway Fund

Nearly all revenues have been impacted by the COVID-19 Pandemic, and the revenues presented include those estimated impacts. For the primary transportation revenues in the Highway User Tax Distribution Fund including gas taxes, registration taxes, and motor vehicle sales taxes, there are revenue reductions of 20-50% projected for April – December of 2020 compared to the February 2020 Forecast amounts. These reductions are due both to the reduced travel from the stay at home Executive Orders, and the associated longer-term economic impacts. MnDOT closely monitors the revenue situation while reviewing several alternatives to reduce spending. MnDOT prioritizes the payment of debt service on the Trunk Highway Bonds and critical public services in considering alternatives to address the impacts of the COVID-19 Pandemic on transportation funding. See "COVID-19 PANDEMIC AND EXECUTIVE PEACETIME EMERGENCY ORDERS" in this APPENDIX B for more information.

The Minnesota Constitution, Article XIV, establishes a Trunk Highway Fund (the "Trunk Highway Fund") to be used solely for trunk highway system purposes and for payment of principal and interest on trunk highway bonds. Article XIV provides that the payment of principal of and interest on State trunk highway bonds is "a first charge on money" coming into the Trunk Highway Fund during the year in which the principal or interest is payable. Article XIV also establishes a Highway User Tax Distribution Fund to be used solely for highway purposes, authorizes the Legislature to impose taxes on motor vehicles and motor vehicle fuels, and requires the proceeds of such taxes to be paid into the Highway User Tax Distribution Fund. The Minnesota Constitution requires that 95 percent of the revenues deposited into the Highway User Tax Distribution Fund be distributed from such fund as follows: 62 percent to the Trunk Highway Fund, 29 percent to the County State Aid Highway Fund, and 9 percent to the Municipal State Aid Street Fund. The remaining 5 percent of Highway User Tax Distribution Fund revenues are distributed to the same three funds in accordance with a formula that the Legislature establishes. Currently these remaining revenues are all distributed to the County State Aid Highway Fund. According to the Minnesota Constitution, no change in the distribution formula may be made within six years of the last previous change. The current distribution formula was established in the 1998 Legislative Session. During the 2017 Legislative Sessions there were changes made to the formulas prescribing how the amounts deposited to the County State Aid Highway Fund are distributed to individual counties.

In 2017, the Legislature statutorily dedicated several transportation related revenues, deposited in the General Fund under current law, to the Highway User Tax Distribution Fund. The General Fund transfers consist of a fixed portion of the sales tax on auto parts, the motor vehicle rental tax of 9.2 percent, the motor vehicle rental sales tax of 6.5 percent, and 11 percent of the motor vehicle lease sales tax ("MVLST"). In Fiscal Year 2018, these revenues generated $84.8 million in the Highway User Tax Distribution Fund, with a corresponding transfer of $50.0 million to the Trunk Highway Fund. In Fiscal Year 2019, these revenues generated $90.3 million in the Highway User Tax Distribution Fund, with a corresponding transfer of $53.2 million to the Trunk Highway Fund. Due to statutory increases in the fixed portion of the sales tax on auto parts, these new revenues increase to $204.8 million in FY 2020 in the Highway User Tax Distribution Fund (corresponding $120.6 million transfer to Trunk Highway Fund), and $203.2 million in FY 2021 in the Highway User Tax Distribution Fund (corresponding $119.7 million transfer to Trunk Highway Fund).

In addition to distributions from the Highway User Tax Distribution Fund, the Trunk Highway Fund receives revenue from deposits of federal aid reimbursements, investment income, and miscellaneous fees and reimbursements. In 2020, the Legislature dedicated certain oversize/overweight transportation permit fee revenue to a dedicated account in the special revenue fund previously deposited in the Trunk Highway Fund, to repay any loans secured via the federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The law authorizes MnDOT to pursue a pilot project in Nicollet County, and if approved dedicates the permit revenue to repay that debt. A Minnesota motor fuel tax is collected on all fuel used to propel vehicles on the public roads of the State and includes gasoline, diesel fuel, and other special fuels. In 2008 the Legislature approved $1.8 billion in Trunk Highway bonds to be appropriated initially over a 10-year period, subsequently reduced to eight years in Laws of 2010, Chapter 190. The debt service on these bonds is to be paid from motor fuel tax increases which were phased in over several years. The final tax rate increase of a half cent was implemented on July 1, 2012, for a total rate of 28.5 cents per gallon of which 3.5 cents is to be used for debt service, and is expected to be in place through at least Fiscal Year 2040, the anticipated duration of debt service on the Trunk Highway bonds. The following table shows the motor fuel tax rate changes passed by the 2008 Legislature:

2008 LEGISLATIVE SESSION MOTOR FUEL TAX RATE CHANGES
Base Rate: Twenty Cents/Gallon

Fiscal Year	Effective Date	Increase (Cents/Gallon)	New Effective Rate (Cents/Gallon)
2008	Apr-08	2.0	22.0
2009	Aug-08	0.5	22.5
2009	Oct-08	3.0	25.5
2010	Jul-09	1.6	27.1
2011	Jul-10	0.4	27.5
2012	Jul-11	0.5	28.0
2013	Jul-12	0.5	28.5

For some special fuels the rate is different than gasoline and diesel and is based on the equivalent energy content of the fuel compared to gasoline.

Revenue from motor fuels taxes was $938 million to the Highway User Tax Distribution Fund in Fiscal Year 2019, after refunds. Of this amount, $538 million was transferred to the Trunk Highway Fund. MnDOT's current forecast estimates collections of $869 million, after refunds, in Fiscal Year 2020 to the Highway User Tax Distribution Fund, with a resulting transfer of $498 million to the Trunk Highway Fund.

Motor vehicle registration taxes consist of taxes on passenger vehicles and on trucks. For passenger vehicles the tax is $10 plus 1.285 percent times a declining percentage of the original value of the vehicle based upon registration year. In 2020, the Legislature increased the tax rate used for newly registered vehicles, from 1.25 to 1.285 percent, which has the effect of offsetting the revenue reductions from changing the price used for the calculation from base value including destination charge to manufacturer's suggested retail price. These statutory changes were based on recommendations from the Vehicle Registration Task Force, created in 2019 to study various methods of vehicle registration and the corresponding fee structures. For vehicles newly registered in 2009 or later, the new statutory schedule is automatically applied, which contains no tax caps. For vehicles previously registered before 2009, the new tax schedule is only applied if the amount calculated is less than the vehicle registration amount paid in the previous year; otherwise the registration amount is equal to the previous year's registration tax. The minimum tax is $35. Motor vehicle registration taxes for trucks are based on the weight and age of the vehicles, with the maximum tax being $1,760 for trucks registered at 80,000 pounds that are less than nine years old. Trucks registered at a weight greater than 80,000 pounds pay an additional $50 per ton of registered weight. Motor vehicle registration taxes generated $804 million in Fiscal Year 2019, after refunds, of which $467 million was transferred to the Trunk Highway Fund. MnDOT estimates collections to be $791 million in Fiscal Year 2020 to the Highway User Tax Distribution Fund, with a resulting transfer of $461 million to the Trunk Highway Fund.

The State levies a sales tax of 6.5 percent on motor vehicles ("MVST"). In November 2006, voters approved a constitutional amendment phasing in dedication of all MVST for transportation purposes over five years, starting July 1, 2007 (FY 2008). The 2009 Legislature modified the percent of motor vehicle sales tax distribution for the FY 2014-2015 Biennium. The following table shows percent and forecast amount, if available, to each of the recipient funds for this revenue source.

MOTOR VEHICLE SALES TAX DEDICATION
END OF 2020 LEGISLATIVE SESSION
($'s in Millions)

	Highway User Tax Distribution Fund		General Fund		Transit Assistance Fund	
Year	**Percent**	**Forecasted Amount**	**Percent**	**Forecasted Amount**	**Percent**	**Forecasted Amount**
2008	38.25%	$191.1*	36.25%	$176.5*	25.50%	$130.7*
2009	44.25%	195.5	26.25%	116.8*	29.50%	130.3*
2010	47.50%	216.7*	16.25%	74.1*	36.25%	162.8*
2011	54.50%	276.1*	6.25%	31.6*	39.25%	197.4*
2012	60.00%	335.4*	0.00%	0	40.00%	223.6*
2013	60.00%	358.7*	0.00%	0	40.00%	239.1*
2014	60.00%	384.2*	0.00%	0	40.00%	256.1*
2015	60.00%	416.6*	0.00%	0	40.00%	277.7*
2016	60.00%	428.8*	0.00%	0	40.00%	285.7*
2017	60.00%	452.6*	0.00%	0	40.00%	301.7*
2018	60.00%	463.4*	0.00%	0	40.00%	308.9*
2019	60.00%	485.9*	0.00%	0	40.00%	323.9*
2020	60.00%	441.9	0.00%	0	40.00%	294.7

*Actual

(The remainder of this page has been intentionally left blank.)

Activity in the Trunk Highway Fund for the Current Biennium is detailed below:

CURRENT BIENNIUM
END OF 2020 LEGISLATIVE SESSION
ESTIMATED REVENUES AND EXPENDITURES
TRUNK HIGHWAY FUND
($'s In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2021	Current Biennium
Estimated Resources			
Balance Forward from Prior Year	$454,314	$ 313,180	$454,314
Revenues			
Federal Grants	540,995	343,995	884,990
Departmental Earnings	15,900	11,773	27,673
Investment Income	15,883	14,696	30,579
Other Income	36,200	36,200	72,400
Total Revenues	$ 608,978	$ 406,664	$ 1,015,642
Transfers from Other Funds			
General Fund Reimbursement	4,965	5,188	10,153
Hwy Users Tax Distribution Fund	1,342,129	1,360,706	2,702,835
Plant Management Fund	1,304	1,299	2,603
Total Transfers	1,348,398	1,367,193	2,715,591
Total Resources Available	$ 2,411,689	$ 2,087,037	$ 4,185,547
Estimated Uses			
Expenditures			
Transportation			
MnDOT	$ 1,804,356	$ 1,743,516	$ 3,547,872
Public Safety	114,332	117,482	231,814
Subtotal-Transportation	1,918,688	1,860,998	3,779,686
Total Expenditures	$ 1,918,688	$1,860,998	$3,779,686
Transfers to Other Funds			
Debt Service Fund	209,821	234,914	444,736
Total Transfers	209,821	234,914	444,736
Total Uses	$ 2,128,510	$ 2,095,912	$ 4,224,422
Undesignated Fund Balance	283,180	(8,875)	(8,875)

The estimated expenditures for State road construction for the Current Biennium include the use of State funds to advance the federal portion of certain projects under a method generally known as "advance construction."

Federal advance construction is a financing method authorized by the Federal Highway Administration. It allows a state to encumber the necessary funds to begin construction of federal-aid projects before the authorized federal funds are available for those projects. Advance construction uses State trunk highway funds to "advance" federal project construction costs on projects for which federal funds have been authorized but not yet appropriated for the current fiscal year. The Trunk Highway Fund advances are later repaid during the year in which the funds are appropriated by Congress. The receivable for the advance is recognized in the year the project is encumbered. The appropriated amount of federal aid for a State fiscal year is then reduced by all advance construction conversions in that State fiscal year and increased by all new advance construction in that year.

Beginning in Fiscal Year 2005, transportation projects financed with bond proceeds were segregated into a capital projects fund. This fund accounts for bond proceeds, construction expenditures and program delivery paid with bond proceeds only. The State typically encumbers, and consequently reserves fund balance, for the full contract amount of transportation projects when awarded. However, bond revenues supporting these projects are not recorded until the bonds are sold. Because of the timing of receipts of bond proceeds and related capital expenditures, there may be temporary deficits in unreserved fund balance.

Capital Needs of the Trunk Highway System

The State manages the capital maintenance and upgrading of the trunk highway system, in partnership with the Federal Highway Administration. It uses a planning process that includes a statewide transportation plan, updated every five years (Minnesota 20-Year State Highway Investment Plan, or "MnSHIP", most recently completed in 2017), and a statewide Transportation Improvement Program ("STIP"), which details all highway construction and maintenance projects that are capital in nature. Projects included in the STIP range from major construction, involving building new highways or rebuilding highways that add additional traffic capacity, to less substantive improvements such as resurfacing existing highways.

See APPENDIX D for a list of bond authorizations to be included in the Series 2020B Bonds.

The following table shows the most recent legislative bond authorizations for trunk highway improvements. See "APPENDIX C – GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED".

Legislature	Authorizations ($ in Millions)	Purpose
2007	$ 20.0	Highway Flood Damage
2008	1,783.3	Trunk Highway Improvements
2009	40.0	Trunk Highway Interchanges
2009	2.7	Reconstruction and Repair of Trunk Highways and Bridges in Flood Areas
2010	100.1	Trunk Highway Construction and Interchanges
2010	26.4	Trunk Highway Capital Improvements
2012	16.1	Trunk Highway Capital Improvements
2012	35.0	Highway Flood Damage
2013	300.0	Corridors of Commerce
2015	140.0	Trunk Highway Capital Improvements
2017	940.0	Corridors of Commerce & Trunk Highway Capital Improvements
2018	416.2	Corridors of Commerce & Trunk Highway Capital Improvements
Total:	$ 3,819.8	

The table below depicts the commitments for highway construction and related purposes associated with the appropriations made by the Legislature for the Current Biennium. The last item in the table, "Program Delivery," is included to show the anticipated use of bond funds in the Current Biennium for that purpose. Program delivery expenditures will also be made from other portions of MnDOT's budget.

CURRENT BIENNIUM
END OF 2020 LEGISLATIVE SESSION
TRUNK HIGHWAY IMPROVEMENT PROGRAM
ANTICIPATED ENCUMBRANCES
($'s in Millions)

Improvement Category	Trunk Highway and Federal Funds	Bond Funds	Total
Major Construction [(1)]	$1,082.0	$234.4	$1,316.4
Safety	91.2	-	91.2
Traffic Management	7.3	-	7.3
Municipal Agreements	66.2	-	66.2
Right of Way	74.4	-	74.4
Miscellaneous Agreements	359.6	-	359.6
Program Delivery	222.8	23.4	246.2
Total [(2)]	$1,903.6	$257.8	$2,161.4

[(1)] The Major Construction Category includes the following activities: Reconstruction, Bridge Replacement, Bridge Repairs, Reconditioning, Resurfacing, and Road Repair.

[(2)] The total encumbrances, excluding the amount provided by bond funds, reflects forecast amounts of $1,018.6 million of State highway revenues and $885 million of federal funds. Totals may not foot due to rounding.

CURRENT BIENNIUM
TRUNK HIGHWAY AND TRUNK HIGHWAY BOND FUND
CASH EXPENDITURES FORECAST
($'s in Millions)

Category	Trunk Highway Fund	Trunk Highway Bond Fund	Total
Major Construction[(1)]	$1,155.0	$382.9	$1,537.9
Safety	97.4	-	97.4
Traffic Management	7.8	-	7.8
Agreements and Miscellaneous	454.6	-	454.6
Right of Way	79.4	-	79.4
Program Delivery	237.9	38.3	276.1
Total	$2,032.1	$421.2	$2,453.3

[(1)] The Major Construction Category includes the following activities: Reconstruction, Bridge Replacement, Bridge Repairs, Reconditioning, Resurfacing, and Road Repair.

TRUNK HIGHWAY HISTORIC REVENUES AND EXPENDITURES

The following table sets forth the Trunk Highway Fund revenues and expenditures for the Fiscal Years ending June 30, 2017 through 2019. The revenues and expenditures shown include all revenues and expenditures for that fiscal year, including revenue received and expenditures made after June 30 of such fiscal year which are properly allocable to such fiscal years. Beginning balances or deficits are not included. The actual expenditures set forth in the table on the following page are presented by expenditure account.

TRUNK HIGHWAY FUND
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES
($'s in Thousands)
UNAUDITED

	Fiscal Year Ended June 30 [1] 2017	2018	2019
Revenues:			
Taxes:[2]			
Motor Fuel	$530,768	$538,322	$547,730
Motor Vehicle	462,323	474,904	489,357
Motor Vehicle Sales Tax	267,062	273,498	286,198
Other (Auto Parts, Rental Taxes, etc.)	-	49,953	55,842
Less: Revenue Refunds	(27,395)	(26,107)	(31,419)
Net Taxes	$1,232,758	$1,310,570	$1,347,707
Federal Grant Agreements	587,537	601,332	627,708
Penalties & Fines	5,333	5,282	5,071
Investment Income	7,259	10,659	18,901
Local Government Contracts	18,805	23,111	25,116
Other Revenue	25,112	26,363	23,070
TH Revenue Refunds	42	36	4
Total Revenues	$1,876,847	$1,977,353	$2,047,577
Expenditures:			
Personnel Services	$467,110	$492,338	$526,110
Purchased Services	206,128	199,990	229,543
Materials and Supplies	96,161	85,556	126,524
Capital Outlay:			
Equipment	76,749	35,542	70,499
Capital Outlay & Real Property[3]	856,484	897,914	920,241
Grants and Subsidies:			
Individuals	29	38	436
Counties	72	334	273
Cities	44	46	44
School Districts	-	20	31
Other Grants	900	1,013	1,023
All Other	31,584	32,929	38,006
Total Expenditures	$1,735,260	$1,745,719	$1,912,730
Transfers:			
Debt Service	193,539	211,009	214,903
Other Transfers[4]	(5,017)	(6,107)	(6,066)
Net Transfers	$188,522	$204,902	$208,838
Total Expenditures and Net Transfers Out	$1,923,782	$1,950,621	$2,121,568

(1) For Fiscal Years 2017, 2018, and 2019 the schedule of revenues and expenditures includes all revenues and expenditures for the fiscal year, and encumbrances for the fiscal year, including accruals at June 30.

(2) These amounts represent the Trunk Highway Fund portion of the Motor Fuel, Motor Vehicle Registration, and Motor Vehicle Sales Taxes from the Highway User Tax Distribution Fund.

(3) Because construction contracts typically span into future fiscal years, and are encumbered in their entirety in the appropriate fiscal year, materially large amounts of encumbrances exist at the end of a fiscal year. For Fiscal Years 2017, 2018, and 2019, encumbrances have been included in Capital Outlay and Real Property totals.

(4) Net of all transfers in from State General Fund, County State Aid Highway Fund, Plant Management Fund, and Special Revenue Fund.

HEALTH CARE ACCESS FUND

The Health Care Access Fund was established to account for revenues and expenditures for initiatives that promote access to and contain the cost of health care. MinnesotaCare® is a sliding-scale health insurance program for working Minnesotans and has historically been the largest expenditure out of the Fund. It was established by the 1992 Legislature to provide subsidized coverage for long term uninsured Minnesotans. The Legislature has modified program eligibility and benefits over time.

A tax on gross revenues of hospitals, health care providers, ambulatory surgical centers and wholesale drug distributors, and a 1 percent gross premium tax on nonprofit health service plans and HMOs represent the primary revenues into the Fund. Prior to the 2019 Legislative Sessions, the provider tax was set at a rate of 2 percent and was scheduled to expire after December 31, 2019, based on actions by the 2011 Legislature. The 2019 Legislature removed the sunset and lowered the tax rate from 2 percent to 1.8 percent effective in tax year 2020. State law also includes a provision which reduces portions of the tax revenues to the Health Care Access Fund depending upon the outlook for that year. To date, the criteria for reducing the tax have never been met.

Since January 1, 2015, MinnesotaCare® has operated as a Basic Health Program ("BHP"), an option available to states under the Affordable Care Act. A BHP allows Minnesota to use federal tax subsidies to support coverage of individuals who would otherwise be eligible to purchase coverage through MNsure, Minnesota's health insurance marketplace. Following federal eligibility changes, since January 1, 2014, MinnesotaCare® has served Minnesotans with incomes between 138 percent and 200 percent of Federal Poverty Guidelines. In recent years, the cost of MinnesotaCare® has fallen as federal reimbursement has grown, however this trend is not expected to continue. Medical Assistance, Minnesota's Medicaid program, is the largest expenditure in the Health Care Access Fund.

Projected activity in the Health Care Access Fund for the Current Biennium are detailed below:

CURRENT BIENNIUM
HEALTH CARE ACCESS FUND
($'s in Millions)

Resources	
Projected Unreserved Balance at June 30, 2019	$ 636
Revenues	1,585
Total Resources	$ 2,221
Expenditures	1,558
Projected Unreserved Balance Before Transfers	$663
Transfers to Other Funds	272
Projected Unrestricted Balance at June 30, 2021	$ 391

Minnesota's budget projections were updated in the May 2020 Interim Budget Projection amid the COVID-19 Pandemic. The Health Care Access Fund continues to have a structural deficit. Worsening economic conditions related to the COVID-19 Pandemic further exacerbates the imbalance resulting in a projected $128 million negative balance at the end of Next Biennium. Tax revenues for the fund are expected to decline 14.5 percent from FY 2020 to FY 2021 while anticipated expenditures increase 12.1 percent due to expected enrollment increases in MinnesotaCare®. The projected deficit in the Health Care Access Fund prevents a $122 million transfer to the General Fund in FY 2023. See "COVID-19 PANDEMIC AND EXECUTIVE PEACETIME EMERGENCY ORDERS" in this APPENDIX B for more information.

(The remainder of this page has been intentionally left blank.)

MINNESOTA DEFINED BENEFIT PENSION PLANS

General Information

The State has three major Statewide retirement systems that cover most of the public employees of the State and its counties, municipalities and school districts. These systems are the Minnesota State Retirement System ("MSRS"), the Public Employees Retirement Association ("PERA") and the State Teachers' Retirement Association ("TRA" and collectively, the "Retirement Systems"). The Retirement Systems were established by the Legislature in 1929 through 1931 to collect the contributions of employees and employers and to pay retirement and disability benefits to public employees and their beneficiaries.

Each system is governed by a board consisting of both elected and appointed members. Actions of the pension systems are also subject to review by the Legislative Commission on Pensions and Retirement ("LCPR")[1], as well as the full Minnesota Legislature. The LCPR is made up of fourteen members from both the House and Senate, and are appointed at the beginning of each biennium. Generally, legislative changes approved by the pension boards are brought first to the LCPR for consideration. In certain instances, the LCPR has the power to ratify, modify, or veto changes brought forward by the pension systems. For example, certain actuarial assumptions such as mortality tables can be approved by LCPR without further legislative action. In other cases, the LCPR provides a recommendation or includes legislation in an omnibus pension bill, which then requires approval by the full Legislature.

Each plan administrator accounts for one or more pension plans as part of their system. For some of these plans, the State contributes as an employer and/or a non-employer contributing entity, while the State performs only a fiduciary role for other plans. These pension plans are categorized as either defined benefit or defined contribution pension plans. The State is the primary contributing employer for MSRS and is a very small contributing employer for the PERA and TRA plans. The State also makes non-employer contributions to certain plans and makes contributions to certain local governments to assist them with their pension funding obligations, as described herein. In addition, the State appropriates general (non-pension related) State aid payments to certain local governments and school districts that are contributing employers in these plans.

In a defined benefit pension plan, a periodic (usually monthly) benefit is paid to retired and disabled members and survivors of deceased employees in an amount determined at the time of retirement. The amount of the periodic benefit is generally determined on the basis of service credits, salary and age at time of retirement. The benefit is payable to the retiree for life and, if applicable, a survivor's benefit is provided to the designated beneficiary of the retiree. To fund the benefits paid by the defined benefit pension plan, both the employee and employer make a contribution to the plan based on a percentage of the plan member's salary. The employee and employer contribution percentages for each retirement plan are specified in Minnesota Statutes. Actuarially required contributions to the plans are calculated annually by an independent actuary pursuant to Minnesota Statutes. See "Actuarial Valuation Requirements" in this APPENDIX B.

MSRS, PERA and TRA each prepare and publish their own comprehensive annual financial report, consisting of financial statements and required supplementary information that contains detailed financial and actuarial information. Much of the information that is contained in this section "MINNESOTA DEFINED BENEFIT PENSION PLANS" (i) relies on information produced by the administrators of the Retirement Systems or their accounting and actuary agents, and (ii) depends upon future events, which may or may not be consistent with any of the assumptions, may deviate significantly from those assumptions and may alter the outcomes of the plans and the obligations of the State and other employers as a result.

The financial reports include information determined using assumptions and methodologies required by Minnesota Statutes and using assumptions and methodologies required by GASB. Including this information is necessary for the Retirement Systems to comply with both state law and GASB requirements. For Fiscal Year 2019, the external auditors rendered unmodified audit opinions with respect to the financial statements of the three Retirement Systems, each of which contains the dual reporting structure.

As a component of the financial reporting for Minnesota's defined benefit pension plans, the State has implemented accounting standards issued by GASB, including GASB Statement 67 - Financial Reporting for Pension Plans, GASB Statement 68 - Accounting and Financial Reporting for Pensions, and GASB Statement 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date. The GASB 67 standard requires each of the

[1]More information on the Legislative Commission on Pensions and Retirement (LCPR) can be found at http://www.lcpr.leg.mn/.

Retirement Systems to determine its net pension liability ("NPL") using assumptions that conform to actuarial standards of practice issued by the Actuarial Standards Board. The NPL is defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the fair value of most assets at the end of each fiscal year set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries.

Minnesota Statutes, Section 356.20, also requires the Retirement Systems to include in their annual financial reports information using funding-focused statutory assumptions and methodologies. Following are the main reasons for the differences between the financial data contained in the statutory funding focused information and the GASB-based information:

- Until Fiscal Year 2018, the discount rate required by statute for funding purposes has been different from the discount rate used for GASB financial reporting purposes. The discount rate is the rate used to bring the projected pension benefits to the present value of these benefits. Under the statutory "select and ultimate" method investment earnings assumption, effective commencing with the July 1, 2012, actuarial valuation report, the annualized assumed investment return was 8.0 percent for Fiscal Year 2013 through Fiscal Year 2017 and 8.5 percent beginning Fiscal Year 2018 and years thereafter. However, the 2015 Legislature reduced the annualized assumed investment return from 8.5 percent to 8.0 percent for MSRS, PERA, and the Saint Paul Teachers Retirement Fund Association ("SPTRFA") beginning Fiscal Year 2016 and years thereafter. The 2018 Legislature further reduced the annualized assumed investment return to 7.5 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2018 and years thereafter. In contrast, for Fiscal Year 2016, the discount rate used for GASB financial reporting purposes was 7.5 percent for MSRS and PERA and 8.0 percent for TRA, as determined by each Retirement System's management, in consultation with their actuaries, and in accordance with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In Fiscal Year 2017, MSRS and PERA retained the 7.5 percent discount rate, and TRA reduced the discount rate from 8.0 percent to 7.5 percent, for GASB financial reporting purposes. See "Retirement Systems Funding" in this APPENDIX B for additional information regarding statutory and financial reporting discount rates.
- The statutory asset valuation method required for funding purposes continues to be different from the GASB asset valuation method required for financial reporting purposes. For funding purposes, Minnesota law requires investment gains and losses to be recognized over a five-year period to "smooth" the volatility that can occur from year to year. For GASB financial reporting purposes, assets are valued at market value as of the end of the fiscal year.

The GASB 68 standard set forth standards that modified the accounting and financial reporting of the State's pension obligations. The new standard for governments that provide employee pension benefits requires the State to report in its financial statements the State's proportionate share of the NPL. The State's proportionate share includes both the share of the NPL associated with the State's employees contributing into the retirement plans as well as the State's share of contributions to PERA for the former Minneapolis Employees Retirement Fund ("MERF") and for the Public Employees Police and Fire Fund ("PEPFF"), to TRA for the former Duluth Teachers Retirement Fund Association ("DTRFA") and for the former Minneapolis Teachers Retirement Fund Association ("MTRFA"), and to SPTRFA as the State's relationship to these plans meets the GAAP definition of a special funding situation.

Additionally, the GASB 67 standard required under certain circumstances the recognition of additional liabilities associated with pensions over previously reported. The rate used by the new standard to discount projected benefit payments to their present value was based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for the use of the long-term expected rate of return are not met. The date after which a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds is required to be used is referred to as a "crossover date." The new standard was effective for the State in Fiscal Year 2015, although MSRS adopted GASB 67 beginning in Fiscal Year 2014.

The GASB 71 standard objective is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning NPL. The provisions of this standard were required to be applied simultaneously with the provisions of Statement 68.

These comprehensive annual financial reports for the Fiscal Year ended June 30, 2019, are available from the following public web sites:

MSRS: https://www.msrs.state.mn.us/annual-reports-fy-2019
PERA: https://mnpera.org/about/financial/cafr/
TRA: https://minnesotatra.org/financial/annual-reports/

The Systems' actuarial reports for the Fiscal Year ended June 30, 2019, are available from the following public web sites:

MSRS: https://www.msrs.state.mn.us/annual-reports-fy-2019
PERA: https://mnpera.org/about/financial/actuarial-valuations/
TRA: https://minnesotatra.org/financial/annual-reports/

Please note these website addresses are provided for the convenience of the reader. No representation is made by the State as to the privacy practices of other websites, nor is the State liable for the content or availability of any listed sites.

For additional information on the State's pension systems, refer to Note 8 – Pension and Investment Trust Funds (pages F-86 through F-105) and Required Supplementary Information (pages F-154 through F-169) in the State Financial Statements in APPENDIX F. Pension disclosures in the State's Financial Statements differ from the Retirement Systems' financial statements. The State's Financial Statements disclosures only include the State's proportionate share and there is a one year lag in the disclosures statements in State's Financial Statements compared to the Systems' Comprehensive Annual Financial Reports.

See "Recent Changes to Pension Obligation Reporting" and "*MSRS – GASB Statements No. 67 and No. 68 Actuarial Valuation Results"* in this APPENDIX B for GASB 67 reporting information.

Overview – MSRS

MSRS provides retirement coverage for 57,854 active employees, 47,632 retirees, disabilitants, and beneficiaries, and 28,739 members who no longer contribute, but are eligible for future monthly benefits or a refund of their contributions, as of June 30, 2019. These members participate in five unique defined benefit retirement funds. The largest funds include the State Employees Retirement Fund, Correctional Employees Retirement Fund and State Patrol Retirement Fund, which represents 99.0 percent of total assets for MSRS' defined benefit funds.

MSRS administration is governed by an 11-member board of directors. The board includes four members elected by the membership at large of the General Employees and Unclassified Employees Retirement Plans, one elected State Patrol Retirement Plan member, one elected Correctional Employees Retirement Plan member, one elected retired member, one designated representative for employees of Metropolitan Council's Transit division, and three members appointed by the State Governor, one of which must be a constitutional officer or an appointed State official. The board appoints an executive director who administers the plans in accordance with Minnesota law and board policies, and directs the daily operational activities of MSRS.

The State Employees Retirement Fund includes the General Employees Retirement Plan, a multiple-employer, cost-sharing plan, the State Fire Marshals Plan, the Military Affairs Plan, and the Transportation Pilots Plan. The General Employees Retirement Plan is the largest retirement plan that MSRS administers. It covers most state employees, civil service employees of the University of Minnesota, and employees of the Metropolitan Council. The State Fire Marshals Plan covers employees of the State Fire Marshals Division employed as deputy State fire marshal fire/arson investigators. Only certain employees of the Departments of Military Affairs and Transportation are eligible to be members of the Military Affairs and Transportation Pilots Plans, but all State employees who are not members of another plan are covered by the General Employees Retirement Plan.

The State Patrol Retirement Fund includes only the State Patrol Retirement Plan, a single-employer plan. Membership is limited to those State employees who are State troopers, conservation officers, crime-bureau officers or gambling-enforcement agents.

The Correctional Employees Retirement Fund includes only the Correctional Employees Plan, a multiple employer cost-sharing plan. Membership is limited to those State employees in covered correctional service, including employees with 75 percent working time spent in direct contact with inmates or patients at Minnesota correctional facilities, the State operated forensics services program, or the Minnesota Sex Offender Program.

The Judges Retirement Fund includes only the Judges Retirement Plan, a single-employer plan. Active membership is limited to a judge or justice of any State court.

The Legislators Retirement Fund is funded on a pay-as-you-go basis with direct appropriations from the State's General Fund. Effective July 1, 2013, this fund includes the Legislators Retirement Plan and the Elective State Officers Retirement Plan. Each plan is a single-employer plan and closed to new membership. The Legislators Retirement Plan includes members of the Minnesota House of Representatives and Senate first elected to office before July 1, 1997, who elected to retain coverage under this plan. The Elective State Officers Plan includes only the constitutional officers first elected prior to July 1, 1997, who elected to retain coverage under this plan.

Membership statistics for each of the MSRS funds, as of June 30, 2019, follow:

	State Employees Retirement Fund	State Patrol Retirement Fund	Correctional Employees Retirement Fund	Judges Retirement Fund	Legislators Retirement Fund	Totals
Benefit Recipients:						
Retirees	36,432	863	2,879	293	287	40,754
Beneficiaries	4,140	155	241	74	83	4,693
Disabilitants	1,801	60	308	16	0	2,185
Terminated members:						
Vested, no benefits	17,154	56	1,386	19	32	18,647
Non-Vested	9,110	31	950	1	0	10,092
Active members:						
Vested	33,898	704	2,981	285	17	37,885
Non-Vested	18,099	239	1,601	30	0	19,969
Total Membership	120,634	2,108	10,346	718	419	134,225
Annualized Payroll	*$3,168,870,000*	*$80,792,000*	*$267,563,000*	*$50,164,000*	*$1,011,000*	*$3,568,400,000*

MSRS also administers four defined contribution funds. These funds include the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund (an Internal Revenue Code Section 457 plan), and the Hennepin County Supplemental Retirement Fund. Net Assets as of June 30, 2019, for the defined contribution funds total $9,178,069,000.

Overview – PERA

PERA administers four separate defined benefit pension funds (including one multi-employer agent plan) and one defined contribution plan. Each has specific membership, contribution, benefit, and pension provisions. As of June 30, 2019, PERA's three multi-employer, cost-sharing, defined benefit plans cover 169,858 members currently employed and earning benefits; 198,356 members who no longer work in PERA-covered positions but who are eligible for future benefits or a refund of their contributions from PERA; and 117,592 persons currently receiving benefits. These three plans represent 99.7% of PERA's defined benefit plan assets. In addition, PERA's multi-employer agent defined benefit plan for volunteer firefighters covers 3,517 active members and 840 members eligible for future benefits. In most cases, benefits from the volunteer firefighter plan are paid in a lump-sum at retirement. PERA members are employed by more than 2,000 governmental entities including cities, counties, townships, and school districts throughout the State.

The PERA board of trustees is responsible for administering these funds in accordance with statutes passed by the Legislature and has a fiduciary obligation to PERA's members, the governmental employers, the State, and its taxpayers. The PERA board of trustees is composed of 11 members. The State Auditor is a member by statute. Five trustees are appointed by the Governor. Serving four-year terms, these five trustees represent cities, counties, school boards, retired annuitants, and the general public, respectively.

The remaining five board members are elected by the PERA membership at large to serve four-year terms. Three represent the general active membership, one trustee represents Police and Fire Fund members, and one trustee represents annuitants and benefit recipients.

The board appoints an executive director to serve as chief administrative officer of PERA. With approval of the board, the director develops the annual administrative budget, determines staffing requirements, contracts for actuarial and other services, and directs the day-to-day operation of the association.

The General Employees Retirement Fund ("GERF") encompasses two plans: the PERA Coordinated Plan and the PERA Basic Plan. The Coordinated Plan, created in 1968, provides retirement and other benefits in addition to those supplied by Social Security. The Basic Plan established in 1931, is not coordinated with the federal program and was closed to new members on December 31, 1967. Prior to January 2015, a separate defined benefit plan with 3,600 retirees, 29 active members and 37 deferred members known as the Minneapolis Employees Retirement Fund ("MERF") was separately accounted for within the General Employees Retirement Fund. All of the active members are eligible to retire. Employers participating in MERF include the City of Minneapolis, Minneapolis Schools, Metropolitan Airports Commission, Hennepin County, Minnesota State Colleges and Universities, Metropolitan Council, and the Municipal Building Commission. MERF was fully merged into the GERF in January 2015, but the State has an ongoing financial obligation to PERA to assist in funding the former MERF liability.

The Public Employees Police and Fire Fund ("PEPFF") originally established in 1959 for police officers and firefighters not covered by a local relief association, now encompasses all Minnesota police officers and firefighters hired since 1980. As of July 1, 1999, this fund also includes the members of 44 previously local police and fire relief associations that elected to have PERA administer their plan.

The Local Government Correctional Service Retirement Fund (called the "Public Employees Correctional Fund" or "PECF") was created in 1999 to cover local government correctional service employees who spend most of their time in direct contact with inmates. The majority of these employees were formerly part of the Coordinated Plan.

Membership statistics for each of the funds, as of June 30, 2019, follow:

	General Employees Retirement Fund (GERF)	**Public Employees Police & Fire Fund (PEPFF)**	**Public Employees Correctional Fund (PECF)**	**Totals**
Benefit Recipients:				
Retirees	92,659	7,718	1,053	101,430
Beneficiaries	8,844	1,900	66	10,810
Disabilitants	3,740	1,413	199	5,352
Terminated Members:				
Vested, no benefits	63,311	1,620	3,374	68,305
Non Vested	126,116	1,145	2,790	130,051
Active Members:				
Vested	90,724	9,257	2,119	102,100
Non Vested	63,406	2,506	1,846	67,758
Total Membership	448,800	25,559	11,447	485,806
Annualized Payroll	*$6,523,754,000*	*$1,011,421,000*	*$214,151,000*	7,749,326,000

PERA also administers the Volunteer Firefighter Retirement Fund, a multi-employer, agent plan and the Public Employees Defined Contribution Plan, which was established by the Minnesota Legislature in 1987 to provide a retirement plan for personnel employed by public ambulance services. The defined contribution plan has been expanded to include physicians and locally-elected public officials, except for county sheriffs.

Overview – TRA

TRA had 605 reporting employer units, 82,965 active members and a total of 67,285 retirees, survivors, beneficiaries and disabilitants who were receiving monthly benefits, as of June 30, 2019.

Teachers, and others designated by statute, employed in Minnesota's public elementary and secondary schools, charter schools and certain educational institutions maintained by the State (except those teachers employed by the City of Saint Paul, and by the University of Minnesota system) are required to be TRA members. Teachers employed by the Minnesota State Colleges and Universities may elect TRA coverage. Former members of MTRFA and DTRFA were merged into TRA through legislative action. MTRFA was merged with TRA in 2006 and DTRFA was merged in 2015.

TRA is managed by an eight member board of trustees: three are statutorily appointed and five are elected. The appointed trustees are the Commissioner of Education, the Commissioner of Management and Budget and a representative of the Minnesota School Boards Association. Four of the five elected trustees are active members and one is a retiree. Administrative management of the fund is vested in an Executive Director who is appointed by the board of trustees.

Membership statistics for the fund, as of June 30, 2019, follow:

Benefit Recipients:	
Retirees	61,073
Disabilitants	485
Beneficiaries	5,727
Terminated Members:	
Vested, deferred	15,517
Non Vested	35,919
Active Members:	
Vested	66,660
Non Vested	16,305
Total Membership	201,686

Annualized Payroll	*$5,000,930,000*

Investments

Assets of the pension funds are invested by the Minnesota State Board of Investment (“SBI”). SBI prepares and publishes an annual financial report including financial statements and required supplementary information. The information that is contained under the headers “Investments,” “Asset Allocation” and “Investment Results” is provided by SBI.

SBI is established by Article XI of the Minnesota Constitution to invest all State funds. The Governor (who is designated as chair of the SBI), State Auditor, Secretary of State and Attorney General are members. All investments undertaken by SBI are governed by the “prudent person rule” and other standards codified in Minnesota Statutes, Chapter 11A and Chapter 356A.

The prudent person rule, as codified in Minnesota Statutes, Section 11A.09, requires all members of the SBI, its Investment Advisory Council (as discussed below), and SBI staff to *“...act in good faith and ...exercise that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom.”* Minnesota Statutes, Section 356A.04 contains similar codification of the prudent person rule applicable to the investment of pension fund assets.

In addition to the prudent person rule, Minnesota Statutes, Section 11A.24, contains a specific list of asset classes available for investment including common stocks, bonds, short term securities, real estate, private equity, and resource funds. The statutes prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

A 17-member Investment Advisory Council, ten members of which must be experienced in general investment matters, advise the SBI on investment policy. The Commissioner of Management and Budget, and the three executive directors of the Retirement Systems also serve as members, as do one retiree and two active employee members. Also, investment consultants are hired to monitor and evaluate investment performance of the investment firms hired by the SBI. Within the requirements defined by State law, the SBI, in conjunction with SBI staff and the Investment Advisory

Council, establishes investment policies for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. The SBI, its staff and the Investment Advisory Council have conducted detailed analyses that address investment objectives, asset allocation policy and management structure of each of the funds under SBI's control. The studies guide the ongoing management of these funds and are updated periodically.

The individual pension plans invest in investment pools administered by SBI. The pools function much like mutual funds, with the pension plans purchasing "units" of the pools rather than purchasing individual securities. The Combined Funds represent the assets for both the active and retired public employees in the statewide retirement plans which are administered by the Retirement Systems. The Combined Funds covers active and retired employees and had a market value of $70.7 billion, as of June 30, 2019. The Combined Funds market value was $71.1 billion, as of June 30, 2020 (unaudited).

Assumed Return

Employee and employer contribution rates are specified in State statute as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of promised pension benefits. In order to meet these projected pension costs, Minnesota Statutes specify the annual investment return the retirement fund assets are assumed to earn. The 2012 Legislature modified the investment earnings assumption to a "select and ultimate" method, effective for the July 1, 2013 actuarial valuation report. At that time, the "select" annualized assumed investment return was 8.0 percent for Fiscal Year 2013 through Fiscal Year 2017 and the "ultimate" annualized assumed investment return rate was 8.5 percent for Fiscal Year 2018 and years thereafter, with the exception of the Legislators and Elective State Officers Retirement Funds, which changed from 8.5 percent to 0 percent for all years. The 2015 Legislature reduced the annualized assumed investment return from 8.5 percent to 8.0 percent for MSRS, PERA, and SPTRFA for Fiscal Year 2016 and years thereafter; however, TRA was statutorily required to continue to use the "select and ultimate" method. (For additional information on the select and ultimate method and recent legislative changes, see "Pension Legislation and Litigation" in this APPENDIX B.) The 2018 Legislature reduced the annualized assumed investment return to 7.5 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2018 and years thereafter. Normally, pension assets will accumulate in the Combined Funds for 30 to 40 years during an employee's years of active service. A typical retiree can be expected to draw benefits for an additional 15 to 20 years or longer. This provides the Combined Funds with a long investment time horizon and permits the SBI to take advantage of the return opportunities offered by common stocks and other equity investments in order to meet the annualized assumed investment return.

Asset Allocation

The allocation of assets among stocks, bonds, alternative investments and cash has a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. The asset allocation of the Combined Funds is reviewed periodically. SBI has chosen to incorporate a large commitment to common stocks in the asset allocation policy for the retirement funds. In order to limit the short run volatility of returns exhibited by common stocks, the SBI includes other asset classes such as bonds, real estate, and resource investments in the total portfolio. This diversification is intended to reduce wide fluctuations in investment returns on a year to year basis without impairing the funds' ability to meet or exceed the annualized assumed investment return over the long-term. The Combined Funds has an asset allocation policy based on the investment objectives of the Combined Funds and the expected long-term performance of the capital markets. At the September 2017 SBI meeting, an increase in the Private Markets target allocation from 20 to 25% was approved. Domestic and International Stocks were combined under a new reporting name called Public Equity—with a target allocation of 67% to domestic and 33% to international. In addition, a strategic allocation category framework was adopted. The transition to this framework was complete by June 30, 2019. The target allocation to each asset class as of June 2019 was as follows:

Total Public Equity	53%
Domestic Stocks – 35.5%	
International Stocks – 17.5%	
Total Fixed Income	20%
Core Bonds – 10%	
Treasuries – 10%	
Private Markets	25%
Unallocated Cash	2%

At its May 2020 meeting, the SBI approved additional asset allocation policy changes to the Fixed Income category for enhanced liquidity management. The changes modify the target allocation to 25% (consisting of the current 20% allocation to Core Bonds and Treasuries, the current 2% allocation to Cash, and a transfer of 3% from Public

Equities), and additionally seek structural changes to balance Treasuries with return seeking bond allocation. SBI staff will take steps towards transitioning to this new policy framework throughout Fiscal Year 2021.

SBI's asset rebalancing policy is as follows: When actual asset allocation deviates 5 percent to 10 percent from the target, rebalancing is at the discretion of SBI. If the actual allocation deviates 10 percent or more from the target, assets must be redistributed to achieve long-term allocation targets. (For example, the target allocation for Fixed Income is 12 percent of the fund. A 5 percent deviation would equal 0.6 percent). The uncommitted allocation in Private Markets is invested in Public Equity. The SBI recognizes that in some market situations the allocation to Private Markets may exceed 25 percent but may not exceed 30 percent. An increase to the maximum allowable allocation to Private Markets from 25 to 30 percent was approved at the September 2017 SBI meeting.

The following table represents the actual asset allocation and the market value for the Combined Funds as of June 30, 2019 and June 30, 2020 (unaudited).

COMBINED FUNDS INVESTMENTS
PERIODS ENDING JUNE 30, 2019 AND JUNE 30, 2020 (UNAUDITED)
($'s in Millions)

	Target Allocation as of June 30, 2019	**Actual Mix 6/30/2019**	**Market Value 6/30/2019[(2)]**	**Target Allocation as of June 30, 2020**	**Actual Mix 6/30/2020 (unaudited)**	**Market Value 6/30/2020[(2)] (unaudited)**
Public Equities	**53%**	62.2%	$43,953	53%	59.6%	$42,351
Total Fixed Income	**20**	20.3	14,377	20	20.4	14,463
Private Markets [(1)]	**25**	14.6	10,281	25	15.6	11,104
Unallocated Cash	**2**	2.9	2,048	2	4.4	3,135
Total	**100%**	**100.0%**	**$70,658**	**100%**	100%	**$71,053**

(1) Uninvested allocation is held in public equities.
(2) Market value based on fair value as defined in GASB 31.
Source: SBI Quarterly Board Book Performance, period ended June 30, 2019, and SBI staff for the period ended June 30, 2020 (unaudited).

Investment Results

All assets in the Combined Funds are managed externally by investment management firms retained by contract. Investment income is recognized as earned. Accrued investment income of the pooled investment accounts is included in participation in the accounts. Gains or losses on sales or exchanges are recognized on the transaction date. The cost of security transactions is included in the transaction price. Administrative expenses of SBI and investment management fees of the external money managers and the State's master custodian for pension fund assets are allocated to the funds participating in the pooled investment accounts.

The rate of return in the Combined Funds was 7.3 percent for the Fiscal Year ending June 30, 2019. The rate of return in the Combined Funds was approximately 4.2 percent for the one-year period that began on July 1, 2019, and ended June 30, 2020 (unaudited). Over a 10-year period, the Combined Funds are expected to outperform a composite market index weighted in a manner that reflects the long-term asset allocation over the latest 10-year period.

Period Ending June 30, 2019

	2015	**2016**	**2017**	**2018**	**2019**	**3 Yr.**	**5 Yr.**	**10 Yr.**	**20 Yr.**	**30 Yr.**
Combined Funds	**4.4%**	**-0.1%**	**15.1%**	**10.3%**	**7.3%**	**10.9%**	**7.3%**	**10.9%**	**6.5%**	**8.8%**
Composite Index	4.0%	1.1%	14.4%	9.7%	7.6%	10.5%	7.3%	10.5%	6.4%	8.5%

Period Ending June 30, 2020 (unaudited)

	2016	**2017**	**2018**	**2019**	**2020**	**3 Yr.**	**5 Yr.**	**10 Yr.**	**20 Yr.**	**30 Yr.**
Combined Funds	**-0.1%**	**15.1%**	**10.3%**	**7.3%**	**4.2%**	**7.3%**	**7.3%**	**9.7%**	**6.3%**	**8.6%**
Composite Index	1.1%	14.4%	9.7%	7.6%	4.0%	7.1%	7.3%	9.5%	6.1%	8.4%

Source: SBI Quarterly Board Book for the period ended June 30, 2019 and SBI staff for the period ended June 30, 2020.

Actual Combined Funds returns relative to the total fund composite index are shown above. For the 10-year period ending June 30, 2020 (unaudited), the Combined Funds outperformed the composite index by 0.2 percent points. For the 20-year period ending June 30, 2020 (unaudited), the Combined Funds outperformed the composite index by 0.2 percent points. The annualized rate of return was 8.6 percent for the past 30-year period ending June 30, 2020 (unaudited).

Comparing the Actual Combined Funds returns relative to the 7.5 percent annualized investment return assumption enacted by the 2018 Legislature, for the period ended June 30, 2020 (unaudited), the Actual Combined Funds return exceeded the annualized investment return assumption for the most recent 10-year and 30-year periods. The Actual Combined Funds return was less than the 7.5 percent annualized investment return assumption enacted by the 2018 Legislature for the most recent 3-year, 5-year and 20-year period ended June 30, 2020 (unaudited).

Fiscal Year 2019 Contribution Summary

As mentioned above, the State is the primary contributing employer for MSRS and is a very small contributing employer for the PERA and TRA plans. The State also makes non-employer contributions to certain plans and makes contributions to PERA, TRA and certain local governments to assist with public pension funding obligations, as described herein. In addition, the State appropriates general (non-pension related) State aid payments to certain local governments and school districts that are contributing employers in these plans. Provided below is a table summarizing the Retirement Systems, including: the types of pension plans (e.g., defined benefit, defined contribution, etc.), whether the State contributes to the pension plan as an employer or otherwise, and the State's FY 2019 employer contributions to the various plans.

(The remainder of this page has been intentionally left blank.)

MINNESOTA RETIREMENT SYSTEMS – STATE PARTICIPATION AND CONTRIBUTION SUMMARY

(Defined Benefit Plans in Bold)

($'s in Thousands)

Minnesota State Retirement Systems (MSRS)				
Plans Covered	Type	State Employer Participation	State Provides Other Non-Employer Contributions	FY 2019 State Pension Employer Contributions(1)
State Employees Retirement Fund	**Multiple employer, cost-sharing plans**	Yes(2)	No	$181,654
Correctional Employees Retirement Fund	**Multiple employer, cost-sharing plans**	Yes	No	$32,854
Judges Retirement Fund	**Single employer, State plan**	Yes	No	$11,287
Legislators Retirement Fund(3)	**Single employer, State plan**	Yes	No	$0
State Patrol Retirement Fund	**Single employer, State plan**	Yes	No	$19,479
Unclassified Employees Retirement Fund	Defined Contribution	Yes	No	$7,542
Postretirement Healthcare Benefits Fund	Defined Contribution	N/A	N/A	N/A
State Deferred Compensation Fund	Defined Contribution	N/A	N/A	N/A
Hennepin County Suppl. Retirement Fund	Defined Contribution	N/A	N/A	N/A
Public Employees Retirement Association (PERA)				
Plans Covered	Type	State Employer Participation	State Provides Other Non-Employer Contributions	FY 2019 State Pension Employer Contributions(1)
General Employees Retirement Fund	**Multiple employer, cost-sharing plan**	Yes(4)	Yes	$3,112
Public Employees Police and Fire Fund	**Multiple employer, cost-sharing plan**	No	Yes(4)	$0
Public Employees Correctional Fund	**Multiple employer, cost-sharing plan**	No	No	$0
Volunteer Firefighter Retirement Fund	Multiple employer, agent plan	N/A	Yes (4)	N/A
Defined Contribution Fund	Defined Contribution	N/A	N/A	N/A
Teachers Retirement Association (TRA)				
Plans Covered	Type	State Employer Participation	State Provides Other Non-Employer Contributions	FY 2019 State Pension Employer Contributions(1)
Teachers Retirement Fund	**Multiple employer, cost-sharing plan**	Yes(5)	Yes(5)	$15,559(5)

(1) Includes: State contributions made as an employer. Employer contributions are made from a variety of State funds, including the General Fund. State contributions made as direct aid can be found in the table "STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES DIRECT AID TO PENSION FUNDS" and contributions for local aid in the table "STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES PENSION RELATED LOCAL GOVERNMENT AID."

(2) The State is a primary employer for the State Employees Retirement Fund.

(3) Effective July 1, 2013, the Elective State Officers Retirement Fund was merged into the Legislators Retirement Fund.

(4) The State only makes employer contributions to PERA for covered individuals employed by PERA, and a small number of employees from Minnesota State Colleges and Universities, the Public Defense Board, and Department of Military Affairs who had previously been admitted into the plan.

(5) The State only makes employer contributions to TRA for Minnesota State Colleges and Universities faculty members who have elected TRA, Perpich Center for Arts Education employees, certain Department of Education employees formerly covered by TRA and Minnesota State Academies employees. This figure also includes employer contributions for covered individuals employed by TRA.

Source: MSRS, Comprehensive Annual Financial Report, Fiscal Year ended June 30, 2019; PERA, Schedule Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only, Fiscal Year ended June 30, 2019; TRA, Schedule of Employer and Non-Employer Allocations, Fiscal Year ended June 30, 2019.

Statutory Funding Requirements

Minnesota's defined benefit retirement plans are financed in several ways, including employee contributions, contributions from State agencies for their covered employees, contributions from local political subdivisions, and direct State appropriations. For substantially all of the defined benefit plans, both the employee and employer make a contribution to the plan based on a percentage of the plan member's salary. Each fund's financing requirement is determined by a specific formula established in State law. The statutory funding formulas are not always consistent with the calculated actuarial requirements as described herein. No assurance can be provided that the formulas will not change in the future. Provided below are the existing formulas for the Retirement System's Plans and the local defined benefit plans that are governed by State statutes:

MSRS: MSRS consists of the assets of nine pension funds, five of which encompass defined-benefit plans, in which the State participates as an employer or otherwise provides general government contributions. For each of the defined benefit plans[1] in MSRS (except for Legislators Retirement Plan), both the employee and employer make a contribution to the plan based on a percentage of the plan member's salary. The contribution percentage is specified in statute. Beginning Fiscal Year 2014, supplemental State aid of $1 million is paid annually to the State Patrol Retirement Fund until the earlier of both the PERA Public Employees Police and Fire Fund and the MSRS State Patrol Retirement Fund becoming 90 percent funded on an actuarial value of assets basis or July 1, 2048. A supplemental state aid of $3 million was paid to the Judges Retirement Fund in Fiscal Year 2017, which increased to $6 million annually beginning in Fiscal Year 2018. This aid continues until the earlier of the Judges Retirement Fund becoming 100 percent funded on an actuarial value of assets basis or July 1, 2048. The Legislators Retirement Plan is funded on a pay-as-you-go basis from the State's General Fund as all assets have been depleted. This Plan also receives annual General Fund appropriations to finance retirement benefits for all members of the Elective State Officer Plan, which merged into the Legislators Fund effective July 1, 2013. See the table "MINNESOTA STATE RETIREMENT SYSTEM EMPLOYER CONTRIBUTION HISTORY" in this APPENDIX B.

PERA: PERA consists of the assets of five pension funds. Three of the funds are defined-benefit, multiple-employer, cost-sharing funds. One fund is a defined-benefit, multiple-employer, agent fund. One fund is a Defined Contribution fund. The State only makes employer contributions to PERA for covered individuals employed by PERA, and a small number of employees from Minnesota State Colleges and Universities, the Public Defense Board, and Department of Military Affairs were previously admitted to the plan. For each of the defined benefit funds in PERA (except as noted below), both the employee and employer make a contribution to the plan based on a percentage of the plan member's salary. The contribution percentage is specified in statute. The State also provides direct aid to PERA funds as well as pension-related local government aid, which is detailed under the "State Direct Aid to Pension Funds and Pension Related Local Government Aid" header below.

TRA: The State only makes employer contributions to TRA for covered individuals employed by TRA, Minnesota State Colleges and Universities faculty members who have elected TRA, Perpich Center for Arts Education employees, certain Department of Education employees formerly covered by TRA and Minnesota State Academies employees. The State provides certain general government contributions to TRA for actuarial liabilities assumed by the consolidation in 2006 of the former MTRFA and by the consolidation in 2015 of the former DTRFA.

State Direct Aid to Pension Funds and Pension Related Local Government Aid

MERF: MERF, the former Minneapolis Employees Retirement Fund, was a separate entity until June 30, 2010, when it was consolidated under PERA's administration. It was fully merged into the GERF in January 2015. As a result of 2015 legislative action, the annual member and employer contributions are each set at 9.75 percent of the salary of the employee. Additionally, the supplemental contribution made by MERF employers (mainly the City of Minneapolis) is $31 million for each of calendar years 2015 and 2016 and $21 million each year thereafter through calendar year 2031. The State's statutory annual aid payment is $6 million in Fiscal Years 2016 and 2017, and $16 million in Fiscal Year 2018 and each year thereafter through Fiscal Year 2032. See the table "STATE GENERAL FUND APPROPRIATION HISTORY, DIRECT AID TO PENSION FUNDS" in this APPENDIX B.

Police and Fire Amortization Aid: This aid program is specified in statute. As originally designed, it funded the State's share of amortizing unfunded liabilities of local police or fire relief associations that were being merged into PERA. In more recent years, part of the money has been redirected to the former MTRFA and the former DTRFA (now both part of TRA) and SPTRFA. The remaining aid after the local police or fire relief is distributed is allocated to TRA (70%) and SPTRFA (30%). An additional supplemental appropriation was established beginning Fiscal Year 2014 that provides $9 million annually directly to the PERA Public Employees Police and Fire Fund and $1 million directly to the MSRS State Patrol Retirement Fund until the earlier of (a) both the PERA Public Employees Police and Fire Fund and the MSRS State Patrol Retirement Fund becoming 90 percent funded on an actuarial value of assets basis or (b) July 1, 2048. The supplemental appropriation established beginning Fiscal Year 2014 also slightly increases the aid that is provided to local police or fire relief associations. The State also provides supplemental benefit reimbursement aid to

[1]One of the funds, the State Employees Retirement Fund, includes four separate plans, the General State Employees Plan (which is the largest plan of the State Employees Retirement Fund), and plans for three separate groups: Minnesota Department of Transportation pilots, deputy State fire marshals, and Military Affairs personnel.

help support retirement pensions for local volunteer fire fighters. See the table "STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES, PENSION RELATED LOCAL GOVERNMENT AID" in this APPENDIX B.

TRA: The State provides certain general government contributions to TRA for actuarial liabilities assumed by the consolidation in 2006 of the former MTRFA and of the consolidation in 2015 of the former DTRFA. See the table "STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES, DIRECT AID TO PENSION FUNDS" in this APPENDIX B.

Local Defined Benefit Retirement Systems Governed by State Statutes: For SPTRFA and the former DTRFA (prior to July 1, 2015), both the employee and employer make a contribution to the plan based on a percentage of the plan member's salary. The contribution percentage is specified in statute. The State also contributes to certain local police and fire associations. See the tables "STATE GENERAL FUND APPROPRIATION HISTORY, PENSION RELATED LOCAL GOVERNMENT AID" and "STATE GENERAL FUND APPROPRIATION HISTORY, DIRECT AID TO PENSION FUNDS" in this APPENDIX B.

MSRS Elective State Officers Retirement Fund and Legislators Retirement Fund: The Elective State Officers Retirement Fund and the Legislators Retirement Fund were closed to elective state officers and legislators first elected after July 1, 1997. As a result, benefits for members covered by plans in these funds are financed on a pay-as-you-go basis from the State's General Fund. Effective July 1, 2013, the Elective State Officers Retirement Fund was consolidated into the Legislators Retirement Fund.

MSRS Judges Retirement Fund: In addition to required employer contributions, the State provides direct appropriations annually to the Judges Retirement Fund. The 2016 Legislature appropriated $3 million in Fiscal Year 2017 and $6 million in Fiscal Year 2018 and each year thereafter. This appropriation continues until the earlier of (a) the Judges Retirement Fund becoming 100 percent funded on an actuarial value of assets basis or (b) July 1, 2048.

2018 Omnibus Retirement Act: As a component of a comprehensive set of reforms intended to improve the funding status of Minnesota's public pension funds, the 2018 Legislature provided direct aid to the PERA Public Employees Police and Fire Fund totaling $4.5 million annually in Fiscal Years 2019 and 2020, and $9 million annually each year thereafter, and to the SPTRFA totaling $5 million annually beginning in Fiscal Year 2019. The act specifies that these direct aids end the earlier of (a) the respective fund becoming 100 percent funded on an actuarial value of assets basis or (b) July 1, 2048. For more information about the 2018 Omnibus Retirement Act, see "2018 Omnibus Retirement Act" in this APPENDIX B.

(The remainder of this page has been intentionally left blank.)

STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES
DIRECT AID TO PENSION FUNDS

($'s in Thousands)

Fiscal Year Ended June 30th	(Former) Minneapolis Employees Retirement Fund (MERF)[1]	TRA/ MTRFA & DTRFA[2]	St. Paul Teachers Retirement Fund (SPTRFA)[3]	Duluth Teachers Retirement Fund (DTRFA)[4]	TRA/ DTRFA[4]	MSRS Elective State Officers Retirement Fund[5]	MSRS Legislators Retirement Fund[6]	MSRS Judges Retirement Fund (JRF)	PERA Public Employees Police and Fire Fund (PEPFF)	Total
2009	$8,873	$15,454	$2,827	$346	$ -	$441	$1,867	$ -	$ -	$29,808
2010	9,000	15,454	2,827	346	-	452	2,184	-	-	30,263
2011	9,000	15,454	2,827	346	-	461	2,622	-	-	30,710
2012	22,750	15,454	2,827	346	-	459	3,167	-	-	45,003
2013	22,750	15,454	2,827	346	-	476	3,422	-	-	45,275
2014	24,000	15,454	9,827	6,346	-	-	3,891	-	-	59,518
2015	24,000	15,454	9,827	6,000	14,377	-	3,964	-	-	73,622
2016	6,000	29,831	9,827	-	-	-	5,177	-	-	50,835
2017	6,000	29,831	9,827	-	-	-	8,936	3,000	-	57,594
2018	16,000	29,831	9,827	-	-	-	8,961	6,000	-	70,619
2019	16,000	29,831	14,827	-	-	-	8,909	6,000	4,500	80,067
**2020*	16,000	29,831	14,827	-	-	-	9,111	6,000	4,500	80,269
**2021*	16,000	29,831	14,827	-	-	-	9,130	6,000	9,000	84,788
**2022*	16,000	29,831	14,827	-	-	-	9,148	6,000	9,000	84,806
**2023*	16,000	29,831	14,827	-	-	-	9,162	6,000	9,000	84,820

[1] Effective July 1, 1998, the State contribution was provided on a formula basis and was capped at no more than $9 million per fiscal year. In Fiscal Year 2012 and 2013, the annual State contribution increased to $22.75 million annually and then to $24 million annually in Fiscal Years 2014 and 2015. On July 1, 2010, MERF became an administrative division within PERA. The assets of MERF were fully merged into the GERF in January 2015. The State's annual aid payment was lowered to $6.0 million in Fiscal Years 2016 and 2017, and was increased to $16.0 million in Fiscal Year 2018 and thereafter. Under statute, these direct aid payments continue through Fiscal Year 2032.

[2] Beginning in FY 2016 direct aid is to be appropriated to TRA for the former DTRFA, following its merger with TRA, effective July 1, 2015. Under statute, these direct aid payments continue until the TRA plan is fully funded or July 1, 2048, whichever is earlier.

[3] The State has no direct custodial relationship with SPTRFA. Benefits, investment practices and contributions are, however, controlled by statute.

[4] The 2014 Legislature acted to merge DTRFA with the TRA, effective July 1, 2015. The Legislature also appropriated $14.031 million in direct aid to TRA beginning in FY 2016 and transferred the $346 thousand in direct aid for DTRFA to TRA in FY 2016. Prior to this date the plan was separate from TRA and the State had no direct custodial relationship. Under statute, these direct aid payments continue until the TRA Plan is fully funded or July 1, 2048, whichever is earlier.

[5] The Elective State Officers Retirement Fund was funded on a pay-as-you-go basis. It was merged into the Legislators Retirement Fund effective July 1, 2013.

[6] The Legislators Retirement Fund is funded on a pay-as-you-go basis. It includes members covered by the Legislators Retirement Plan as well as members of the Elective State Officers Retirement Plan following the July 1, 2013, merger of the Elective State Officers Retirement Fund.

*Projections for FY 2020-FY 2023 as of the end of the 2020 Legislative Session.
Source: MMB General Fund balance analysis

The following table summarizes State General Fund Appropriation pension aid provided to local governments during the last ten fiscal years and estimates for Fiscal Year 2020 through Fiscal Year 2023.

STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES
PENSION RELATED LOCAL GOVERNMENT AID
($'s in Thousands)

Fiscal Year Ended June 30th	Basic Local Police and Fire Association[1]	Local Police and Fire Associations Amortization Aid	PERA Aid[2]	Volunteer Firefighter Relief	Redirected Aid-SPTRFA /TRA	Police-Fire Retirement Supplemental Aid[3]	Total
2009	$83,183	$572	$14,520	$609	$1,888	$ -	$100,772
2010	80,500	829	14,390	722	5,890	-	102,331
2011	82,005	1,000	14,384	627	4,886	-	102,902
2012	82,338	1,255	14,328	671	2,077	-	100,669
2013	80,696	2,753	14,316	608	-	-	98,373
2014	89,572	2,729	14,187	558	2,094	15,498	124,638
2015	93,936	2,729	14,146	625	2,094	15,498	129,028
2016	98,468	2,729	14,090	531	2,094	15,498	133,410
2017	102,204	2,729	14,068	584	2,094	15,473	137,152
2018	105,252	2,729	14,065	629	2,094	15,498	140,267
2019	110,058	2,729	13,919	705	2,094	15,498	145,003
*2020	115,465	2,729	13,900	705	2,094	15,500	150,393
*2021	120,430	2,729	0	616	2,094	15,500	141,369
*2022	125,290	2,729	0	616	2,094	15,500	146,229
*2023	130,350	2,729	0	616	2,094	15,500	151,289

(1)Basic local police and fire pension aid is an open General Fund appropriation based on the dedicated proceeds equivalent to at least 2 percent insurance premium tax on fire insurance and auto insurance, and a 2 percent surcharge on fire, lightning, and sprinkler leakage insurance.

(2)PERA Aid is paid directly to non-school units of local government to compensate these employer entities for employer contribution rate increases enacted in 1997 legislation for the PERA Basic and Coordinated Plans. Each employer's annual aid is calculated at 0.35 percent of the Fiscal Year 1997 covered payroll expenses for their employees covered by these plans. Employer entities no longer receive aid if they dissolve or privatize, and consolidations and changes in governmental subdivision boundaries will also reduce the number of employers receiving aid. The 1997 legislation requires PERA Aid be terminated effective June 30, 2020.

(3)Police and Fire Retirement Supplemental Aid payments are as follows: $9 million to the PERA Public Employees Police & Fire Fund, $5.5 million to Volunteer Firefighter plan employers and $1 million to the MSRS State Patrol Retirement Fund.

*Projections for FY 2020-FY 2023 as of the end of the 2020 Legislative Session.
Source: MMB General Fund balance analysis

(The remainder of this page has been intentionally left blank.)

Retirement Systems Funding

State law requires the Retirement Systems to "pre-fund" future benefit obligations. Rather than collecting only sufficient sums from current active workers to pay current retired members and beneficiaries, the Retirement Systems are required by statute to accumulate enough assets to cover all benefit liabilities of participating members. As a component of a comprehensive set of reforms intended to improve the funding status of Minnesota's public pension funds, the 2018 Legislature extended the full funding date for each of the funds in the Retirement Systems, except the Legislators Retirement Fund, to June 30, 2048.

Retirement System	Fund	Statutory Funding Date as of the July 1, 2019, actuarial valuation
MSRS	State Employees Retirement Fund	2048
	State Patrol Retirement Fund	2048
	Correctional Employees Retirement Fund	2048
	Judges Retirement Fund	2048
	Legislators Retirement Fund	2026
PERA	General Employees Retirement Fund	2048
	Public Employees Police and Fire Fund	2048
	Public Employees Correctional Fund	2048
TRA	Teachers Retirement Association Fund	2048

To achieve full funding, contribution rates for the Retirement Systems' pension funds are determined based upon current assets, future expected investment returns, current and projected liabilities based on the benefit provisions, demographics of the Retirement Systems' membership, statutory actuarial assumptions and what annual contributions will be needed to have enough assets to match current and projected liabilities by the required full-funding date. Employee and employer contribution rates are specified in Minnesota Statutes as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings cover the projected cost of promised pension benefits and plan administrative expenses. In order to meet these projected costs, Minnesota Statutes specify the annual investment return the retirement fund assets are assumed to earn, as detailed in the "Assumed Return" section above.

In addition, for certain pension funds, the State had adopted automatic modifications to post retirement pension benefit adjustments when pension funded ratios or contribution deficiency ratios reach certain levels (also known as cost of living adjustment, or COLA, triggers). For example, for TRA and MSRS funds (other than the Legislators Retirement Fund and the State Patrol Retirement Fund), once the fund achieved a 90 percent funded ratio (determined on a market value of assets basis) for two consecutive years, the current post-retirement benefit adjustment increased from the current 2 percent to 2.5 percent. Conversely, the law required the post-retirement benefit increase to drop back to 2 percent if the funding level fell below 85 percent for two consecutive years or 80 percent for one year. While these automatic modifications are reflected in the assumptions underlying the financial statements of the Retirement Systems through Fiscal Year 2017, these automatic modifications to post retirement pension benefit adjustments were repealed by the 2018 Legislature in the 2018 Omnibus Retirement Act for all pension funds except the Judges Retirement Fund. This change is reflected in the financial statements of the Retirement Systems for Fiscal Year 2018 and years thereafter.

The Legislature sets the contribution rates needed to fund the Retirement Systems' pension funds by using the reports and advice of actuarial consultants. Each year an actuarial valuation report is completed to determine if a Retirement System's contribution rates are meeting the funding requirements. If the contributions are not increased in Minnesota Statutes to match the funding requirements determined by the actuarial consultants, deficiencies are created and those deficiencies may become worse over time. The actuarial value of plan assets is smoothed over the most recent five-year period to reduce volatility of both the funding ratio and required contribution rates.

Every four years, the assumptions used to forecast funding requirements are tested against actual experience by the actuaries for the Retirement Systems. The factors considered include but are not limited to:

- Expected average investment earnings assumption
- Number and timing of members retiring
- Number and timing of employees leaving prior to retirement
- Number of employees opting for lump-sum of their employee contributions, thereby forfeiting future benefit

- Number of new members added
- Life expectancies of both active and retired members

The most recent four-year experience study for MSRS' State Employees Retirement Fund covered the period July 1, 2014, through June 30, 2018, and was completed on June 27, 2019. Based on the results of this study, several changes in economic and demographic actuarial assumptions were recommended, including:

- decreasing the price inflation rate from 2.50 percent to 2.25 percent;
- decreasing the payroll growth rate from 3.25 percent to 3.0 percent;
- adjusting merit and seniority pay increase rates;
- changing base mortality rates from RP-2014 to PUB-2010 tables, with rates adjusted to better fit observed plan experience and with future improvement projected using scale MP-2018;
- adjusting retirement, disability, and withdrawal rates;
- minor changes to spouse age difference and form of payment assumptions;
- changing Minnesota Standards for Actuarial Work requirements related to projected payroll; and
- considering layered amortization as an alternative to the current 30-year closed period amortization policy.

Experience studies for MSRS' State Patrol, Correctional Employees, and Judges Retirement Funds for the period July 1, 2011 through June 30, 2015, were completed on June 30, 2016. Based on the results of these studies, several changes in economic and demographic actuarial assumptions were recommended, including:

- adjusting assumed retirement ages;
- adjusting disability rates;
- adjusting merit and seniority pay increase rates;
- adjusting retirement and withdrawal rates;
- adjusting assumed termination rates; and
- changing mortality rates from RP-2000 to RP-2014 tables, white collar adjustment, with future improvements projected using scale MP-2015 from a base year of 2006, which result in a decrease in assumed mortality rates at almost all ages.

Any assumption changes require approval of the MSRS Board of Directors and LCPR. For MSRS' State Employees Retirement Fund, the MSRS Board approved the changes in the actuarial assumptions on September 19, 2019. Subsequently, on March 3, 2020, the LCPR adopted the same proposed changes in actuarial assumptions. For MSRS' State Patrol, Correctional Employees, and Judges Retirement Funds, the MSRS Board approved the changes in the actuarial assumptions on September 15, 2016. The LCPR adopted the same proposed changes in actuarial assumptions on February 14, 2017. Experience studies covering the period July 1, 2015 through June 30, 2019, for the Correctional Employees Retirement Fund, the State Patrol Retirement Fund, and the Judges Retirement Fund will be completed in summer 2020.

An experience study for PERA's General Employees Retirement Fund (GERF) was completed in 2015 and covered the period from July 1, 2008 through June 30, 2014. Recommended assumption changes included:

- Decrease the payroll growth assumption,
- Decrease the retirement rate assumption,
- Increase the termination (withdrawal) rate assumption,
- Decrease the disability rate assumption, and
- Change the base mortality table from RP-2000 to RP-2014.

These changes were adopted by the PERA Board of Trustees and the LCPR and were implemented in the 2016 actuarial valuation.

The most recent actuarial experience study for PERA's GERF covered the period July 1, 2014, through June 30, 2018, and was completed in 2019. As a result of the study, several actuarial assumption changes were recommended. The most significant recommendation included a reduction in the assumed general inflation assumption and a reduction in the assumed rate of growth for covered employee payrolls. An experience study for the Public Employees Police and Fire Fund, covering the period from July 1, 2011 through June 30, 2015, was completed in August 2016. Recommended assumption changes included:

- Decrease assumed rates of merit and seniority increases,
- Increase the assumed rate of unreduced retirements,
- Decrease the assumed rate of reduced (early) retirements,
- Decrease assumed termination (withdrawal) rates, and
- Change the base mortality table to the RP-2014.

The recommendations were reviewed and approved by the PERA Board of Trustees at its October, 2016 meeting and approved by the LCPR during the 2017 Legislative Sessions.

PERA's actuaries will complete an experience study for the PEPFF covering the period from July 1, 2015 through June 30, 2019, and it will be presented to the PERA Board of Trustees during the coming year.

An experience study for PERA's Local Government Correctional Plan was completed in 2012 and covered the period from July 1, 2006 through June 30, 2011. An experience study is not statutorily required for the Correctional Plan. However, to stay current on economic and demographic assumptions, in their June 2019 meeting, the board of trustees has authorized a study that will be completed after the PEPFF study.

The July 1, 2008 through June 30, 2014, actuarial experience study for TRA was completed in June 2015. The report contained a number of economic and demographic recommendations, including adopting retiree mortality based on RP-2014 tables, including the MP-2015 improvement scale (reflecting longer life expectancy), lowering the assumed growth in total member covered salary from 3.75 percent annually to 3.50 percent annually and changing the discount rate assumption to 8.0 percent for all years.

In the 2016 legislative session, TRA proposed a package of benefit provision cuts and higher employer contributions in response to the contribution rate deficit produced by the adoption of the experience study recommendations. The LCPR enacted a set of assumption changes for TRA; however, the assumption change requiring modification in law for the lowering of the discount rate assumption to 8.0 percent was not enacted due to the veto of the omnibus pension bill by then Governor Dayton. (See "Pension Legislation and Litigation" in this APPENDIX B.) During the 2017 Legislative Session, TRA sought a change to the earnings assumption of 7.5 percent for 5 years and 8.0 percent for all future years, but no pension legislation was enacted.

In December 2017, TRA's actuary delivered a limited experience study reviewing TRA's economic assumptions. The report recommended that the investment earnings and liability discount assumption be lowered from 8.5 percent annually to 7.5 percent annually. Another recommendation was to lower the annual inflation assumption from 3.0 percent to 2.5 percent annually. The growth of TRA covered salaries would be lowered from 3.5 percent to 3.0 percent annually. The assumption for individual member salary would be also be modified downward to rates set by age of the active member or teacher. The estimated impact of the complete set of recommendations would have increased TRA's required contribution rate by 5.3 percent of active member pay.

In 2018, TRA sought another legislative package to address the higher liabilities produced by the recommendations contained in the December 2017 limited experience study. In 2018, the Legislature enacted a series of TRA reforms. (See "Recent Pension Legislation and Litigation" in this APPENDIX B for a description of the changes.) The present value savings on TRA's actuarial liabilities under the package was about $2.86 billion as of July 1, 2019. Under the changes, the package was estimated to increase TRA's funded ratio to 100.0 percent by 2048.

The July 1, 2014, through June 30, 2018, actuarial experience study for TRA was completed in June 2019. The report contained only minor recommendations to three-member demographic assumptions. The report did not recommend any modifications to the economic assumptions that had been recommended in the 2017 experience study and enacted by the 2018 Legislature. The modifications were passed by the LCPR on March 3, 2020 and will be first included in the July 1, 2020 actuarial funding valuation report.

(The remainder of this page has been intentionally left blank.)

Actuarial Valuation Requirements

State law regulates the administration of the pension funds. Minnesota Statutes require that the Retirement Systems must conduct an actuarial valuation as of the end of the fiscal year for all pension funds. Two valuation reports are prepared. One is the accounting valuation report in accordance with GASB Statements 67-68 and is used for financial reporting by the Retirement Systems, State of Minnesota and employer units of the systems. This report is not intended as a basis for funding decisions. For more information, see "Recent Changes to Pension Obligation Reporting" in this APPENDIX B.

The other valuation report is the funding valuation report in accordance with Minnesota Statutes. The purpose of the actuarial funding valuation is to calculate the actuarial accrued liability in each of the pension funds which estimates on the basis of demographic and economic assumptions the present value of benefits each of the pension funds will pay to its retired members and active members upon retirement. Independent actuaries provide annual actuarial valuations for each of the pension funds, performed in accordance with State statutes and generally recognized and accepted actuarial principles and practices. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms an Unfunded Actuarial Accrued Liability ("UAAL") of the applicable pension funds. An actuarial valuation will express the percentage that a pension fund is funded through a "Funding Ratio" which represents the quotient obtained by dividing the actuarial value of assets of the pension fund by the actuarial accrued liability of the pension fund. An actuarial valuation will also state an actuarially recommended contribution amount, which is a recommended amount that the State and other sponsoring employers contribute to the applicable pension fund. The actuarially recommended contribution consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, and (2) an amortized portion of the UAAL.

Description of Certain Statutory Actuarial Assumptions. To calculate the actuarial value of assets and actuarial accrued liability of each of the pension funds, the actuarial valuations use several actuarial assumptions. Some examples of these assumptions include an annualized assumed investment return, age of retirement of active members, future pay increases for current employees, assumed rates of disability and post-employment life expectancies of retirees and beneficiaries. If the experience of the pension fund is different from these assumptions, the UAAL of the pension fund may increase or decrease to the extent of any variances. Consequently, the calculated actuarially required contributions may be impacted.

In the case of the annualized assumed investment return, the actual rate of return on the pension funds depends on the performance of their respective investment portfolios. The investment portfolios of the respective pension funds can be highly volatile. The value of the securities in the investment portfolios can dramatically change from one fiscal year to the next, which could, in turn, cause substantial increases or decreases in the applicable UAAL.

The actuarial valuations of the pension funds use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the pension funds. For example, the pension funds use an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a five-year period to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2019, the aggregate market value of all of the assets of the Retirement Systems, as determined by the Retirement Systems' actuaries, was approximately $70.824 billion. As of June 30, 2019, the aggregate actuarial value of all assets of the Retirement Systems was $69.433 billion.

The following table provides a summary analysis of the funding status of the Retirement Systems and certain local defined benefit retirement plans where the State provides non-employer general government contributions governed by State statutes as of June 30, 2019, based on the respective annual actuarial valuation reports.

(The remainder of this page has been intentionally left blank.)

STATUTORY METHOD
FUNDING STATUS OF DEFINED BENEFIT PENSION FUNDS TO WHICH MINNESOTA PROVIDES GENERAL FUND RESOURCES AS OF JUNE 30, 2019[(1)]
($'s in millions)

		Actuarial Value			Market Value			Membership	
	Actuarial Accrued Liability [2]	Actuarial Value of Assets (AVA) [3]	Unfunded Actuarial Accrued Liability (UAAL) [4]	Funding Ratio [5]	Market Value of Assets (MVA) [6]	Unfunded Liability	Funding Ratio	Active Members	Other Members
1. Funds Where the State Has Custodial Responsibility									
Minnesota State Retirement System (MSRS):									
— State Employees Retirement Fund	$15,179	$13,490	$1,689	88.87%	$13,772	$1,407	90.73%	51,997	68,637
— Correctional Employees Retirement Fund	1,579	1,160	419	73.47%	1,184	395	74.97%	4,582	5,764
— State Patrol Retirement Fund	960	738	222	76.85%	753	207	78.46%	943	1,165
— Judges Retirement Fund	391	208	183	53.18%	212	179	54.27%	315	403
— Legislators Retirement Fund[(7)]	201	0	201	N/A	0	201	N/A	17	402
Subtotal	$18,311	$15,596	$2,715		$15,922	$2,389		57,854	76,371
Public Employees Retirement Association (PERA):									
— General Employees Retirement Fund	27,970	21,979	5,991	78.58%	22,441	5,529	80.23%	154,130	294,670
— Public Employees Police & Fire Fund	9,909	8,662	1,248	87.41%	8,845	1,065	89.26%	11,763	13,796
— Public Employees Correctional Fund	758	730	29	96.22%	744	14	98.17%	3,965	7,482
Subtotal	$38,637	$31,370	$7,267		$32,030	$6,607		169,858	315,948
Teachers' Retirement Association (TRA):	$29,246	$22,467	$6,779	76.82%	$22,872	$6,374	78.21%	82,965	118,721
Custodial Subtotal	$86,194	$69,433	$16,761		$70,824	$15,370		310,677	511,040
2. Other Funds to Which the State Contributes									
Local Police & Fire Associations[(8)]	163	190	-27	116.56%	190	-27	116.56%	123	226
St. Paul Teachers' Retirement Fund	1,692	1,080	612	63.80%	1,083	612	64.01%	3,347	9,235
Other Contribution Subtotal	$1,855	$1,270	$585		$1,273	$585		3,470	9,461
TOTAL	**$88,049**	**$70,703**	**$17,346**		**$72,097**	**$15,955**		**314,147**	**520,501**

(1)The information provided in this table reflects the condition of all funds as of June 30, 2019 and is derived from actuarial valuation results as of July 1, 2019. For additional information on the State's pension systems, see "APPENDIX F – State Financial Statements Note 8 – Pension and Investment Trust Funds" (see pages F-86 through F-105) and "Required Supplementary Information" (see pages F-154 through F-169).

(2)The actuarial accrued liability of each of the pension funds is an estimate based on demographic and economic assumptions of the present value of benefits that the pension funds will pay during the assumed life expectancies of the applicable members after they retire.

(3)The actuarial value of assets of each of the pension funds represents the market-related value of the assets held by the pension funds as adjusted to reflect various actuarial methods including the smoothing of actuarial losses and gains (including investment losses and gains) over a five-year period.

(4)The UAAL of each of the pension funds reflects the amount of the excess of the actuarial accrued liability of a pension funds over its actuarial value of assets. When the AVA exceeds the Actuarial Accrued Liability the UAAL will reflect a negative value.

(5)The Funding Ratio of each of the pension funds reflects the quotient obtained by dividing the actuarial value of assets of the pension funds by the actuarial accrued liability of the Pension Plan. The Funding Ratio figures depicted in the table are the actuary's computations for each retirement fund, as reported in each fund's July 1, 2019 actuarial valuation report.

(6)The market value of assets of each of the pension funds represents the fair market value of the assets held by the pension fund.

(7)The Elective State Officers Retirement Fund merged into the Legislators Retirement Fund effective July 1, 2013. Both the Legislators and Elective State Officers defined benefit retirement plans are financed on a pay-as-you-go basis from the State's General Fund. Legislators and Elective State Officers first elected after July 1, 1997 are members of the State's Unclassified Employees Retirement Fund, a defined contribution plan.

(8)Information for local police and fire associations reflects values as of January 1, 2020 for the Bloomington Fire Relief Association. The Bloomington Fire Relief Association exclusively reports funding status data using market values.

Source: Retirement Systems' comprehensive annual financial reports and actuarial valuation reports, Fiscal Year ended June 30, 2019; St. Paul Teachers' Retirement Fund Association actuarial valuation report, Fiscal Year ended June 30, 2019; Bloomington Fire Relief Association actuarial valuation report, calendar year ended December 31, 2019.

Pension Obligation Reporting: GASB Statements 67 and 68

GASB Statement No. 67: In June 2012, GASB issued GASB Statement No. 67 ("GASB 67"), which amended GASB Statement No. 25 and sets forth standards that modify the financial reporting of the State's pension plans obligations. GASB 67 requires changes in plans presentation of the financial statements, notes to the financial statements, and required supplementary information. The changes include an actuarial calculation of total Net Pension Liability (NPL), defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the fair value of most assets at the end of each fiscal year set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the NPL to the discount rate, and increased investment disclosures. The standard was effective commencing with the State's Fiscal Year 2014.

GASB 67 requires reporting based on the market value of assets. This will likely result in increased volatility in the NPL and pension expense from year to year.

The GASB 67 standard requires under certain circumstances the recognition of additional liabilities associated with pensions over amounts previously required. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. The date after which a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds is required to be used is referred to as a "crossover date." The crossover date can be sensitive to market volatility year to year, thereby resulting in a plan reflecting a different single discount rate from one year to the next. The single discount rate was 7.5 percent for all three funds in the GASB 67 Reports beginning in Fiscal Year 2018. The 2018 Legislature enacted reductions to plan provisions, increases to contribution rates, and revisions to actuarial assumptions to calculate the expected rate of return on pension plan investments.

The Fiscal Year 2019 GASB 67 Reports are based on June 30, 2019 membership data, taking into account actual benefit and expense payments made during the year, any benefit and contribution plan changes and the market value of assets as of June 30, 2019. For the purpose of complying with GASB 67, the actuarial assumptions incorporate the use of market value of assets (as previously described) and the entry age normal ("EAN") actuarial method. The EAN is a funding method for allocating the costs of the plan between the normal cost (the actuarial present value of the benefits allocated to the current year) and the accrued liability. The long-term expected rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio. The return could vary from system to system based on the cash flows associated with the system.

(The remainder of this page has been intentionally left blank.)

The following table provides an analysis of funding progress for each of the State's defined benefit pension plans for Fiscal Year 2019 based on the GASB 67 Reports. The NPL is calculated using the plan assets of each system at their market value (Fiduciary Net Position) and a single discount rate (calculated as described above). The data are subject to wide variation year to year due to market volatility. The Plan Fiduciary Net Position values below reflect a plan's market value of assets after an investment return of 7.3 percent for Fiscal Year 2019. The UAAL shown in the table STATUTORY METHOD FUNDING STATUS OF DEFINED BENEFIT PENSION FUNDS TO WHICH MINNESOTA PROVIDES GENERAL FUND RESOURCES, by contrast, uses a smoothing method to determine the Actuarial Value of Assets at the plan's assumed rate of return.

MINNESOTA RETIREMENT SYSTEMS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS USING GASB STATEMENT NO. 67
Actuarial Valuation Date as of July 1, 2019
($'s in Thousands)

	Total Pension Liability	Plan Fiduciary Net Position[1]	NPL	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Covered Payroll[2]	NPL as a Percentage of Covered Payroll
MSRS:						
State Employees	$15,179,140	$13,772,289	$1,406,851	90.73%	$3,168,870	44.40%
State Patrol	959,964	753,144	206,820	78.46%	80,792	255.99%
State Correctional	1,579,374	1,183,995	395,379	74.97%	267,563	147.77%
Judges	391,146	212,262	178,884	54.27%	50,164	356.60%
Legislators[3]	140,185	0	140,185	0.00%	1,011	13,865.97%
MSRS Totals	$18,249,809	$15,921,690	$2,328,119	87.24%	$3,568,400	65.24%
TRA	$29,250,077	$22,876,056	$6,374,021	78.21%	$5,000,930	127.46%
PERA:						
General Employees	$27,969,744	$22,440,968	$5,528,776	80.23%	$6,523,754	84.75%
Police and Fire	9,909,153	8,844,552	1,064,601	89.26%	1,011,421	105.26%
Local Government Correctional	758,268	744,423	13,845	98.17%	214,151	6.47%
Total PERA	$38,637,165	$32,029,943	$6,607,222	82.90%	$7,749326	85.26%

[1]Represents the market value of plan assets as of the actuarial valuation date.
[2]As of the actuarial valuation date.
[3]Is currently funded on a pay-as-you-go basis.
Source. Retirement Systems' GASB 67 and 68 Accounting reports, Fiscal Year ended June 30, 2019.

The GASB 67 Reports present both an NPL and a funding percentage. Because the Retirement Systems use the EAN actuarial method for funding as the required method for their GASB 67 Reports, variances between the funding reports and GASB No. 67 Reports are primarily, but not exclusively, related to differences between (i) market values versus actuarial values and (ii) discount rates.

GASB 67 also requires an analysis to determine the sensitivity of the NPL to changes in the discount rate, if it were calculated 1 percent point lower or 1 percent point higher. The results for Fiscal Year 2019 are as follows:

MINNESOTA RETIREMENT SYSTEMS
SENSITIVITY OF THE FISCAL YEAR 2019 NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE
USING GASB STATEMENT NO. 67
Actuarial Valuation Date as of July 1, 2019
($'s in Thousands)

	With 1% Decrease		**Current Discount Rate**		**With 1% Increase**	
	Rate	**NPL**	**Rate**	**NPL**	**Rate**	**NPL**
MSRS						
State Employees	6.50%	$3,276,681	7.50%	$1,406,851	8.50%	$(145,311)
State Patrol	6.50%	$323,003	7.50%	$206,820	8.50%	$110,562
State Correctional	6.50%	$618,679	7.50%	$395,379	8.50%	$213,220
Judges	6.50%	$218,593	7.50%	$178,884	8.50%	$144,878
Legislators	2.13%	$155,860	3.13%	$140,185	4.13%	$127,040
TRA	6.50%	$10,161,748	7.50%	$6,374,021	8.50%	$3,251,096
PERA						
General Employees	6.50%	$9,089,010	7.50%	$5,528,776	8.50%	$2,589,095
Police and Fire	6.50%	$2,327,020	7.50%	$1,064,601	8.50%	$20,601
Local Government Correctional	6.50%	$147,559	7.50%	$13,845	8.50%	$(93,148)

Source. Retirement Systems' GASB 67 and 68 Accounting reports, Fiscal Year ended June 30, 2019.

GASB Statement No. 68: In June 2012, GASB also issued GASB Statement No. 68, which set forth standards that modified the accounting and financial reporting of the State's pension obligations. The standard requires the State to report in its financial statements the State's proportionate share of the NPL. The State's proportionate share includes both the share of the NPL associated with the State's employees contributing into the retirement plans as well as the State's share of contributions to PERA for the former MERF and for the PEPFF, to TRA for the former DTRFA and for the former MTRFA and to SPTRFA, as the State's relationship to these plans meets the GAAP definition of a special funding situation.

The majority of the participants in MSRS funds are State employees. See "MSRS - Actuarial Methods and Assumptions, GASB" and "MSRS - Actuarial Methods and Assumptions" in this APPENDIX B for reporting information consistent with GASB 67 and GASB 68 requirements. Actuarial Methods and Assumptions used by the other funds are available directly from the funds and can be provided on request.

(The remainder of this page has been intentionally left blank.)

Pension Legislation and Litigation

In 2010, legislation was enacted to modify the post retirement benefit adjustments. Beginning January 1, 2011, each statewide Retirement System has unique post retirement benefit adjustments. For the TRA, post-retirement benefits were frozen for 2011 and 2012. Beginning January 1, 2013, TRA benefit recipients received a 2.0 percent adjustment annually. The legislation increased the post retirement benefit adjustment from 2 percent to 2.5 percent annually once TRA's funding ratio exceeds 90 percent. For all of the defined benefit plans that the MSRS administers, with the exception of the State Patrol Retirement Fund, benefit recipients received a 2 percent adjustment annually. For the State Patrol Retirement Fund, benefit recipients received a 1.5 percent adjustment annually. The legislation included the post retirement benefit adjustment for each MSRS defined benefit fund to 2.5 percent annually when each fund's accrued liability funding ratio reaches 90 percent, determined on a market value of assets basis, except for the Legislators and Elective Officers Retirement Funds. For the Legislators and the Elective State Officers Retirement Funds, the annual benefit adjustment increased to 2.5 percent when the State Employees Retirement Fund is 90 percent funded on a market value of assets basis. Benefit recipients of the PERA Public Employees Police and Fire Fund received an annual adjustment equal to inflation up to 1.5 percent beginning January 1, 2013, until the funding reaches 90 percent. PERA's Public Employees Correctional Fund was 98.4 percent funded on a market value basis as of June 30, 2011, so subsequent annual adjustments increased to 2.5 percent effective January 1, 2012. In addition, for all of the PERA plans, if after reaching 90 percent funding, the ratio subsequently drops below 90 percent, the prospective annual adjustments must again be one percent for PERA General Employees Retirement Fund and inflation up to 1.5 percent for the PERA Public Employees Police and Fire Fund until the 90 percent funded ratio is again attained.

A class action lawsuit was filed in May 2010 against the State's pension funds. *Swanson, et al. v. State, Public Employees Retirement Association, Minnesota State Retirement System, Teachers Retirement Association (PERA, MSRS, TRA), et al.* (Ramsey County District Court). Plaintiffs challenged the 2009 and 2010 legislative changes made to the annual cost of living adjustment for pension benefits. The district court granted summary judgment to the State on all issues and dismissed the plaintiffs' complaint. Plaintiffs had until September 6, 2011 to appeal. No appeal was filed by the deadline.

The 2010 pension bill provided numerous financial stability provisions intended to reduce future unfunded liabilities for MSRS, TRA, PERA, SPTRFA and DTRFA. Provisions included a change in future retirement benefit increases for all MSRS, PERA, TRA, SPTRFA and DTRFA plans. Employer and employee contribution rate increases were also included for MSRS State Patrol Retirement Plan, PERA General Employees Retirement Fund, PERA Public Employees Police and Fire Fund, TRA, SPTRFA, and DTRFA plans. Various other provisions, including a change in refund rates, change in deferred annuities augmentation rate, and increased vesting periods for some plans, were included as a means to reduce future unfunded liabilities. At the end of Fiscal Year 2010, MSRS, PERA, and TRA lowered unfunded liabilities by a total of over $5.9 billion on a combined basis.

During the period from 2010 to 2014, the Legislature annually made changes to the State Retirement System, including but not limited to, merging and consolidating local plans into the PERA and TRA, providing for State supplemental contributions, modifying investment earnings assumptions, modifying employee and employer contributions, modifying cost of living triggers, establishing a second tier for an existing plan and providing local aid to non-State plans.

The 2015 Legislature reduced the interest rate actuarial assumption from 8.5 percent to 8 percent for MSRS, PERA, and SPTRFA for Fiscal Year 2016 and thereafter. Related reductions in salary and payroll growth were also included. The TRA "select and ultimate" investment rate assumption remained unchanged by the 2015 Legislature. (For additional information on the "select and ultimate method", see "Investments- *Assumed Return*," in this APPENDIX B). Changes were also made to contribution stabilizer mechanisms for the PERA, MSRS, and TRA boards to allow more discretion to the boards in considering multiple factors. The interest rates charged to members who pay refunds or purchase leave and prior service credit were also adjusted.

Further, the 2015 Legislature revised the financial sustainability triggers for post-retirement adjustment mechanisms for MSRS, TRA, and SPTRFA. Prior to the 2015 legislation, post retirement benefits were to automatically increase when certain funding levels were met for each plan. The changes enacted by the Legislature in 2015 required that, once these increases were enacted, they will be automatically reduced if funding ratios fall below certain levels for each plan.

The 2015 Legislature also completed the merger of PERA and MERF. The annual State aid contribution to PERA following the merger with MERF was reduced by $18 million (from $24 million to $6 million) per year for Fiscal Years 2016 and 2017, and by $8 million (from $24 million to $16 million) per year for future fiscal years beginning Fiscal Year 2018. The reduction was due to a downward revision of the estimated aid needed by the plan following the merger.

In 2016, following the experience studies completed by the MSRS General Employees Retirement Fund, PERA General Employees Retirement Fund and TRA, the LCPR approved adoption of several updated actuarial assumptions, including new mortality tables as well as other economic, demographic, and technical assumptions. These assumption changes did not require approval of the full legislature.

The LCPR also approved an omnibus pension bill that contained changes to TRA's discount rate assumption. Specifically, the bill eliminated the select and ultimate discount rate assumption, replacing it with an 8 percent rate assumption for all years. Also included in the bill was a one-year reduction to retiree cost of living increases for TRA and MSRS members (with the exception of Judges and State Patrol plan members), as well as other policy changes, administrative changes, and legislation related to individuals or small groups of members.[1]

Following approval by the LCPR, this bill was passed by both the House and Senate. Then Governor Mark Dayton vetoed the bill.[2] In his veto letter, then Governor Dayton expressed concern that the final bill placed the onus of the sustainability measures on current retirees, rather than reflecting a shared responsibility that also included contributions from employers and active members. The Governor, in his veto message, noted future legislation must reflect a shared participation and be funded, in order to gain his signature.

The 2016 Legislature also directly appropriated $3 million in Fiscal Year 2017 and $6 million for Fiscal Year 2018 and beyond for the MSRS Judges Retirement Plan. This appropriation continues until the plan reaches 100 percent funding.

The 2017 Legislature passed an omnibus pension bill (Laws of Minnesota 2017,1st Special Session, Chapter 2) that increased employee and employer contributions to MSRS's General Employees Retirement Plan, State Patrol Correctional Plan, and Correctional Employee Retirement Plan, and PERA's Public Employees Police and Fire Plan. The bill also increased the employer contribution to plans in the St. Paul Teacher's Retirement Fund. In addition, the bill reduced the discount rate assumption from 8.0 percent to 7.5 percent and reset the amortization period to 2047 for all funds other than the Teachers Retirement Fund. The bill also contained a variety of benefit reductions affecting different plans related to cost of living adjustments, deferred augmentation, enhanced augmentation, early retirement augmentation, and refund interest rates, although TRA was not impacted by these changes. The bill contained funding to state agencies, the judicial branch, and to St. Paul Public Schools to pay for the increased employee contribution rates, and it also included direct appropriations to PERA's Public Employees Police and Fire Fund and the St. Paul Teachers' Fund.[3] Then Governor Dayton vetoed the bill; thus, these changes were not enacted. In his veto letter, the Governor stated that the bill was vetoed due to provisions unrelated to pensions that would have preempted local governments' ability to set wage and other labor standards different than those prescribed under state statute.[2]

The 2017 Legislature also reduced the annual state aid to PERA related to the merger of MERF from $16 million annually to $6 million annually beginning Fiscal Year 2020. Correspondingly, required supplemental contributions from certain local government employers was increased from $21 million to $31 million annually beginning Fiscal Year 2020.

The 2018 Legislature enacted a comprehensive set of reforms affecting all Retirement Systems intended to improve the funding status of Minnesota's public pension funds. For more information about the 2018 legislation, see "2018 Omnibus Retirement Act" in this APPENDIX B.

The 2019 Legislature restored the annual state aid to PERA related to the merger of MERF that was reduced by the 2017 Legislature. The 2019 legislation increased the annual state aid amount from $6 million to $16 million beginning Fiscal Year 2020. Correspondingly, required supplemental contributions from certain local government employers was reduced from $31 million to $21 million annually beginning Fiscal Year 2020. The 2019 Legislature also altered the required contributions from the City of Minneapolis to the Public Employees Police and Fire Fund related to the 2011 mergers of the Minneapolis Police Relief Association and the Minneapolis Firefighters Relief Association into the PEPFF. Prior to the 2019 legislation, payments from the City of Minneapolis were required to be recalculated with changes in actuarial assumptions. The 2019 Legislature established the required payments from the City of Minneapolis at $7.679 million annually.

2018 Omnibus Retirement Act

The 2018 Legislature unanimously passed the 2018 Omnibus Retirement Act (Laws of Minnesota 2018, Chapter 211). This act was signed by the then Governor Dayton on May 31, 2018. The act contained a comprehensive set of reforms intended to improve the funding status of Minnesota's public pension funds. Based on estimates provided to the LCPR by the Retirement Systems, the 2018 Omnibus Retirement Act immediately reduced the actuarial accrued liabilities of the three Retirement

---

[1]A summary of the 2016 omnibus pension bill (S.F. 588) can be found here:
http://www.commissions.leg.state.mn.us/lcpr/documents/omnibus/2016/S0588-2_Summary.pdf
[2]Then Governor Dayton's veto message regarding Chapter 177 (S.F. 588) can be found here:
https://www.leg.state.mn.us/archive/vetoes/2016veto_ch177.pdf
[3] A summary of the 2017 omnibus pension bill (S.F. 3) can be found here:
http://www.commissions.leg.state.mn.us/lcpr/documents/omnibus/2017/SS_SF3_Summary.pdf
[2] Then Governor Dayton's veto letter regarding Chapter 2 (S.F. 3) can be found here:
https://www.leg.state.mn.us/archive/vetoes/2017_sp1veto_ch2.pdf

Systems by approximately $3.3 billion. The description below, adapted from a summary published by the LPCR, provides information about the enacted changes:[1]

During the 2017 legislative session, the LCPR considered a variety of reforms, with a goal to leave intact core benefits while reducing benefit liabilities. The benefit reforms included in the 2018 act were the following:

- *Elimination of augmentation:* "Augmentation" is a cost of living adjustment made each year to the pension benefit earned by a member who is no longer in public service. In other words, it is an automatic annual increase in the pension benefit accrued by former employees.

- *Elimination of enhanced augmentation:* The act reduced the enhanced rate of augmentation for former employees of the University of Minnesota Hospital and Clinics under the MSRS General Plan who were transferred to private sector employment with Fairview Hospital and Healthcare Services in 1996. The rates of augmentation in place prior to the 2018 act, 5.5% (until age 55) and 7.5% (from age 55 to the date pension payments begin), were reduced by .75% each year, until augmentation ceases after December 31, 2024.

- *Early retirement subsidies removed:* Early retirement benefits are calculated by adding in augmentation (at 2.5% or 3% prior to the 2018 act, depending on hire date) that an early retiree would have otherwise received had the retiree waited until normal retirement age to begin receiving a pension. The act eliminated this subsidy over a five-year period, for the MSRS General Plan, PERA General Plan, TRA, and SPTRFA.

- *Rate of interest on refunds reduced:* After leaving public employment, a member may take a refund of employee contributions, while forfeiting the right to a pension at retirement age. Interest is paid on the refund for the years that the contributions were in the plan. The act reduced the rate of interest on refunds of employee contributions to former employees from 4 percent annually to 3 percent annually.

All changes were effective prospectively, which means that the benefit accrued to the effective date of the change was not reduced, or the change becomes effective for retirements after the effective date or as phased in over a period of years.

The act also reduced or temporarily suspended the COLA increases automatically applied to retiree pension benefits and, for two pension plans administered by PERA, changed the method for determining the amount of COLA increases to tie them to COLA increases on federal Social Security pensions.

The COLA-related changes in the act were the following:

- *COLA triggers repealed:* Prior to the 2018 act, Minnesota Statutes provided automatic increases to the COLA rates established in law if a plan reached a specified funding ratio. The act removed these automatic modifications to post retirement pension benefit adjustments for all plans.

- *COLA percentage reduced:* The percentage of automatic increase was modified for these plans:

  MSRS General Plan: From 2 percent (applicable prior to the 2018 act) to 1 percent through calendar year 2023, then 1.5 percent thereafter.

  MSRS Correctional Plan: From 2 percent (applicable prior to the 2018 act) to 1.5 percent.

  TRA: From 2 percent (applicable prior to the 2018 act) to 1 percent through calendar year 2023, then the rate will increase by 0.1 percent each year until it reaches 1.5 percent, and remain at 1.5 percent thereafter.

  SPTRFA: No COLA increase for calendar years 2019 and 2020, then 1 percent thereafter.

- *COLA tied to SSA COLAs:* For the PERA General and Correctional Plans, the COLA is now tied to the COLA as announced each year by the federal Social Security Administration.

  PERA General Plan: The increase as of a January 1, 2019, is 50 percent of the increase announced by the SSA, but no less than 1 percent and no greater than 1.5 percent.

  PERA Correctional Plan: The increase as of a January 1, 2019, is equal to the increase announced by the SSA, but no less than 1 percent and no greater than 2.5 percent. When the plan's funded ratio is less than 85 percent for two years or less than 80 percent for one year, the 2.5 percent maximum is reduced to 1.5 percent and remains at 1.5 percent thereafter.

---

[1] The LCPR summary of the 2018 Omnibus Retirement Act (Chapter 211) can be found here:
https://www.commissions.leg.state.mn.us/lcpr/documents/omnibus/2018/Summary_of_S2620_as_Enacted.pdf

- *First COLA postponed until normal retirement age:* For members who retire before normal retirement age (at an early retirement age), the member's pension benefit will not be increased by a COLA until the member reaches normal retirement age. This change is to take effect for retirements that occur after January 1, 2024, and affects MSRS General, PERA General, TRA, and SPTRFA.

The act updated the annualized assumed investment return and re-set the amortization period for each pension fund except the Legislators Retirement Fund to a new 30-year period, extending the period until 2048. The act removed the assumptions for payroll growth and salary increases and added references to an appendix to the Standards for Actuarial Work, published by the LCPR, where these assumptions will be reported and updated.

Reduction of annualized assumed investment return to 7.5 percent: The act reduced the annualized assumed investment return that is required to be used in the actuarial valuation for each plan to 7.5 percent. Prior to the 2018 act, Minnesota Statutes required that the actuarial valuations be prepared assuming that the annualized assumed investment return is 8 percent for all the plans except TRA and 8.5 percent for TRA. The Governor's Blue Ribbon Panel on Pension Reform, which issued its report just before the 2017 Legislative Sessions, recommended reducing the rate to 7.5 percent.

Employers and employees are required under Minnesota Statutes to contribute a specified percentage of pay to the pension plan in which they participate. The act imposed contribution increases for the following plans:

MSRS GENERAL AND UNCLASSIFIED PLAN CONTRIBUTION INCREASES

	General and Unclassified Plans			General Plan			Unclassified Plan	
	Employee			Employer			Employer	
	FY19	FY20	TOTAL	FY19	FY20	TOTAL	FY20	TOTAL
Percent of pay increase	0.25%	0.25%	**0.5%**	0.375%	0.375%	**0.75%**	0.25%	**0.25%**
Total percent of pay	5.75%	6%		5.875%	6.25%		6.25%	

MSRS CORRECTIONAL PLAN CONTRIBUTION INCREASES

	Employee			Employer				
	FY19	FY20	TOTAL	FY19	FY20	FY21	FY22	TOTAL
Percent of pay increase: Regular Contribution	0.5%	-	**0.5%**	1.55%	-	-	-	**1.55%**
Supplemental Contribution(1)	NA	NA		-	1.45%	1.5%	1.5%	**4.45%**
Total percent of pay	9.6%	9.6%		14.4%	15.85%	17.35%	18.85%	

(1)The 4.45 percent annual supplemental contribution remains in effect until the plan is 100 percent funded.

MSRS STATE PATROL PLAN CONTRIBUTION INCREASES

	Employee			Employer				
	FY19	FY20	TOTAL	FY19	FY20	FY21	FY22	TOTAL
Percent of pay increase: Regular Contribution	0.5%	0.5%	**1%**	0.75%	0.75%	-	-	**1.5%**
Supplemental Contribution(1)	NA	NA		1.75%	1.25%	2%	2%	**7%**
Total percent of pay	14.9%	15.4%	**15.4%**	24.1%	26.1%	28.1%	30.1%	

(1)The 7 percent annual supplemental contribution remains in effect until the plan is 100 percent funded.

PERA POLICE & FIRE PLAN CONTRIBUTION INCREASES

	Employee			Employer		
	2019	2020	TOTAL	2019	2020	TOTAL
Percent of pay increase	0.5%	0.5%	**1%**	0.75%	0.75%	**1.5%**
Total percent of pay	11.3%	11.8%		16.95%	17.7%	

TRA CONTRIBUTION INCREASES

	Employee		Employer						
	FY24	**TOTAL**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**TOTAL**
Percent of pay increase	0.25%	**0.25%**	0.21%	0.21%	0.21%	0.21%	0.21%	0.2%	**1.25%**
Total percent of pay	7.75%		7.71%	7.92%	8.13%	8.34%	8.55%	8.75%	

SPTRFA CONTRIBUTION INCREASES

	Employee		Employer						
	FY23	**TOTAL**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**TOTAL**
Percent of pay increase	0.25%	**0.25%**	0.835%	0.835%	0.21%	0.21%	0.21%	0.2%	**2.5%**
Total percent of pay	7.75%		7.335%	8.17%	8.38%	8.59%	8.8%	9%	

The act also required the State to make annual payments each October 1 directly to the PERA Public Employees Police and Fire Plan and to SPTFA starting in Fiscal Year 2019. The amounts shown in Fiscal Year 2021 reflect the annual State direct aid payment amount for each year thereafter.

DIRECT STATE AID ($ IN MILLIONS)

	FY19	**FY18-19**	**FY20**	**FY21**	**FY20-21**
PEPFF	$4.5	**$4.5**	$4.5	$9	**$13.5**
SPTRFA	$5	**$5**	$5	$5	**$10**

The act also amended all the statutes that provide for direct state aid payments to the pension plans to add an expiration date that is, generally, the earlier of attainment of a funded ratio of 100 percent or July 1, 2048.

Finally, the act provided funding to executive branch State agencies and school districts to offset expected costs related to the employer contribution rate increases. It amended the statute providing for pension adjustment revenue to school districts by adding a formula intended to reimburse school districts for the employer contribution increases to TRA and SPTRFA. Pension adjustment revenue is based on salaries paid to teachers. The act also provided direct appropriations to executive branch State agencies to offset the estimated cost of the increased employer contribution rates.

As mentioned above, the State is the primary contributing employer for MSRS and is a small contributing employer for the PERA and TRA plans. The State also makes non-employer contributions to certain plans and makes contributions to certain local governments to assist them with their pension funding obligations, as described herein. In addition, the State appropriates general (non-pension related) State aid payments to certain local governments and school districts that are contributing employers in these plans. Provided below is more detailed information related to MSRS's State Retirement System Fund's actuarial valuations, actuarial methods and assumptions, historical funding, eligibility and benefit formulas, as well as historical funding history for other State employer contribution and General Fund appropriations.

MSRS – *Statutory Funding Actuarial Valuations*

While MSRS administers five defined benefit pension funds, the three largest funds, the State Employees Retirement Fund, the Correctional Employees Retirement Fund, and the State Patrol Retirement Fund, represent 98.7 percent of total assets for MSRS's defined benefit funds. Refer to the MSRS Comprehensive Annual Financial Report for further discussion of actuarial valuations for the MSRS defined benefit pension funds as of June 30, 2019.

The State Employees Retirement Fund which includes the General Employees Retirement Plan, the State Fire Marshals Plan, the Military Affairs Plan and the Transportation Pilots Plan, was 88.87 percent funded, with the actuarial value of assets totaling $13.490 billion, and the actuarial accrued liability totaling $15.179 billion, as of July 1, 2019. For purposes of determining the actuarial value of assets, assets are based on a five-year moving average of expected and market values. The State Employees Retirement Fund's funding status, determined on a market value of assets basis, increased from 90.56 percent as of the July 1, 2018 actuarial valuation to 90.73 percent as of the July 1, 2019, actuarial valuation. The improvement is due to increases in employee and employer contributions.

The actuarial valuation also calculates the required contribution rates that are necessary to ensure that the MSRS funds become fully funded. As noted above, the 2018 Omnibus Retirement Act extended the full funding date for these funds to

June 30, 2048. The July 1, 2019 actuarial valuation for the State Employees Retirement Fund calculated that statutory contributions currently received from members and employers are 0.67 percent of payroll above the amount required to fully fund the retirement plan by 2048. The contribution changed from a sufficiency of 0.10 percent of payroll as of July 1, 2018, to a sufficiency of 0.67 percent of payroll as of July 1, 2019 (projected annual payroll for the fiscal year beginning on the July 1, 2019 actuarial valuation date was $3.2 billion). The primary reason for the improvement was additional member and employer contributions.

Actuarial valuation results as of July 1, 2019 show that the MSRS Correctional Employees Retirement Fund is 73.47 percent funded, with the actuarial value of assets totaling $1.160 billion, and the actuarial accrued liability totaling $1.579 billion. The contribution deficiency decreased from 1.77 percent of payroll as of July 1, 2018, to 0.57 percent of payroll as of July 1, 2019, primarily due to additional employer contributions. Funding status, determined on a market value of assets basis, increased from 74.80 percent as of the July 1, 2018, actuarial valuation to 74.97 percent as of the July 1, 2019, actuarial valuation due to additional employer contributions.

The State Patrol Retirement Fund is 76.85 percent funded, with the actuarial value of assets totaling $737.7 million, and the actuarial accrued liability totaling $960.0 million based on July 1, 2019 actuarial valuation results. The contribution deficiency of 0.96 percent of payroll as of July 1, 2018 was eliminated, resulting in a contribution sufficiency of 1.74 percent of payroll as of July 1, 2019. The primary reason for the contribution deficiency to sufficiency change was additional employer contributions. Annual State contributions of $1 million are reflected in the computations of the contribution deficiency as of the July 1, 2018 and the July 1, 2019 actuarial valuation dates. The funding status, determined on a market value of assets basis, increased from 78.44 percent as of the July 1, 2018, actuarial valuation to 78.46 percent as of the July 1, 2019, actuarial valuation.

The Judges Retirement Fund, is 53.18 percent funded, with the actuarial value of assets totaling $208.0 million and the actuarial accrued liability totaling $391.1 million based on July 1, 2019 actuarial valuation results. The contribution deficiency for the plan increased from 0.40 percent of payroll as of the July 1, 2018 actuarial valuation to 0.65 percent of payroll as of the July 1, 2019 actuarial valuation. The primary reason for the increased contribution deficiency is due to demographic experience, including more retirements than expected. Funding status, determined on a market value of assets basis, increased from 53.38 percent as of the July 1, 2018 actuarial valuation to 54.27 percent as of the July 1, 2019 actuarial valuation.

The Legislators Retirement Fund is funded on a pay-as-you-go basis with annual appropriations from the State's General Fund.

MSRS – Statutory Actuarial Methods and Assumptions

Statutory: The annual employer and employee contributions to the State Employees Retirement Fund are established in Minnesota Statutes. The 2018 Legislature increased these contribution rates in the 2018 Omnibus Retirement Act as of Fiscal Year 2019. The calculated actuarially required contribution of the MSRS General Employees Retirement Plan, the largest State funded plan, was determined using the following methods and assumptions:

(The remainder of this page has been intentionally left blank.)

MSRS GENERAL EMPLOYEES RETIREMENT PLAN
STATUTORY ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Cost Method	Individual entry age normal
Rate of Return on the Investment of Present and Future Assets	7.5% per year
Projected Salary Increases	Reported salary at the valuation date increased according to the rate table, to current fiscal year and annually for each future year. Prior fiscal year salary is annualized for members with less than one year of service.
Payroll Growth	3.25% per year
Experience Studies	Period Covered: Fiscal Year 2009-2014
Asset Valuation	Asset valuations are based on market values at the end of the fiscal year, less a percentage of the unrecognized asset return determined at the close of each of the four preceding fiscal years. The unrecognized asset return is the difference between the actual net return on the market value of assets and the asset return expected during the fiscal year based on the assumed interest rate.
Total Unrecognized Investment Return (loss) at June 30, 2019	$282,516,000

Sources: MSRS Comprehensive Annual Report, June 30, 2019, and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2019.

MSRS - Historical Funding

The actuarial valuations measure current costs and contribution requirements to determine how much employers and members should contribute to maintain appropriate funding progress to pay future benefits. Actuarial valuations also measure assets and liabilities to determine the level of funding for each defined benefit plan. The table below provides a historical comparison of the statutory actual employee and employer contribution rates (on a percentage of annual payroll basis) compared to the calculated actuarially recommended rate (the calculated actuarial required contribution).

(The remainder of this page has been intentionally left blank.)

MINNESOTA STATE RETIREMENT SYSTEM
PERCENTAGE OF PAYROLL ACTUAL CONTRIBUTION RATES AS COMPARED TO STATUTORY ACTUARIALLY RECOMMENDED RATES
TEN-YEAR CONTRIBUTION HISTORY

For the Fiscal Year ended June 30th	*Statutory Actual Contribution Rates*			*Actuarial Recommended Rate*	*Sufficiency/ Deficiency Employee*
	Employee	*Employer*	*Total*		
2010	5.00%	5.00%	10.00%	10.99%	(0.99)%
2011	5.00%	5.00%	10.00%	11.03%	(1.03)%
2012	5.00%	5.00%	10.00%	12.32%	(2.32)%
2013	5.00%	5.00%	10.00%	12.45%	(2.45)%
2014	5.50%	5.50%	11.00%	12.82%	(1.82)%
2015	5.50%	5.50%	11.00%	12.44%	(1.44)%
2016	5.50%	5.50%	11.00%	14.49%	(3.49)%
2017	5.50%	5.50%	11.00%	13.24%	(2.24)%
2018	5.75%	5.88%	11.63%	11.53%	0.10%
2019	6.00%	6.25%	12.25%	11.58%	0.67%

Sources: MSRS Comprehensive Annual Financial Reports (2010 – 2019) – Schedule of Actual Contribution Rates as Compared to Actuarially Recommended Rates.

Further, the better the level of funding, the larger the ratio of assets to accrued liabilities and the greater the level of investment income potential. A higher funding ratio means that present assets and projected investment earnings on those assets are more likely to cover the liabilities for present and future annuities, survivor and disability benefits, refunds, and administrative expenses.

MINNESOTA STATE RETIREMENT SYSTEM STATE EMPLOYEES RETIREMENT FUND
TEN-YEAR FUNDING HISTORY
($′s in Thousands)

	Aggregate Accrued Liabilities				**Portion Covered by Reported Assets**			
For the Fiscal Year ended June 30th	**Active Member Contributions (1)**	**Retirees and Beneficiaries (2)**	**Employer Financed Portion (3)**	**Reported Assets**	**% (1)**	**% (2)**	**% (3)**	**Funding Ratio (%)**
2010	$1,155,473	$4,535,401	$4,573,197	$8,960,391	100	100	71.5	87.3
2011	982,365	4,982,212	4,611,904	9,130,011	100	100	68.6	86.3
2012	1,044,810	5,489,756	4,548,661	9,162,301	100	100	57.8	82.7
2013	1,090,373	5,807,381	4,530,887	9,375,780	100	100	54.7	82.0
2014	1,128,164	6,471,998	4,844,964	10,326,272	100	100	56.3	83.0
2015	1,161,369	6,949,000	4,982,333	11,223,285	100	100	62.5	85.7
2016	1,206,968	7,746,511	5,363,407	11,676,370	100	100	50.8	81.6
2017	1,260,721	8,207,943	5,040,486	12,364,957	100	100	57.5	85.2
2018	1,309,528	8,512,016	4,857,945	13,035,350	100	100	66.2	88.8
2019	1,365,782	8,974,283	4,839,075	13,489,773	100	100	65.1	88.9

Source: MSRS Comprehensive Annual Report, June 30, 2019 – Solvency Test for Last Ten Fiscal Years.

The historical funding history of the other defined benefit plans in the Retirement Systems is provided in the MSRS, TRA and PERA Comprehensive Annual Financial Reports for the Fiscal Year ended June 30, 2019. See “General Information” in this APPENDIX B.

MSRS – Eligibility and Benefit Formulas

Provided below is a description of the eligibility and benefit formulas of the MSRS General Employees Retirement Plan, the largest plan of the State Employees Retirement Fund, as of June 30, 2019.

MSRS General Employees Retirement Plan

A. Coverage	Most State employees, University of Minnesota non-instructional employees, and selected metropolitan agency employees
B. Contribution Rates	Employees: 6.00 percent of payroll. Employers: 6.25 percent of payroll. Employee contributions are "picked up" according to the provisions of Internal Revenue Code 414(h).
C. Benefit Formula	If first hired before July 1, 1989, the benefit formula is the greater of (a) or (b): (a) 1.2 percent of a high-five year salary for the first 10 years of allowable service plus 1.7 percent of high-five salary for each subsequent year. This benefit is reduced for each month the member is under age 65 at time of retirement, or under age 62 with 30 years of allowable service. There is no reduction in the formula if the member's age plus years of allowable service totals 90 (Rule of 90). (b) 1.7 percent of high-five year salary for each year of allowable service assuming augmentation to age 65 at 3 percent per year and an actuarial reduction for each month the member is under age 65. If first hired after June 30, 1989, the benefit formula is 1.7 percent of high-five year salary for each year of allowable service with an actuarial equivalent, early retirement reduction for each month the member is under the normal retirement age. Salary includes wages and other periodic compensation. It excludes lump sum payments at separation, employer contributions to deferred compensation and tax sheltered annuity plans, and benevolent vacation and sick leave donation programs. The high-five average salary is the average salary from the sixty-successive month period with the highest gross salary.
D. Retirement Age and Service Requirements	*Eligibility for unreduced retirement benefits:* Age 65 for employees hired before July 1, 1989, or age 66 for employees hired on or after July 1, 1989 Age eligible for full Social Security retirement benefits (but not higher than age 66) if hired before July 1, 1989; with three or more years of allowable service (five years if hired after June 30, 2010) Rule of 90 for those employees hired before July 1, 1989. *Eligibility for reduced retirement benefits:* Age 55 with three years of service if hired prior to July 1, 2010, or five years of service if hired after June 30, 2010, reduced from full retirement age Any age with 30 years of service, reduced from age 62 (pre-July 1, 1989 hires only) The plan also offers total and permanent disability benefits for employees with at least three years of service (five years of service after June 30, 2010).
E. Surviving Spouse Benefit	If employee has at least three years of service at death, (five years if hired after June 30, 2010), generally, the spouse is eligible for a 100 percent survivor annuity or a refund.
F. Refunds	Employee contributions plus 6 percent interest compounded annually through June 30, 2011, 4 percent through June 30, 2018, and 3 percent thereafter.

Source: Minnesota State Retirement System 2019 Comprehensive Annual Financial Report.

Eligibility and benefit formulas for the various plans covered under the Retirement Systems are provided in the MSRS, TRA and PERA Comprehensive Annual Financial Reports for the Fiscal Year ended June 30, 2019. See "General Information" in this APPENDIX B.

MSRS - Employer Contributions

The following table summarizes the employer contributions made to the MSRS for the last 10 years. Contributions are made from a variety of State funds, the largest single source being the General Fund. Based on payroll expense data for Fiscal Year 2019, when excluding component units that submit contributions to MSRS separately from the state payroll, approximately 45 percent of State employer contributions came from the General Fund, 14 percent from the Trunk Highway Fund and 5 percent from federal funds. All other State employer contributions were from 98 other funds of the State. Component units receive funding from a variety of State and non-State sources.[1]

MINNESOTA STATE RETIREMENT SYSTEM EMPLOYER CONTRIBUTION HISTORY
MINNESOTA STATE RETIREMENT SYSTEM
($'s in Thousands)

For the Fiscal Year Ended (June 30th)	Employer Contributions(1)						Total
	State Employees Retirement Fund	Correctional Employees Retirement Fund	Elective State Officers Fund(2)	Judges Retirement Fund(3)	Legislators Retirement Fund(2)	State Patrol Retirement Fund	
2010	$113,716	$21,988	$453	$8,283	$1,975	$10,104	$156,519
2011	118,563	23,892	460	8,297	2,805	9,873	163,890
2012	115,159	24,188	465	7,922	3,935	11,620	163,289
2013	121,673	24,632	470	8,177	3,399	11,482	169,833
2014	128,037	26,468	N/A	9,426	3,436	11,894(4)	179,261
2015	146,333	29,480	N/A	9,776	3,216	13,763(4)	202,568
2016	151,168	30,678	N/A	10,219	5,087	13,938(4)	211,090
2017	158,352	31,763	N/A	10,758	8,716	15,783(4)	225,372
2018	164,233	32,893	N/A	11,027	8,856	15,952(4)	232,961
2019	182,939	38,245	N/A	11,287	8,798	19,479(4)	260,748

(1) Other than contributions described in the footnotes below, all other plans are bi-weekly employer contributions. Amounts exclude the State's employer contribution to the Unclassified Employees Retirement Fund (Defined Contribution Plans).
(2) Effective July 1, 2013, the Elective State Officers Fund was merged into the Legislators Retirement Fund. The Legislators Retirement Fund is funded on a pay-as-you-go basis from the State's General Fund.
(3) Employer contributions to the Judges Retirement Fund do not include supplemental State aid totaling $3 million in Fiscal Year 2017 and $6 million in Fiscal Year 2018. This amount is recognized as other income in MSRS' financial statements.
(4) Employer contributions to the State Patrol Retirement Fund do not include the annual $1 million supplemental State aid beginning Fiscal Year 2014. This amount is recognized as other income in MSRS' financial statements.

Sources: MSRS Comprehensive Annual Financial Reports (2009-2019).

(The remainder of this page has been intentionally left blank.)

[1] State of Minnesota component units that submitted contributions to MSRS separately from the state payroll included University of Minnesota, Metropolitan Council, and Minnesota Sports Facilities Authority, as reported in the MSRS Comprehensive Annual Financial Report as of June 30, 2019.

MSRS – GASB Statements No. 67 and No. 68 Actuarial Valuation Results

To comply with GASB Statement No. 67, MSRS engaged actuaries to compute the NPL (total pension liability less Fiduciary Net Position) and pension expense amounts. Contributing employers are required, under GASB Statement No. 68, to report these amounts in their financial statements. The NPL will often be one of the largest amounts reported in an employer's financial statements. The new measures of these amounts (e.g., NPL, pension expense) are substantially different from the funding measures (e.g., funding ratio, actuarial accrued liability, contribution sufficiency/deficiency rate, etc.) primarily due to the actuaries utilizing GASB-compliant actuarial assumptions, rather than the actuarial assumptions prescribed in Minnesota Statutes, in their computations.

The calculated NPL of the MSRS General Employees Retirement Plan, the largest State funded plan, was determined using the following methods and assumptions.

MINNESOTA STATE RETIREMENT SYSTEM GENERAL EMPLOYEES RETIREMENT PLAN
GASB 67 ACTUARIAL METHODS AND ASSUMPTIONS FOR FISCAL YEAR 2019

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Long-term Expected Return	7.50 percent
Inflation	2.50 percent
Salary Increases	Reported total salary at the valuation date increased according to the rate table, to current fiscal year and annually for each future year. Prior fiscal year salaries are annualized for members with less than one year of service
Payroll Growth	3.25 percent
Mortality Rates	RP-2014 employee generational mortality table projected with mortality improvement Scale MP-2015. From a base year of 2014, white collar adjustment, set forward one year for males and no age adjustment for females.

Sources: MSRS Comprehensive Annual Report, June 30, 2019 and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2019.

GASB Statements No. 67 and No. 68 actuarial valuation results show that as of June 30, 2019, employers contributing to the MSRS' largest cost-sharing fund, the State Employees Retirement Fund (the General Employees Retirement Plan), incurred NPL of $1.4 billion. Actuaries determined this amount assuming a long-term expected single discount rate of return of 7.5 percent, an inflation rate of 2.50 percent, a payroll growth rate of 3.25 percent and salary increase assumptions based on service related rates (rates that are dependent on the number of years employed). As a result, employers will report pension expense of $295.9 million. Lastly, as of the June 30, 2019 measurement date, Fiduciary Net Position as a percentage of the Total Pension Liability was 90.73 percent.

(The remainder of this page has been intentionally left blank.)

GASB actuarial valuation results for all of the MSRS pension plans are depicted in the table below. Based on contributions received during Fiscal Year 2019, the State's proportionate share (including its component units: the University of Minnesota, Metropolitan Council, Minnesota Housing Finance Agency, Minnesota Office of Higher Education and the Minnesota Sports Facilities Authority) of the each MSRS defined benefit fund's NPL and Pension Expense/(Income), and related dollar amounts, are also presented below.

MINNESOTA STATE RETIREMENT SYSTEM
GASB STATEMENTS NO. 67 AND NO. 68 ACTUARIAL VALUATION RESULTS
June 30, 2019
($ in Thousands)

Retirement Fund	Total Pension Liability (TPL)	Plan Fiduciary Net Position (FNP)	Net Pension Liability (NPL)	Plan FNP As a % of TPL	State's Proportionate Share	State's Share of NPL	FY2019 Pension Expense / (Income)	State's Share of Pension Expense/ (Income)
State Employees	$15,179,140	$13,772,289	$1,406,851	90.73%	99.319%	$1,397,270	$295,915	$293,890
State Patrol	959,964	753,144	206,820	78.46%	100.000%	206,820	28,189	28,189
Correctional Employees	1,579,374	1,183,995	395,379	74.97%	99.869%	394,861	(2,734)	(2,730)
Judges	391,146	212,262	178,884	54.27%	100.000%	178,884	8,656	8,656
Legislators	140,185	0	140,185	0.00%	100.000%	140,185	9,692	9,692
Totals	$18,249,809	$15,921,690	$2,328,119	87.24%		$2,318,020	$339,718	$337,697

Source: MSRS 2019 Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2019.

(The remainder of this page has been intentionally left blank.)

Pension Disclosure in the State's Financial Statements

The following information from the State's Financial Statements is being presented due to differences in the Systems' financial reporting and the State's financial statement due to the one year lag between the disclosures in Systems' Comprehensive Annual Financial Reports and the State's CAFR.

The State contributes as an employer and / or a non-employer contributing entity into certain defined benefit pension trust funds, which are considered qualified trust funds for the purposes of GAAP and include both State administered plans and non-State administered plans.

The State Net Pension Liability (NPL) as an employer and non-employer contributing entity is recorded in the State's financial statements based on the State's share of the NPL of the applicable plan. In addition, the State's share of the effects of changes in certain assumptions are recorded as deferred outflows of resources and deferred inflows of resources and are amortized over the current and future periods.

The following table represents the plans the State contributes to as an employer and/or a non-employer contributing entity that are included in the State's financial statements.

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund (SERF) Correctional Employees Retirement Fund (CERF) Judges Retirement Fund (JRF) Legislators Retirement Fund (LRF) State Patrol Retirement Fund (SPRF)
Public Employees Retirement Association (PERA)	General Employees Retirement Fund (GERF) Police and Fire Fund (P&FF)
Teachers Retirement Association (TRA)	Teachers Retirement Fund (TRF)
St. Paul Teachers' Retirement Fund Association	St. Paul Teachers' Retirement Fund (SPTRF)

(The remainder of this page has been intentionally left blank.)

The following table summarizes the State's share of pension amounts by defined benefit plan.

Summary of State Pension Amounts
As of June 30, 2019
($'s in Thousands)

	State Administered					Non-State Administered	State Administered			
	Multiple Employer					Multiple Employer	Single Employer			
	SERF[1]	CERF[1]	GERF[1]	P&FF[1][2]	TRF[1]	SPTRF[1]	JRF[1]	LRF[1]	SPRF[1]	Total for All Plans
State's Proportionate Share of the Net Pension Liability as an:										
Employer	$ 1,031,909	$ 375,232	$ 25,408	$ -	$ 221,190	$ 630	$ 176,170	$ 139,367	$ 200,609	$ 2,170,515
Non-Employer Contributing Entity	-	-	176,191	56,187	471,220	166,431	-	-	-	870,029
Total	$ 1,031,909	$ 375,232	$ 201,599	$ 56,187	$ 692,410	$ 167,061	$ 176,170	$ 139,367	$ 200,609	$ 3,040,544
State's Proportionate Share % of the Net Pension Liability as of:										
Current Year Measurement Date	74.45%	99.89%	3.64%	5.27%	11.02%	27.58%	100.00%	100.00%	100.00%	
Prior Year Measurement Date	74.15%	99.91%	1.75%	N/A[2]	11.41%	28.15%	100.00%	100.00%	100.00%	
Difference between Expected and Actual Experience	$ 28,497	$ 6,986	$ 5,336	$ 2,281	$ 7,385	$ 980	$ 3,993	$ -	$ -	$ 55,458
Changes in Assumption	2,951,534	269,799	19,258	72,700	894,030	24,529	11,332	-	146,800	4,389,982
Net Difference Between Projected and Actual Earnings	-	-	-	-	-	-	-	118	-	118
Change in Proportionate Share	25,082	258	91,148	80,652	48,643	-	-	-	-	245,783
Contributions Subsequent to the Measurement Date	136,157	38,141	18,138	4,500	46,534	15,713	17,287	8,798	19,479	304,747
Deferred Outflows of Resources	$ 3,141,270	$ 315,184	$ 133,880	$ 160,133	$ 996,592	$ 41,222	$ 32,612	$ 8,916	$ 166,279	$ 4,996,088
Difference between Expected and Actual Experience	$ 78,280	$ 3,101	$ 5,880	$ 13,784	$ 13,963	$ 6,643	$ 3,848	$ -	$ 24,940	$ 150,439
Changes in Assumption	4,608,355	645,985	22,652	82,714	1,180,646	3,123	34,303	-	180,870	6,758,648
Net Difference Between Projected and Actual Earnings	258,322	29,422	20,600	11,768	53,696	799	5,230	-	18,769	398,606
Change in Proportionate Share	2,881	151	37,924	-	117,462	7,300	-	-	-	165,718
Deferred Inflows of Resources	$ 4,947,838	$ 678,659	$ 87,056	$ 108,266	$ 1,365,767	$ 17,865	$ 43,381	$ -	$ 224,579	$ 7,473,411
Net Pension Expense	$ (1,225,752)	$ (137,170)	$ 25,165	$ 18,297	$ (250,094)	$ (9,049)	$ 4,723	$ 767	$ 19,262	$ (1,553,851)

(1) Proportionate share was determined based on the State's percentage of employer and non-employer contributing entity contributions into the plan.
Source: Actuary and plan administrator reports for the measurement period are utilized in determining the State's proportionate share of pension amounts.
(2) Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.

The following table summarizes the actuarial assumptions associated with each defined benefit plan.

Pension Plans
Actuarial Assumptions

	State Administered					Non-State Administered	State Administered		
	Multiple Employer					Multiple Employer	Single Employer		
	SERF(1)	CERF(1)	GERF(1)	P&FF(1)	TRF(1)	SPTRF(1)	JRF(1)	LRF(1)	SPRF(1)
Actuarial Valuation/ Measurement Date	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018
Long-Term Expected Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate(2)	3.62%	3.62%	3.62%	3.62%	3.89%	3.62%	3.62%	3.62%	3.62%
Experience Study Dates	2008 - 2014	2011 - 2015	2008 - 2014	2011 - 2015	2008 - 2014	2011-2016	2011 - 2015	N/A	2011 - 2015
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	Service Related Rates	2.85 - 9.25%	3.00 - 9.00%	2.50%	4.50%	Service Related Rates
Payroll Growth	3.25%	3.25%	3.25%	3.25%	3.00%	3.00%	2.50%	N/A	3.25%

(1) For SERF, CERF, GERF, P&FF, TRF, JRF, LRF, and SPRF mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015 for SERF, CERF, TRF, JRF, LRF, and SPRF, and Scale MP-2017 for GERF, P&FF, and SPTRF. There are various adjustments in each plan to match experience.

(2) Source: Fidelity Index for SERF, CERF, GERF, P&FF, SPTRF, JRF, LRF, and SPRF, and Bond Buyers for TRF, formerly published by the Board of Governors of the Federal Reserve System

See "APPENDIX F – STATE FINANCIAL STATEMENTS Note 8 - Pension and Investment Trusts" (pages F-86 through F-105) and "Required Supplementary Information" (see pages F-154 through F-169), for additional information on pension disclosures related to the implementation of GASB 68. The State's Fiscal Year 2019 financial statements and corresponding pension related disclosures and required supplementary information are based on the June 30, 2018 GASB 67 & 68 Actuarial Report.

(The remainder of this page has been intentionally left blank.)

The following table presents the NPL for each defined benefit plan with a primary government proportionate share of the NPL, calculated using the corresponding discount rate as well as what the NPL would be if the rate were one percentage point higher or lower.

State's Proportionate Share
Sensitivity of the Net Pension Liability to Changes in the Discount Rate
As of June 30, 2019
($'s in Thousands)

	With a 1% Decrease[5]		Current Discount Rate		With a 1% Increase[5]	
	Rate	NPL[1]	Rate	NPL[1]	Rate	NPL[1]
SERF[3]	6.50%	$ 2,385,150	7.50%	$ 1,031,909	8.50%	$ (91,356)
CERF[3]	6.50%	586,041	7.50%	375,232	8.50%	203,289
GERF	6.50%	327,624	7.50%	201,599	8.50%	97,569
P&FF	6.50%	120,468	7.50%	56,187	8.50%	3,029
TRF[3]	6.50%	1,098,853	7.50%	692,410	8.50%	357,099
SPTRF	6.50%	222,091	7.50%	167,061	8.50%	121,479
JRF	6.50%	214,820	7.50%	176,170	8.50%	143,079
LRF[3][4]	2.62%	154,902	3.62%[2]	139,367	4.62%	126,340
SPRF[3]	6.50%	312,538	7.50%	200,609	8.50%	107,826

(1) Net Pension Liability (Asset).

(2) LRF: The municipal bond rate was used for all years.

(3) The discount rate changed from 5.42, 5.02, 5.12, 8.0, 3.56, and 6.38 percent for SERF, CERF, TRF, SPTRF, LRF, and SPRF respectively.

(4) The discount rate for Fiscal Year 2020 will change to 3.13 percent for LRF.

(5) Source: Plan actuary reports provide sensitivity analysis tables. The State's proportionate share for the measurement period is applied to these tables to determine the amounts reported above.

(The remainder of this page has been intentionally left blank.)

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Other postemployment benefits (OPEB) are available to certain employees of the State, and their dependents through a single-employer defined benefit health care plan, as allowed by Minnesota Statutes, Section 43A.27, subdivision 3, and Minnesota Statutes, Section 471.61, subdivision 2a, and required under the terms of selected employment contracts. All pre-age-65 State retirees with at least five years of allowable pension service who are entitled at the time of retirement to receive an annuity under the State retirement program are eligible to participate in the State's health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100 percent of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active State employees, resulting in an implicit rate subsidy.

The State also subsidizes the health care and dental premium rates for certain employees, primarily conservation officers, correctional officers at State correctional facilities, and State troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer's premium contribution rate is frozen at the date of the employee's retirement and is payable by the State until the retiree is age 65. The retiree is responsible for any other portion of the premiums. If the retiree terminates employment at age 55 or later, the employer contributes the active employee's premium rate each year until the retiree is age 65. Coverage ends at the retiree's attainment of age 65. The State does not issue a separate financial report for its OPEB as the State does not fund an OPEB plan and operates on a pay-as-you-go basis.

In June 2015, the Governmental Accounting Standards Board issued GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which supersedes Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This standard requires changes to the financial statements, notes to the financial statements and required supplementary information. The State implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" for the year ended June 30, 2018.

The following table summarizes the State's share of other postemployment benefits amounts.

Summary of State OPEB Amounts
As of June 30, 2019
($'s in Thousands)

Description	Amount[1]
Total OPEB Liability	$ 612,799
Changes of Assumption	$ 6,092
Transactions Subsequent to the Measurement Date	34,910
Deferred Outflows of Resources	$ 41,002
Difference between Expected and Actual Experience	$ 36,600
Changes of Assumption	$ 28,294
Deferred Inflows of Resources	$ 64,894
Total OPEB Expense	$ 60,875

(1) Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents a discretely presented component unit's proportionate share.

The mortality rate assumptions uses the RP-2014 employee generational mortality table projected with mortality improvement Scale MP-2018 as applicable to the employee group covered.

(The remainder of this page has been intentionally left blank.)

The following table summarizes the actuarial assumptions associated with the plan.

OPEB Plan
Actuarial Assumptions

Description	OPEB Plan
Actuarial Valuation[1]	July 1, 2018
Measurement Date[1]	June 30, 2018
Discount Rate: 20 Year Municipal Bond Rate[2]	3.87%
Healthcare Cost Trend Rate	6.5% reduce to 3.8% by 2070
Experience Study Dates	2008 – 2015
Inflation	2.50%
Salary Increases	3.25%

(1) No significant events or material changes in benefit provisions occurred between the actuarial valuation date and the measurement date that required an adjustment to roll-forward of the Total OPEB Liability.

(2) Source: Bond Buyer 20-Bond General Obligation Index.

See "APPENDIX F – STATE FINANCIAL STATEMENTS Note 9 – Termination and Postemployment Benefits" (pages F-106 through F-110) and "Required Supplementary Information" (see pages F-154 through F-169), for additional information on other postemployment benefits disclosures related to the implementation of GASB 75.

The following table presents the State's share of Total OPEB Liability (TOPEBL) for the plan calculated using the corresponding discount rate as well as what the TOPEBL would be if the rate were one percentage point higher or lower.

State's Share
Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
As of June 30, 2019
($'s in Thousands)

With a 1% Decrease[2]		Current Discount Rate		With a 1% Increase[2]	
Rate	TOPEBL	Rate[1]	TOPEBL	Rate	TOPEBL
2.87%	$ 656,350	3.87%	$ 612,799	4.87%	$ 571,940

(1) The discount rate changed from 3.58 percent.

(2) Source: Plan actuary report provides sensitivity analysis table. The State's proportionate share for the measurement period is applied to the table to determine the amount.

The following table presents the State's share of Total OPEB Liability (TOPEBL) for the plan calculated using the corresponding healthcare trend rate as well as what the TOPEBL would be if the rate were one percentage point higher or lower.

State's Share
Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate
As of June 30, 2018
($'s in Thousands)

With a 1% Decrease[2]		Current Healthcare Trend Rate		With a 1% Increase[2]	
Rate	TOPEBL	Rate[1]	TOPEBL	Rate	TOPEBL
2.8%	$ 555,945	3.8%	$ 612,799	4.8%	$ 679,140

(1) Source: Plan actuary report provides sensitivity analysis table. The State's proportionate share for the measurement period is applied to the table to determine the amount.

(This page has been intentionally left blank.)

APPENDIX C

STATE DEBT

(This page has been intentionally left blank.)

APPENDIX C

STATE DEBT

Table of Contents

(This page has been intentionally left blank.)

GENERAL OBLIGATION BONDS OUTSTANDING
AS OF THE DATE OF ISSUE OF THE BONDS
($'s in Thousands)

Category	Type	Principal Amount	
1	Transportation	$ 237,860	
	Refunding Bonds	1,288,265	
	Various Purpose	2,359,006	
	Total Category 1		3,885,131
2	School Loan	$ 10,703	
	Rural Farm Authority	78,731	
	Total Category 2		$ 89,434
3	Trunk Highway	$ 1,728,555	
	Trunk Highway Refunding	196,855	
	Total Category 3		$ 1,925,410
	Total Outstanding as of the Date of the Bonds		$ 5,899,975
	Plus Series 2020A Bonds (This issue)		330,360
	Plus Series 2020B Bonds (This issue)		152,020
	Plus Series 2020C Bonds (This issue)		20,515
	Plus Series 2020D Bonds (This issue)		128,115
	Plus Series 2020E Bonds (This issue)		163,380
	Plus Series 2020F Bonds (This issue)		223,970
	Plus Series 2020G Bonds (This issue)		180,190
	Less Various Purpose Refunded Bonds		(361,730)
	Less Trunk Highway Refunded Bonds		(341,935)
	Total Outstanding as of the Date of the Bonds - Including These Issues		$ 6,394,860

The full faith and credit and unlimited taxing powers of the State are pledged for the payment of all of the above bonds.

The outstanding bonds comprising the Category 1 are payable primarily from money appropriated to the Debt Service Fund from the General Fund, which is supported by income tax, sales tax, and other receipts. The bonds comprising Category 2 are payable to a substantial degree from money appropriated to the Debt Service Fund from receipts from various special revenue sources. The Category 3, Trunk Highway Bonds, are payable primarily from the Trunk Highway Fund, which receives 58.9 percent of the net proceeds of the State fuel, motor vehicle registration taxes, and a portion of the motor vehicle sales tax, pursuant to the State Constitution and related statutory provisions.

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED AS OF THE DATE OF ISSUE OF THE BONDS

($'s in Thousands)

Purpose of Issue	Law Authorizing	Total Authorization (1)(2)	Previously Issued as Par Bonds	Previously Issued as Premium	The Bonds (3)	Remaining Authorization
Various Purpose	X2002, Ch. 1	15,055.0	14,755.0	0.0	0.0	$300.0
Various Purpose	2005, Ch. 20	913,665.8	913,241.4	417.6	0.0	$6.8
Various Purpose	2006, Ch. 258	989,879	989,097.9	781.1	0.0	$0.0
Trunk Highway	2008, Ch. 152	1,780,700.4	1,727,573.0	0.0	30,000.0	$23,127.4
Various Purpose	2008, Ch. 179	788,261.4	785,466.9	2,480.1	0.0	$314.4
Various Purpose	2009, Ch. 93	255,265.0	250,154.8	3,380.2	500.0	$1,230.0
Various Purpose	2010, Ch. 189	707,518.4	694,367.7	12,521.3	260.8	$368.6
Various Purpose	X2010, Ch. 1	31,090.1	27,407.5	2,195.5	300.0	$1,187.1
Various Purpose	X2011, Ch. 12	548,416.8	524,881.2	22,955.6	0.0	$579.9
Trunk Highway	2012, Ch. 287	17,509.9	17,485.0	0.0	20.0	$4.9
Various Purpose	2012, Ch. 293	562,546.7	510,972.8	46,969.2	1,400.0	$3,204.7
Various Purpose	X2012, Ch. 1	52,499.9	45,871.0	6,628.9	0.0	$0.0
Trunk Highway	2013, Ch. 117	300,080.1	300,080.1	0.0	0.0	$0.0
Various Purpose	2013, Ch. 136	171,973.1	149,527.6	20,072.4	1,500.0	$873.1
Various Purpose	2014, Ch. 294	889,142.8	724,932.4	141,697.6	15,500.0	$7,012.8
Various Purpose	X2015 Ch. 5	189,781.2	141,713.5	30,056.5	7,700.0	$10,311.2
Trunk Highway	X2015 Ch. 5	140,140.0	128,140.0	0.0	12,000.0	$0.0
Trunk Highway	X2017, Ch. 3	940,940.0	224,198.0	0.0	105,000.0	$611,742.0
Various Purpose	X2017, Ch. 8	1,038,510.0	636,575.9	126,624.1	151,000.0	$124,310.0
Various Purpose	2018, Ch. 214	893,699.0	340,748.6	64,651.4	219,000.0	$269,299.0
Trunk Highway	2018, Ch. 214	416,608.0	4,860.0	0.0	5,000.0	$406,748.0
Various Purpose	2019, Ch. 2	102,402.0	23,982.3	6,017.7	34,000.0	$38,402.0
Various Purpose	2020, Ch. 67	50,050.0	0.0	0.0	25,025.0	$25,025.0
Totals		$11,795,734.3	$9,176,032.7	$487,449.2	$608,205.8	$1,524,046.6

(1) Amount as shown reflects any amendments by subsequent session laws.

(2) Minnesota Statutes, Section 16A.642, requires the Commissioner to prepare and present to appropriate legislative committees on or before January 1 of each year, a report on the status of certain bond authorizations which are more than four years old which have been implemented to a certain degree, and of other bond authorizations or bond proceeds balances that may be cancelled due to completion or cancellation of the projects to be financed. Bond authorizations and bond proceeds balances reported on by the Commissioner are cancelled effective the following July 1, unless specifically reauthorized by an act of the Legislature.

(3) Minnesota Statutes 16A.641, subdivision 7(b), allows for the premium, received on the sale of bonds after December 1, 2012, to be deposited to the bond proceeds fund where it is used to reduce the par amount of the bonds issued at the time of the bond sale or to the state bond fund.

TOTAL STATE GENERAL OBLIGATION BONDS OUTSTANDING BY SERIES
AS OF THE DATE OF ISSUE OF THE BONDS
($'s in Thousands)

	Original Principal				Outstanding Principal 06/30/2020		Outstanding Principal as of Date of Issue	
Bond Issue	Various Purpose	Trunk Highway	Final Maturity after Refunding	Interest Rate Range Outstanding	Various Purpose	Trunk Highway	Various Purpose	Trunk Highway
Series 2009F August 26, 2009 (Refunding)	297,750	-	2021	5.00%	39,450	-	13,640	-
Series 2009G August 26, 2009 (Refunding)	-	28,360	2021	5.00%	-	4,005	-	1,255
Series 2010A August 19, 2010	635,000	-	2020	5.00%	31,525	-	-	-
Series 2010B August 19, 2010	-	225,000	2030	4.00% - 5.00%	-	123,750	-	-
Series 2010D September 29, 2010 (Refunding)	687,115	-	2024	4.00% - 5.00%	187,545	-	-	-
Series 2010E September 29, 2010 (Refunding)	-	220,670	2024	3.00% - 5.00%	-	70,145	-	-
Series 2011A October 12, 2011	445,000	-	2031	3.00% - 5.00%	239,185	-	19,935	-
Series 2011B October 12, 2011	-	320,000	2031	4.00% - 5.00%	-	192,000	-	16,000
Series 2012A August 16, 2012	422,000	-	2032	2.50% - 5.00%	177,140	-	158,705	-
Series 2012B August 16, 2012	-	234,000	2032	2.00% - 5.00%	-	152,100	-	140,400
Series 2013A August 15, 2013	273,350	-	2033	4.00% - 5.00%	191,330		177,660	-
Series 2013B August 15, 2013	-	200,000	2033	4.00% - 5.00%	-	140,000	-	130,000
Series 2013D November 6, 2013	283,820	-	2033	3.00% - 5.00%	195,510	-	195,510	-
Series 2013E November 6, 2013	-	112,000	2033	4.00% - 5.00%	-	78,400	-	78,400
Series 2013F November 6, 2013 (Refunding)	373,940	-	2026	3.125% - 5.00%	235,390	-	235,390	-
Series 2014A August 21, 2014	429,670	-	2034	5.00%	319,385	-	298,090	-
Series 2014B August 21, 2014	-	288,000	2034	3.00% - 5.00%	-	216,000	-	201,600
Series 2014C August 21, 2014 (Taxable)	26,040	-	2033	2.25% - 3.75%	16,975	-	15,760	-
Series 2014D August 21, 2014 (Taxable Refunding)	28,210	-	2032	2.28% - 4.00%	11,500	-	10,515	-
Series 2014E August 21, 2014 (Refunding)	-	123,315	2026	2.75% - 4.00%	-	73,895	-	61,470
Series 2015A August 19, 2015	368,225	-	2035	5.00%	295,465	-	272,775	-
Series 2015B August 19, 2015	-	310,000	2035	2.95% - 5.00%	-	248,000	-	232,500
Series 2015C August 19, 2015 (Taxable)	7,200	-	2025	2.25% - 3.00%	4,320	-	3,600	-
Series 2015D August 19, 2015 (Refunding)	376,655	-	2027	5.00%	300,000	-	261,895	-
Series 2015E August 19, 2015 (Refunding)	-	14,900	2027	2.00% - 5.00%	-	10,820	-	9,425
Series 2016A August 11, 2016	265,890	-	2036	5.00%	226,680		213,610	-
Series 2016B August 11, 2016	-	215,000	2036	2.25% - 5.00%	-	182,750	-	172,000
Series 2016C August 11, 2016 (Taxable)	7,500	-	2021	1.40%	7,500	-	7,500	-
Series 2016D August 11, 2016 (Refunding)	310,565	-	2029	2.25-5.00%	310,565	-	277,625	-
Series 2017A October 11, 2017	312,295	-	2037	5.00%	281,515	-	281,515	-
Series 2017B October 11, 2017	-	114,000	2037	2.25% - 5.00%	-	102,600		102,600
Series 2017C October 11, 2017 (Taxable)	27,000	-	2022	2.02%	27,000	-	27,000	-
Series 2017D October 11, 2017 (Refunding)	323,770	-	2030	3.00% - 5.00%	323,770	-	323,770	-
Series 2017E October 11, 2017 (Refunding)	-	81,110	2029	3.00% - 5.00%	-	71,270	-	71,270
Series 2018A August 21, 2018	397,720	-	2038	5.00%	378,060		358,400	-
Series 2018B August 21, 2018	-	206,000	2038	3.00% - 5.00%	-	195,700	-	185,400
Series 2018C August 21, 2018 (Taxable)	16,000	-	2028	3.39%	16,000	-	16,000	-
Series 2019A August 20, 2019	406,900	-	2039	5.00%	406,900	-	386,780	-
Series 2019B August 20, 2019	-	190,690	2039	3.00% - 5.00%	-	190,690	-	181,155
Series 2019C August 20, 2019 (Taxable)	36,345	-	2029	1.95% - 3.00%	36,345	-	34,210	-
Series 2019D August 20, 2019 (Refunding)	27,570	-	2029	5.00%	27,570	-	22,950	-
Series 2020A August 25, 2020	330,360	-	2040	5.00%	-	-	330,360	-
Series 2020B August 25, 2020	-	152,020	2040	1.50% - 4.00%	-	-	-	152,020
Series 2020C August 25, 2020 (Taxable)	20,515	-	2029	1.35%	-	-	20,515	-
Series 2020D August 25, 2020 (Refunding)	128,115	-	2024	5.00%	-	-	128,115	-
Series 2020E August 25, 2020 (Refunding)	-	163,380	2030	2.00% - 3.00%	-	-	-	163,380
Series 2020F August 25, 2020 (Taxable Refunding)	223,970	-	2031	0.47% - 1.35%	-	-	223,970	-
Series 2020G August 25, 2020 (Taxable Refunding)	-	180,190	2032	0.40% - 1.32%	-	-	-	180,190
Totals for Date:	**$ 7,488,490**	**$ 3,378,635**			**$ 4,286,625**	**$ 2,052,125**	**$ 4,315,795**	**$ 2,079,065**

The following table shows all debt service payments for outstanding general obligation bonds as of the date of this Official Statement.

DEBT SERVICE PAYMENTS ON GENERAL OBLIGATION BONDS OUTSTANDING AS OF THE DATE OF ISSUE OF THE BONDS(1)(2)

($'s in Thousands)

Fiscal		General Fund			Trunk Highway Fund	
Year	Principal	Interest	Total	Principal	Interest	Total
2021	96,640	120,889	217,529	34,735	48,534	83,269
2022	403,680	172,452	576,132	159,575	73,197	232,772
2023	400,490	153,010	553,500	156,440	65,777	222,217
2024	348,700	134,792	483,492	155,600	58,554	214,154
2025	334,780	118,065	452,845	148,280	51,701	199,981
2026	310,510	102,899	413,409	140,760	45,246	186,006
2027	283,025	89,162	372,187	132,570	39,262	171,832
2028	272,455	75,963	348,418	129,605	33,748	163,353
2029	255,575	64,004	319,579	128,240	28,605	156,845
2030	238,040	53,726	291,766	124,965	23,811	148,776
2031	197,840	44,494	242,334	120,735	19,219	139,954
2032	169,550	36,271	205,821	109,485	14,969	124,454
2033	149,305	28,920	178,225	93,485	11,380	104,865
2034	136,555	22,156	158,711	81,785	8,256	90,041
2035	107,715	16,179	123,894	66,185	5,693	71,878
2036	86,420	11,325	97,745	51,785	3,780	55,565
2037	68,230	7,458	75,688	36,285	2,366	38,651
2038	55,160	4,374	59,534	25,535	1,370	26,905
2039	39,775	2,000	41,775	19,830	609	20,439
2040	20,120	503	20,623	9,530	143	9,673
	$ 3,974,565	$ 1,258,642	$ 5,233,207	$ 1,925,410	$ 536,220	$ 2,461,630

(1) Totals do not include the Bonds.
(2) FY 2021 debt service excludes amounts paid prior to the date of issue of the Bonds.

For additional information on State general obligation bonds and other long term liabilities of the State, refer to "APPENDIX F – STATE FINANCIAL STATEMENTS".

Note 10 – Long-Term Commitments (see page F-111)
Note 11 – Operating Lease Agreements (see page F-112)
Note 12 – Long-Term Liabilities (see pages F-113 through F-126).

The table shows the net debt service transfer amounts for the following fiscal years.

NET AMOUNT TRANSFERRED TO DEBT SERVICE FUND FOR GENERAL OBLIGATION BONDS DEBT SERVICE[1]
($'s in thousands)

In Fiscal Year	General Fund	Trunk Highway Fund	All Other Funds [2]	Transfer Total
2009	452,978	59,542	47,375	$559,895
2010	429,123	70,542	50,783	$550,448
2011	398,799	45,225	41,145	$485,169
2012	190,799	72,601	74,703	$338,103 [3]
2013	222,584	120,305	69,133	$412,022 [3]
2014	619,935	136,488	53,685	$810,108
2015	623,060	154,593	47,607	$825,260
2016	609,285	180,725	45,757	$835,767
2017	529,215	193,539	109,133	$831,887
2018	563,123	211,009	42,801	$816,933
2019	549,785	214,903	42,991	$807,679
2020	540,081	209,821	44,258	$794,160
2021 (est)	589,970	234,914	43,563	$868,447
2022 (est)	610,195	242,098	40,063	$892,356

[1]The Net Transfer amount is net of investment earnings in the Debt Service Fund and Bond Proceeds Fund and bond premiums received from new bond issuances which are also appropriated to pay debt service on State general obligation bonds.

[2]The All Other Funds category is made up of the debt service funding requirement paid by the higher education systems of the University of Minnesota, the Minnesota State Colleges and Universities, Rural Finance Authority and others.

[3]The debt service transfers for FY 2012 and FY 2013 are lower than prior fiscal years as a result of the application of proceeds of tobacco securitization bonds which were used to refund, in part, and prepay certain general obligation indebtedness of the State.

CAPITAL INVESTMENT GUIDELINES

Minnesota Statutes, Section 16A.105 requires the Commissioner of Management and Budget to prepare a debt capacity forecast to be delivered to the Governor and Legislature in February and November of each year.

The capital investment guidelines are:

1. Total tax-supported principal outstanding shall be 3.25 percent or less of total State personal income.
2. Total amount of principal (both issued, and authorized but unissued) for State general obligations, State moral obligations, equipment capital leases, and real estate capital leases are not to exceed six percent of State personal income.
3. 40 percent of general obligation debt shall be due within five years and 70 percent within ten years, if consistent with the useful life of the financed assets and market conditions.

The capital investment guidelines are intended to:

- Be consistent with measures used by the credit rating agencies and foster direct comparisons with the debt burdens of other states;
- Be comprehensive to ensure all kinds of tax-supported debt obligations[(1)] are recognized; and
- Continue Minnesota's conservative financial management practices.

The capital investment guidelines are intended to be a current fiscal year "point in time" calculation. Total State personal income is derived from the IHS Economics data used to develop the February 2020 Forecast and reflects the State's 2020 Fiscal Year.

As of February 27, 2020, the last date of calculation, MMB was in compliance with the capital investment guidelines. The percentages as of that date were:

Guideline #1: Tax-supported principal outstanding as a percent of State personal income: 2.27 percent

Guideline #2: Total principal outstanding (issued, and authorized but unissued) as a percent of State personal income: 3.57 percent

Guideline #3: Of the State's general obligation bonds outstanding on June 30, 2019, 42.1 percent were scheduled to mature within five years and 73.6 percent were scheduled to mature with ten years. Furthermore, of the State's general obligation bonds outstanding on June 30, 2020, 42.2 percent were scheduled to mature within five years and 74.0 percent were scheduled to mature with ten years.

[(1)]Tax-supported debt obligations includes all of the State's general obligation bonds and the obligations summarized under "CONTINGENT LIABILITIES," in the descriptions titled "State Continuing Appropriations," "Lease Purchase Financing for Equipment," and "Lease Purchase Financing for Real Estate" in this APPENDIX C.

MARKET VALUE OF TAXABLE PROPERTY

The market value, as defined by statute, of taxable real and personal property in the State, based upon the January 2019 valuation, was estimated by the Commissioner of Revenue to be $739,557,601,000. This value is based upon certified Property Record Information System of Minnesota (PRISM) adjusted assessment submissions from local assessors and on file with the Commissioner of Revenue. The values shown represent the value of real and personal property in the State subject to ad valorem taxation.

MARKET VALUE OF TAXABLE PROPERTY
($ in Thousands)

Year of Assessment	Real Property	Personal Property	Total Market Value	Percentage Change from Prior Year
2000	$260,679,384	$4,003,571	$264,682,955	9.68%
2001	288,122,488	4,114,925	292,237,413	10.41
2002	320,941,481	4,263,859	325,205,340	11.28
2003	359,163,493	4,524,447	363,687,940	11.83
2004	407,146,983	4,713,782	411,860,765	13.25
2005	459,506,046	4,807,666	464,313,712	12.74
2006	513,771,733	4,965,234	518,736,967	11.72
2007	556,559,833	5,051,289	561,611,123	8.27
2008	576,128,196	5,258,865	581,387,062	3.52
2009	577,697,830	5,510,840	583,208,669	0.31
2010	554,221,643	6,162,283	560,383,926	(3.91)
2011	515,531,688	6,815,342	522,347,030	(6.79)
2012	509,008,895	7,294,854	516,303,749	(1.16)
2013	538,667,874	7,639,228	546,307,102	5.81
2014	584,994,974	8,223,550	593,218,524	8.59
2015	602,497,413	9,131,285	611,628,698	3.10
2016	622,191,903	9,956,138	632,148,041	3.35
2017	652,152,583	10,406,895	662,559,478	4.81
2018	689,525,713	10,942,242	700,467,955	5.65
2019	729,187,563	10,370,038	739,557,601	5.58

(The remainder of this page has been intentionally left blank.)

CONTINGENT LIABILITIES

State Continuing Appropriations

Below is a description of continuing appropriations from the General Fund. Pursuant to Minnesota law, each of these continuing appropriations may be reduced or repealed entirely by a majority vote of the Legislature and is subject to unallotment, in whole or in part, under Minnesota Statutes, Section 16A.152.

Minnesota Department of Management and Budget. The 2011 Legislature authorized, in Minnesota Statutes, Section 16A.99, the issuance of State appropriation refunding bonds. MMB issued $656,220,000 aggregate principal amount of State General Fund Appropriation Refunding Bonds, Taxable Series 2012A and Tax-Exempt Series 2012B (the "State Appropriation Refunding Bonds"). Net proceeds of the State Appropriation Refunding Bonds were applied to the prepayment and refunding of tobacco securitization bonds, originally issued in 2011. As of the date of this Official Statement, there are $428,025,000 of State Appropriation Refunding Bonds outstanding.

The 2012 Legislature authorized, in Minnesota Statutes, Section 16A.965, the issuance of State appropriation bonds. MMB issued $462,065,000 aggregate principal amount of State General Fund Appropriation Bonds, Tax-Exempt Series 2014A and Taxable Series 2014B (the "Minnesota Sports Facility Authority State Appropriation Bonds"). Net proceeds of the State Appropriation Bonds were applied to the financing of a portion of the costs of acquisition, construction, improving and equipping of the professional football stadium project of the Minnesota Sports Facility Authority as provided by Minnesota Statutes, Chapter 473J. As of the date of this Official Statement, there are $408,740,000 of the Minnesota Sports Facility Authority State Appropriation Bonds outstanding. The project is in downtown Minneapolis and was completed for the 2016 National Football League season.

The 2013 Legislature authorized the Commissioner of Administration to enter into a long-term lease purchase agreement for a Legislative Office Facility that provides office and hearing room space as well as parking for the Legislature. The same legislation also authorized the Commissioner of Management and Budget to issue lease revenue bonds or certificates of participation to finance the pre-design, design, and construction and equipping of the building and parking facilities. Certificates of Participation were issued in August 2014 in the amount of $80,100,000 for this project. As of the date of this Official Statement, there are $69,965,000 of the Certificates of Participation outstanding. The lease purchase agreement must not be terminated, except for non-appropriation in respect of lease rental payments. The 2019 Legislature appropriated funds sufficient to pay the lease rental payments of the project through the end of the Current Biennium.

Pursuant to the Minnesota Statutes, Section 16A.967, the Commissioner of Management and Budget may sell State appropriation bonds to finance the land acquisition, design, engineering, easement acquisition and construction of facilities and infrastructure necessary to complete the Lewis and Clark Regional Water System project, including completion of a water transmission pipeline in southwest Minnesota and related facilities to fund up to $22,500,000 in project costs ("Lewis and Clark State Appropriation Bonds"). The State issued $11,790,000 of Lewis and Clark State Appropriation Bonds in November 2016 and an additional $7,570,000 of Lewis and Clark State Appropriation Bonds in November 2017. As of the date of this Official Statement, there are $16,015,000 of Lewis and Clark State Appropriation Bonds outstanding.

The 2019 Legislature authorized, in Minnesota Statutes, Section 16A.968, the Commissioner of Management and Budget to issue State appropriation bonds for the purpose of financing up to $97,720,000 of public infrastructure projects to facilitate redevelopment within a newly created regional exchange district in the City of Duluth ("City of Duluth State Appropriation Bonds"). The City of Duluth State Appropriation Bonds will not be issued until the governing body of the City of Duluth requests an issuance thereof, and, in the case of any parking facility benefitting a medical business entity, that medical business entity has certified $50,000,000 in private expenditures to the state. MMB anticipates issuing approximately $39,500,000 of these bonds in Fall 2020. See "Future Financings" in this Official Statement.

University of Minnesota. The Legislature approved State financial assistance for a 50,000-seat, on-campus football stadium for the University of Minnesota (the "U of M"). In 2006, the Legislature appropriated from the General Fund $10,250,000 in each of not more than 25 years, beginning in 2008, to the U of M for the payment of special purpose revenue bonds issued by the U of M to finance a portion of the stadium. The U of M issued $137,250,000 Special Purpose Revenue Bonds (State Supported Stadium Debt), Series 2006 ("Series 2006 Stadium

Bonds") for the stadium in December 2006. Transfers from the General Fund to the U of M are conditioned upon satisfaction of certain requirements by the U of M. Pursuant to Minnesota Statutes, Section 137.54, in August 2015, U of M issued the Series 2015A Special Purpose Revenue Refunding Bonds to refund the outstanding Series 2006 Stadium Bonds. In addition, per the Legislation, the Board of Regents allocated sufficient funds from the savings realized from the refunding to provide $10,000,000 to finance the predesign and design of improved health education and clinical research facilities for the Medical School and the Academic Health Center. As of the date of this Official Statement, there are $64,990,000 of the U of M State Appropriation Bonds outstanding.

The Minnesota Legislature approved State financial assistance for up to four Biomedical Science Research Facilities for the U of M. In 2008, the Legislature appropriated from the General Fund amounts ranging from $850,000 to $15,550,000 in each year beginning in 2010, for up to 25 years after certification of the last facility for the payment of revenue bonds issued by the U of M to finance the facilities. Transfers from the General Fund to the U of M are conditioned upon satisfaction of certain requirements by the U of M. The U of M issued State secured appropriation bonds for the Biomedical Science Research Facilities in the amount of $111,400,000 in September 2010, $52,485,000 in October 2011, and $35,395,000 in November 2013. As of the date of this Official Statement, there are $153,390,000 of the State secured appropriation bonds outstanding. The U of M anticipates refunding all outstanding $153,390,000 State Supported Biomedical Science Research Facilities Bonds as early as Fall 2020, if authorizing legislation is enacted during an upcoming special legislative session.

Minnesota Housing Finance Agency ("MHFA"). The Minnesota Legislature created a program to finance the construction, acquisition, preservation, and rehabilitation of permanent supportive housing for individuals and families who are homeless or at risk of homelessness and of foreclosure or vacant housing to be used for affordable rental housing. In 2008, the Legislature appropriated from the General Fund up to $2,400,000 per year in each of 20 years, beginning in Fiscal Year 2010, to MHFA for the payment of nonprofit housing bonds issued by MHFA for the program. MHFA issued $13,270,000 of bonds to finance this program in 2009 and an additional $21,750,000 in 2011. As of the date of this Official Statement, there are $20,550,000 of the MHFA nonprofit housing bonds outstanding.

In 2012, the Legislature authorized MHFA to issue up to $30,000,000 of housing infrastructure bonds and appropriated from the General Fund up to $2,200,000 per year beginning in Fiscal Year 2014 through Fiscal Year 2036 to MHFA for the payment of these bonds. MHFA issued $15,460,000 of the $30,000,000 in bonds as authorized in this legislation in 2013 and an additional $14,540,000 in 2014. As of the date of this Official Statement, there are $22,305,000 of these MHFA housing infrastructure bonds outstanding.

In 2014, the Legislature authorized MHFA to issue an additional $80,000,000 of housing infrastructure bonds, which the 2017 Legislature increased to $95,000,000, and appropriated from the General Fund up to $6,400,000 per year beginning in Fiscal Year 2016 through Fiscal Year 2038 to MHFA for the payment of these bonds. MHFA issued $37,570,000 of housing infrastructure bonds in February 2015, $31,095,000 in September 2015, $11,335,000 in September of 2016, $12,690,000 in October 2017 and $1,130,000 in September 2018. As of the date of this Official Statement, there are $76,200,000 of these MHFA housing infrastructure bonds outstanding.

In 2015, the Legislature authorized MHFA to issue an additional $10,000,000 of housing infrastructure bonds, which the 2017 Legislature increased to $15,000,000 and appropriated from the General Fund up to $800,000 per year beginning in Fiscal Year 2018 through Fiscal Year 2039 to MHFA for the payment of these bonds. MHFA issued $7,290,000 of these housing infrastructure bonds in September 2016 and $4,980,000 in September 2018. As of the date of this Official Statement, there are $10,840,000 of these MFHA housing infrastructure bonds outstanding.

In 2017, and as amended in 2018, the Legislature authorized MHFA to issue an additional $35,000,000 of housing infrastructure bonds and appropriated from the General Fund up to $2,800,000 per year beginning in Fiscal Year 2020 through Fiscal Year 2041 to MHFA for the payment of these bonds. MHFA issued $19,185,000 of housing infrastructure bonds in September 2018 and $15,815,000 in September 2019. As of the date of this Official Statement, there are $31,965,000 of these MHFA housing infrastructure bonds outstanding.

In 2018, the Legislature authorized MHFA to issue an additional $80,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2021 through Fiscal Year 2042, an amount sufficient to pay debt service on those bonds outstanding. MHFA issued $10,960,000 of these housing infrastructure bonds in September 2019. As of the date of this Official Statement, there are $10,620,000 of these MHFA housing infrastructure bonds outstanding.

In 2019, the Legislature authorized MHFA to issue an additional $60,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2023 through Fiscal Year 2044, an amount sufficient to pay debt service on those bonds that are outstanding. As of the date of this Official Statement, none of the $60,000,000 in housing infrastructure bonds have been issued.

MHFA anticipates an additional housing infrastructure bond sale to occur as early as late Summer 2020 under one or more of these authorizations. See "Future Financings" in this Official Statement.

Lease Purchase Financing For Equipment

The Commissioner of Management and Budget is authorized by Minnesota Statutes, Section 16A.85, to establish a master lease equipment financing program. Pursuant to this authority the Commissioner of Management and Budget has entered into master lease agreements providing for equipment financing and expects to continue this practice. As of June 30, 2020, $48,150,315 of principal is outstanding and unpaid under the master lease program. The master leases and the State's obligation to make rental payments thereunder are not general or moral obligation indebtedness of the State; rather the State is obligated to make rental payments thereunder only to the extent moneys are appropriated from time to time for this purpose.

The Minnesota Department of Commerce is authorized by Minnesota Statutes, Section 16C.144 to establish the Guaranteed Energy Savings Program ("GESP") that utilizes Energy Performance Contracts. The projects, the implementation of energy efficient and renewable energy measures in public facilities by State government agencies, including Minnesota State, will be financed through lease purchase agreements. Payments for the lease purchase will be made through the energy and operational savings achieved by the projects. As of the date of this Official Statement, $15,794,077 of principal is outstanding and unpaid under the GESP program.

Lease Purchase Financing For Real Estate

On March 1, 2000, the City of Bemidji and the State entered into a Lease and Purchase Option Agreement. Under the Lease and Purchase Option Agreement, the City of Bemidji issued $8,275,000 of bonds to finance the design of and to construct, equip, and furnish a satellite laboratory in the City of Bemidji for use by the Minnesota Bureau of Criminal Apprehension. In September 2008, the City of Bemidji issued refunding bonds for this project and in October 2016, the City of Bemidji completed a current refunding in the amount of $2,910,000 to defease the 2008 bonds. As of the date of this Official Statement, there are $1,190,000 of the bonds outstanding. Rental payments paid by the State will be used to pay debt service on the bonds. The savings on the debt service due to the refunding bond issue will reduce the State's annual rent payments. The State's obligation to make rent payments is not a general or moral obligation indebtedness of the State; rather the State is obligated to make rental payments only to the extent moneys are appropriated from time to time for this purpose. The Legislature appropriated from the General Fund up to $700,000 per year in each of 20 years, beginning in 2002.

On November 1, 2002, the Port Authority of Saint Paul and the State entered into two separate Lease and Option to Purchase Agreements. Under the Lease and Option to Purchase Agreements, the Port Authority has agreed, under certain conditions, to issue bonds to finance the design of and to construct, equip, and furnish two office buildings and related parking facilities, and to lease the buildings and related parking facilities to the State. The buildings are approximately 400,000 square feet and 342,000 square feet in size. The amount of bonds originally sold to finance both of the facilities was $193,105,000. In August 2008 the amount of $3,210,000 was defeased thereby reducing the State's liability. In May 2013 the balance of the original bond issues were refunded. As of the date of this Official Statement, there are $57,745,000 of Port Authority refunding bonds outstanding. The nature of the State's obligation to make rental payments under these Lease and Option to Purchase Agreements is the same as the Lease and Option to Purchase Agreement with the City of Bemidji described above. The Legislature appropriated an annual rental payment from the General Fund up to $13,500,000 per year in each of 20 years, beginning in 2004.

School District Credit Enhancement Program

Minnesota Statutes, Section 126C.55 establishes a school district credit enhancement program. The law authorizes and directs the Commissioner of Management and Budget, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the Commissioner of Education to pay debt service due on school district and intermediate school district certificates of indebtedness issued under Minnesota Statutes, Section 126C.52, certificates of indebtedness and capital notes for equipment, certificates of participation issued under

Minnesota Statutes, Section 126C.40, subdivision 6, and school district and intermediate school district general obligation bonds, in the event that the school district or intermediate school district notifies the Commissioner of Education that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Commissioner of Education that it has not received from the school district timely payment of moneys to be used to pay debt service. The legislation appropriates annually from the General Fund to the Commissioner of Education the amounts needed to pay any warrants which are issued.

The amounts paid on behalf of any school district or intermediate school district are required to be repaid by it with interest, by a reduction in State aid payable to the school district or intermediate school district or the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education. Furthermore, the State is subrogated to the rights of a school district or intermediate school district in federal interest subsidy payments, if any, relating to the interest paid by the State under this program, unless and until the State has been reimbursed by the district in full.

Under Minnesota Statutes, Section 126C.52, school districts and intermediate school districts are authorized to issue tax and State aid anticipation certificates of indebtedness in amounts not exceeding 75 percent of ad valorem taxes in the process of collection and 75 percent of State aids in the process of collection. As of June 30, 2020, there are approximately $16,200,000 of aid anticipation certificates of indebtedness enrolled in the program all of which will mature within a 14 month period. The State expects that school districts and intermediate school districts will issue certificates of indebtedness next year and will enroll these certificates in the program in about the same amount of principal as this year.

School districts and intermediate school districts may issue certificates of indebtedness or capital notes to purchase certain equipment. The certificates or notes may be issued by resolution of the board, must be payable in not more than ten years, and are payable from school district and intermediate school district taxes levied within statutory limits.

Under Minnesota Statutes, Section 126C.40, subdivision 6, certain school districts, with the approval of the Commissioner of Education, may issue certificates of participation in installment contracts for the purchase of real or personal property or in lease purchase agreements for the lease with option to purchase of real or personal property. Such certificates of participation, contracts and agreements are not general obligations of such school districts, but are payable from taxes levied annually in amounts necessary to pay the amounts due thereunder.

School districts and intermediate school districts are authorized to issue general obligation bonds only when authorized by school district and intermediate school districts electors or special law, and only after levying a direct, irrevocable ad valorem tax on all taxable property in the school district or intermediate school district for the years and in amounts sufficient to produce sums not less than 105 percent of the principal of and interest on the bonds when due.

As of June 30, 2020, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2050, is approximately $17,345,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2020 is currently estimated at $1,260,000,000, with the maximum amount of principal and interest payable in any one month being $975,900,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts.

Minnesota Laws 2005, Chapter 152, Article 1, Section 39, as amended by Minnesota Laws 2006, Chapter 259, Article 12, Section 15, provides that the Commissioner of Iron Range Resources and Rehabilitation Board ("IRRRB") shall issue revenue bonds payable from certain taconite production tax revenues in a total principal amount of $15,000,000, plus costs of issuance relating thereto, for the purpose of making grants to school districts located in the taconite relief area or taconite assistance area, as statutorily defined, to be used by such school districts for health, safety, and maintenance improvements. Bonds issued under this program are debt obligations subject to the school district credit enhancement program, provided that advances made by the State are not subject to the provisions of the school district credit enhancement program requiring the levy of an ad valorem tax by affected school districts in order to repay the State. Minnesota Laws 2013, Chapter 143 authorized the issuance of an additional $38,000,000 in revenue bonds for the same purpose as previously authorized. The IRRRB issued $37,830,000 of these bonds in October 2013 for this program. As of the date of this Official Statement, there are $29,000,000 of the bonds outstanding. Laws 2006, Chapter 259, Article 12, Section 15, Minnesota Statutes, Section 298.2211 and an Order of the IRRRB Commissioner authorized the issuance of $7,860,000 in refunding revenue bonds. The proceeds of the bonds were used to refund the remaining outstanding balance of $8,310,000 of the Educational Facilities Revenue Bonds, Series 2006. As of the date of this Official Statement, there are $2,410,000 of the refunding bonds outstanding.

City and County Credit Enhancement Program

Minnesota Statutes, Section 446A.086, establishes a city and county bond credit enhancement program. The law authorizes and directs the Commissioner of Management and Budget, under certain circumstances and subject to the availability of funds, to issue a warrant and authorizes the Minnesota Public Facilities Authority ("MPFA") to pay debt service coming due on: (a) county general obligation bonds, bonds to which the general obligation of a county has been pledged, and certain lease obligations, to provide funds for the construction of (i) jails, (ii) correctional facilities, (iii) law enforcement facilities, (iv) social services and human services facilities; (v) solid waste facilities; or (vi) qualified housing development projects; or (b) city or county general obligation bonds to provide funds for the construction, improvement, or rehabilitation of (i) wastewater facilities, (ii) drinking water facilities, (ii) storm water facilities, or (iv) any publicly owned building or infrastructure improvement that has received partial funding from grants awarded by the Commissioner of Employment and Economic Development related to redevelopment, contaminated site cleanup, bioscience, small cities development programs, and rural business infrastructure programs, for which bonds are issued by the MPFA under Minnesota Statutes, Section 446A.087. See "*Minnesota Public Facilities Authority ("MPFA")*" in this APPENDIX C for more information on MPFA bonds that may be credit enhanced under this program.

To be eligible for the program, a city or county must have entered into an agreement with the MPFA, which requires notifications to the MPFA by the city or county and paying agent when funds are not sufficient to timely pay all or a portion of debt service on obligations issued under the program. The MPFA must notify the Commissioner of Management and Budget of potential defaults, and the Commissioner of Management and Budget then must issue a warrant and authorize the MPFA to pay to the bondholders or paying agent the amount necessary to pay in full debt service on credit-enhanced bonds when due. The law appropriates annually from the General Fund to the MPFA the amounts needed to pay any warrants issued by the Commissioner of Management and Budget for this purpose. The amount of debt outstanding under this program may not exceed $1,000,000,000.

The amounts paid on behalf of any city or county are required to be repaid to the State with interest, either through a reduction of subsequent State-aid payments or by the levy of an ad valorem tax, which may be made with the approval of the MPFA, or will be made mandatory by the MPFA if the State is not repaid in full by November 30 of the following calendar year. Furthermore, the State is subrogated to the rights of a city or county in federal interest subsidy payments, if any, relating to the interest paid by the State under this program, unless and until the State has been reimbursed by the city or county in full.

As of June 30, 2020, the total amount of principal on bonds plus interest on the bonds enrolled in the program, through the year 2049, is approximately $586,300,000. More bonds are expected to be enrolled in the program and these amounts are expected to increase. Based upon the bonds enrolled in the program, during Fiscal Year 2021 the total amount of principal and interest outstanding as of June, 30, 2020 is $45,200,000 with the maximum amount of principal and interest payable in any one month currently estimated at $25,600,000.

Over the last ten years the State has made one debt service payment under the program in the amount of $603,000 on behalf of the City of Williams (the "City"). In 2018, the City fully repaid the State. The State does not expect to make any other debt service payments on behalf of cities or counties under the program in the future. If such payments are made, the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the cities or counties.

OBLIGATIONS OF STATE AGENCIES

The University of Minnesota, established as a separate entity by the Minnesota Constitution, and various State agencies or instrumentalities established by the Legislature, are authorized by law to issue various forms of obligations. These obligations may be supported by the full faith and credit of the University or the other issuer, or by various revenue pledges, or both. However, such obligations are not debts of the State and the State is not required to provide moneys for their payment. A description of the various issuers of such obligations and the obligations issued by them and outstanding as of the date of this Official Statement is set forth below.

Minnesota Housing Finance Agency ("MHFA"). The MHFA was established in 1971 and is governed by Chapter 462A of the Minnesota Statutes. Its enabling legislation authorizes the MHFA to issue bonds and notes for any of its authorized purposes but the aggregate principal amount outstanding at any time (excluding the principal amount of any refunded bonds or notes) is limited to $5.0 billion. The proceeds of MHFA bonds and notes may be used to fund an assortment of programs designed to provide housing for low and moderate income residents of the State of Minnesota, which includes the making and purchase of loans for the acquisition, construction and rehabilitation of single and multi- family housing.

The MHFA's notes and bonds may be general or limited obligations of the MHFA but are not a debt or liability of the State. Under Chapter 462A, the MHFA must annually determine and certify to the Governor, and the Governor must include in the State budget submitted to the Legislature, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds so secured to its debt service reserve requirement and any anticipated deficiency in the debt service reserve fund in the following fiscal year. In the opinion of bond counsel and general counsel to the MHFA, the Legislature is legally authorized, but is not legally obligated, to appropriate the amount included in the Governor's proposed budget for the debt service reserve funds. The MHFA has never needed to certify a deficiency to the Governor.

MINNESOTA HOUSING FINANCE AGENCY
Debt Outstanding as of the date of issue of the Bonds
($'s in Thousands)

	Number of Series	Final Maturity	Original Principal Amount	Outstanding Principal Amount
Rental Housing..........................	10	2049	$ 53,585	$ 42,885
Residential Housing Finance.....	52	2050	2,540,795	1,662,575
Multifamily Housing.................	1	2051	15,000	13,200
	63		$2,609,380	$1,718,660

The MHFA has also issued and there were outstanding six series of its conduit multifamily revenue bonds in the approximate aggregate principal amount of $80,938,569 as of June 30, 2020, sixty-one series of its Homeownership Finance Bonds in the approximate aggregate principal amount of $1,603,775,181 as of July 31, 2020, and three series of its Home Ownership Mortgage-backed Exempt Securities in the approximate aggregate principal amount of $13,391,732 as of June 30, 2020. The MHFA has also issued an Index Bank Note, in a cumulative aggregate principal amount not to exceed $200,000,000 and a maximum principal amount outstanding of $80,000,000.No principal amount of the Index Bank Note is outstanding as of July 31, 2020. These bonds and other obligations (as well as the nonprofit housing bonds and housing infrastructure bonds described under "State Continuing Appropriations – Minnesota Housing Finance Agency") are subject to the MHFA's $5 billion debt limit, and the Homeownership Finance Bonds and the Index Bank Note are also general obligations of the MHFA, but none of these bonds are secured by a debt service reserve fund subject to replenishment from Legislative appropriation as described above.

University of Minnesota. Regents of the University of Minnesota (the "University") was established by Territorial Laws 1851, Chapter 3, adopted by the legislative assembly of the Territory of Minnesota. Pursuant to authorization by Congress on February 26, 1857, the voters of the State approved and adopted a State constitution on October 13, 1857. The State was admitted to the union by act of Congress passed on May 11, 1858.

The State Constitution confirmed and fixed the existence of the University as a separate institution of the State, having all rights, immunities, franchises and endowments previously granted or confirmed, and all lands and donations thereafter given to it. The University is governed by a board of twelve regents who are elected by the Legislature and is dependent upon appropriations by the Legislature to pay much of its instructional costs. The regents are a body corporate with the right to sue and be sued and to make contracts.

Pursuant to this authority the University has sold and issued bonds, in addition to the special purpose revenue bonds previously mentioned, to finance the construction of buildings and structures, remodeling projects, and purchases of land and buildings needed by the University. The par amount of such bonds outstanding as of the date of this Official Statement is approximately $1,104,200,000. The bonds are payable solely from and secured by revenues to be derived from specified facilities and the general funds of the University, and by the full faith and credit of the University. See "CONTINGENT LIABILITIES - State Continuing Appropriation" in this APPENDIX C for additional information concerning other debt issued by the University of Minnesota.

Minnesota Office of Higher Education ("MOHE"). The MOHE was established and is organized and existing under Minnesota Statutes, Sections 136A.01 to 136A.236 and 136A.61 to 136A.88 (the "MOHE Act"). The 2005 Legislature named MOHE as successor for all of the bonds of the Minnesota Higher Education Services Office and the Minnesota Higher Education Coordinating Board. The law authorizes the MOHE to issue revenue bonds and notes to finance loans for students attending eligible post-secondary educational institutions. The amount of such bonds outstanding at any one time, not including refunded bonds or otherwise defeased or discharged bonds, may not exceed $850,000,000. As amended in 2009 and 2011, Section 136A.1787 of the MOHE Act provides that MOHE must annually determine and certify to the Governor, and the Governor shall include in the State budget submitted to the Legislature, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds so secured to its debt service reserve requirement and any anticipated deficiency in the debt service reserve fund in the following fiscal year. If MOHE determines that there is an anticipated deficiency in the debt service reserve fund in the current fiscal year, the Governor shall include and submit the amounts certified in a Governor's supplemental budget if the regular budget for that year has previously been enacted. The Legislature is not legally obligated to appropriate the amount included in the Governor's proposed budget for the debt service reserve funds. As of the date of this Official Statement, MOHE has $498,625,000 of bonds outstanding payable from the Student Educational Loan Fund, which are secured by a debt service reserve fund subject to replenishment from legislative appropriation as described above. MOHE has never certified a deficiency to the Governor. Bonds issued by MOHE are limited obligations of MOHE and are not a debt or liability of the State, but are payable solely from loan repayments, external forms of credit enhancement, loan and investment earnings, other money of the MOHE (including debt service reserve fund amounts), and, if necessary, from proceeds of additional MOHE obligations.

Board of Trustees of the Minnesota State Colleges and Universities ("Minnesota State"). Minnesota State was established and is governed by Minnesota Statutes, Chapter 136F, which authorizes Minnesota State to establish its Revenue Fund and to issue its revenue bonds as secured by the Revenue Fund to finance the construction and improvement of dormitory, residence hall, student union, food service and other revenue producing buildings and related facilities used for the primary benefit of students of the State universities and colleges within the Minnesota State Colleges and Universities System. As of the date of this Official Statement, Minnesota State has $198,775,000 tax exempt bonds and $42,640,000 taxable bonds outstanding that are payable solely from and secured by an irrevocable pledge of revenues to be derived from the operation of the buildings financed from the Revenue Fund and from fees imposed upon students, student facilities or other sources all of which are received in the Revenue Fund. In addition to bonds, the Revenue Fund issues guaranties of debt (other than revenue bonds) incurred to finance Revenue Fund facilities. Two guarantees have been issued to date with outstanding balances of $2,187,441 and the other for $3,030,000. The guarantees are on a parity to right of payment with the revenue bonds.

Minnesota Higher Education Facilities Authority ("MHEFA"). MHEFA was established by Minnesota Statutes, Section 136A.25 to 136A.42, passed in 1971. The law, as amended, authorizes MHEFA to issue revenue bonds to finance the acquisition, construction, improvement and remodeling of nonprofit higher educational institution buildings and structures to be used solely for or to facilitate nonsectarian educational purposes, and to refinance facilities of this type. The amount of such bonds outstanding at any time may not exceed $1,300,000,000. As of the date of this Official Statement, MHEFA has $944,381,593 principal amount of bonds outstanding, primarily for the benefit of private colleges in the State. The bonds are not the general obligation or indebtedness of either MHEFA or the State and the loan repayment obligation and security for each bond issue is the responsibility of the nonprofit higher educational institution for which the bonds were issued.

Minnesota State Armory Building Commission ("MSABC"). MSABC was established and is governed by Minnesota Statutes, Chapter 193, which authorizes the MSABC to issue its bonds to finance the acquisition, construction, and equipment of National Guard armory buildings. The total principal amount of such bonds outstanding at any time may not exceed $15,000,000. As of the date of this Official Statement, MSABC has no bonds outstanding. MSABC is required to lease each armory to the State for use by National Guard Forces, upon lease rentals specified by statute. The bonds are payable from ad valorem taxes levied by the county or municipality where the armory is located, State appropriations to pay lease rentals, and rentals or use charges derived from persons or groups other than the State using the armory where such use will not interfere with the State's use.

Minnesota Rural Finance Authority ("RFA"). In 1986 the Legislature created the Minnesota Rural Finance Authority and authorized it to issue revenue bonds to finance RFA programs, and to establish a program of restructuring farm real estate loans. The 1987 Legislature broadened the RFA's authority by establishing a beginning farmer loan program. The 1988 Legislature further broadened the RFA's authority to include a seller sponsored loan program of purchasing participations in seller sponsored loans to beginning and re-entry farmers. The 1992 Legislature authorized the RFA to establish an expanded agricultural loan program. The 1994 Legislature authorized the RFA to establish a livestock expansion loan program. As of the date of this Official Statement, the RFA has no revenue bonds outstanding for these programs.

The 1991 Legislature also authorized the RFA to establish an aggie bond beginning farmer program and an agricultural business enterprise loan program and authorized the RFA to issue revenue bonds for these programs. As of the date of this Official Statement, the RFA has issued $42,755,000 of revenue bonds for these programs.

Minnesota Public Facilities Authority ("MPFA"). The MPFA was established in 1987 and is governed by Minnesota Statutes, Chapter 446A which authorizes it to make loans to local government units. As of the date of this Official Statement, the MPFA has $9,285,000 Clean Water Revolving Fund Revenue Bonds outstanding, $582,395,000 State Revolving Fund Revenue bonds outstanding and $335,000 Transportation Revolving Loan Fund Revenue Bonds outstanding, for a total outstanding principal amount of $592,015,000. The MPFA's bonds are not a debt or liability of the State. The principal amount of MPFA bonds issued and outstanding at any time may not exceed $2,000,000,000, excluding bonds issued under Minnesota Statutes, Section 446A.087.

Minnesota Agricultural and Economic Development Board ("MAEDB"). The MAEDB was established by Minnesota Statutes, Chapter 41A, to provide for agricultural and economic development in the State and is authorized to issue revenue bonds for these purposes. The revenue bonds issued by the MAEDB are not general obligations of the State. As of the date of this Official Statement, MAEDB has called all pooled revenue bonds outstanding, therefore there are no bonds outstanding that are paid for from revenues received from all of the borrowers under all of the pooled bonds and are additionally secured by a pledge of funds maintained in a reserve account created by the MAEDB for such pooled bonds. In addition, the MAEDB has $147,812,795 of revenue bonds outstanding that were issued for the benefit of various entities and which are paid for solely from revenues received from the borrower under each specific bond issue.

Minnesota Department of Management and Budget ("MMB"). The 1999 Minnesota Legislature authorized, in Minnesota Statutes, Section 356.89, the issuance of up to $38,000,000 of State revenue bonds to finance the acquisition, design, construction and equipping of a building and related facilities to be jointly occupied by the Minnesota State Retirement System, the Teachers Retirement Association and the Public Employees Retirement Association. The Commissioner of Management and Budget sold $29,000,000 of the revenue bonds in June 2000. The balance of the original bond issue, $22,900,000, was refunded in a current refunding bond issue in August 2012. As of the date of this Official Statement; there are $8,470,000 of Minnesota State Retirement System bonds outstanding.

The 2005 Minnesota Legislature authorized, in Minnesota Statutes, Section 403.275, the issuance of up to $62,500,000 of State revenue bonds. These revenue bonds were issued to finance Phase 3 of a statewide radio system that enables emergency response organizations to utilize a single, integrated, and highly structured digital radio system. The 2007 Legislature authorized an additional $186,000,000 of revenue bonds to complete the statewide radio system. The debt service on the revenue bonds is paid solely from the revenues derived from a fee assessed to each customer of a wireless or wire-line service provider connected to the public switched telephone network that furnishes service capable of originating a 911 emergency telephone call. The Commissioner of Management and Budget sold $35,000,000 of the revenue bonds in November 2006, $42,205,000 of revenue bonds in November 2008, $60,510,000 of revenue bonds in October 2009 and $60,360,000 in revenue bonds in September 2011. In November 2016, MMB issued $91,715,000 of 911 Revenue Refunding Bonds to defease, together with funds on hand, the November 2006 bonds and refund, on an advance refunding basis, the November 2008, October 2009 and September 2011 bonds. As of the date of this Official Statement, there are $10,145,000 of the 911 Revenue Refunding Bonds outstanding.

Minnesota Department of Transportation ("MnDOT"). The 2020 Minnesota Legislature authorized, in Minnesota Statutes, Section 174.525 (new statute created in MN Laws of 2020, Chapter 69), MnDOT to pursue a loan through the federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) for a specific project on Trunk Highway 14 in Nicollet County. If MnDOT applies for and receives a loan, the debt obligations will be repaid from oversize and overweight transportation permit fee revenues, which the law dedicates to a segregated account in the special revenue fund. As of the date of this Official Statement, MnDOT is working through the application process with the federal government, and if approved anticipates receiving an estimated $36,000,000 in TIFIA loans in state Fiscal Year 2022 (the amounts and timing are subject to change).

(The remainder of this page has been intentionally left blank.)

APPENDIX D

PROJECT DESCRIPTION AND SCHEDULE OF BONDS BEING REFUNDED

(This page has been intentionally left blank.)

PROJECT DESCRIPTION

Set forth below are the titles or names of the projects or types of projects eligible to be financed in whole or in part from the proceeds of the Bonds, and the total amount appropriated by the State Legislature for this purpose. In the Order authorizing the issuance of the Bonds, the Commissioner has reserved the right for a specified period to reassign Bonds issued to legislative authorizations and purposes other than those listed in the section hereof entitled "General Obligation Bonds Authorized, Issued and Unissued" and on page C-2 of APPENDIX C.

Law Authorizing	**Agency**	**Location Or Program**	**Project/Program Description**	**Total Project Appropriation ($ in thousands)**
2008, Chapter 152				
	Transportation	Statewide	State Road Construction	1,717,694
2009, Chapter 93				
	DHS	Systemwide	Asset Preservation	2,000
	MnDOT	Statewide	MN Valley Railroad Track Rehabilitation	4,000
	MnDOT	Statewide	Intercity Passenger Rail Projects	26,000
	Vets Affairs	Systemwide	Asset Preservation	1,000
	Vets Affairs	Systemwide	Veterans Cemeteries	1,500
2010, Chapter 189				
	Administration	Statewide	Asset Preservation	8,075
	Corrections	Systemwide	Asset Preservation	8,000
	DHS	Moose Lake	MSOP Phase II	47,500
	DNR	Statewide	Shade Tree Program	3,000
	DNR	Aitkin County	Regional Trail-NW Reg. ATV Trail	500
	MN Academies	Systemwide	Asset Preservation	2,000
	BWSR	Statewide	Wetland Replacement	2,500
	Vets Affairs	Systemwide	Asset Preservation	4,000
Special Session 2010, Chapter 1				
	BWSR	Statewide	RIM Conservation Reserve	10,000
2012, Chapter 287				
	MnDOT	Rochester	Maintenance Facility	16,100
2012, Chapter 293				
	DNR	Statewide	Dam Repair, Reconstruction and Removal	3,000
	DNR	Statewide	Roads and Bridges	2,000
	DNR	Statewide	Parks and Trails Renewal and Development	4,000
	BWSR	Statewide	RIM Conservation Reserve	6,000
	BWSR	Statewide	Wetland Restoration -Public Road Projects	6,000
	Military Affairs	Camp Ripley	State Education Complex Addition	19,500
	MnDOT	Statewide	Greater Minnesota Transit Assistance	6,400
	Metro Council	Systemwide	Metropolitan Regional Parks	4,586
	DHS	Systemwide	Asset Preservation	2,000
	Corrections	Systemwide	Asset Preservation	5,000

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	DEED	Statewide	Business Development Capital Project Grant Program	47,500
2013, Chapter 136				
	DNR	Statewide	Flood Hazard Mitigation	20,000
	Administration	Capitol Complex	Capitol Renovation & Restoration	109,000
	Veterans Affairs	Minneapolis	Veterans Home Bldg 17 and Surrounding Area	18,935
2014, Chapter 294				
	MN State	Mankato	Clinical Sciences Facility	25,818
	MN State	Winona	Winona State - Education Village	5,902
	MN Academies	Faribault	New Dormitory	10,654
	MN Academies	Faribault	Asset Preservation	700
	Perpich Center for Arts	Golden Valley	Asset Preservation	2,000
	DNR	Systemwide	Asset Preservation	10,000
	DNR	Systemwide	Flood Hazard Mitigation	4,500
	DNR	Systemwide	Vermillion State Park Development	14,000
	DNR	Systemwide	Fish Hatchery Improvements	2,000
	DNR	Systemwide	State Parks and Trails Acquisition and Devel.	17,667
	DNR	St. Paul	Fort Snelling Upper Post Paths	500
	DNR	Grant County	Elbow Lake to Pomme de Terre Lake	100
	DNR	Sartell	Central Minnesota Regional Parks	500
	BWSR	Statewide	Reinvest in Minnesota Reserve Program	6,000
	BWSR	Statewide	Local Roads Wetlands Replacement Program	2,000
	Agriculture	St. Paul	Agricultural Lab Sample Storage Room	203
	MN Zoo	Apple Valley	Asset Preservation	7,000
	Administration	St. Paul	Capitol Restoration Continue	126,300
	Public Safety	Cottage Grove	Public Safety Training Center	1,460
	MnDOT	Statewide	Local Road Improvement Fund Grants	24,356
	MnDOT	Systemwide	Greater Minnesota Transit	1,500
	MnDOT	Statewide	Highway/Rail Grade Crossings	2,000
	MnDOT	Statewide	Port Development Assistance	2,000
	MnDOT	International Falls	Airline Terminal	2,200
	Metro Council	Hastings	Hastings Bridge Trail	1,600
	Metro Council	West St. Paul	North Urban Regional Trail Bridge	2,000
	DHS	St. Peter	Security Hospital - Design, Construct, Remodel	56,317
	DHS	St. Peter	MSOP - Remodel, Construct	7,405
	DHS	Systemwide	Asset Preservation	3,000
	Vets Affairs	Systemwide	Asset Preservation	2,000
	Corrections	Systemwide	Asset Preservation	5,500
	Corrections	Shakopee	Perimeter Security Fence	5,381

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	DEED	Minneapolis	Park Board Brian Coyle Community Center	330
	DEED	Minneapolis	Hennepin Center for the Arts	550
	DEED	Virginia	PUC - Expand Utilities and Trails	19,500
	PFA	Big Lake	Sanitary Dist. - Wastewater Collection	4,500
	PFA	Rice Lake	East Calvary Water Main Replacement	1,168
	MMB	Statewide	Bond Sale Expenses	900
Special Session 2015, Chapter 5				
	MN State	Anoka TC	Manufacturing Tech Hub & Auto Tech Lab Reno.	2,114
	MN State	St. Paul College	Health & Science Alliance Center Addition	18,829
	DNR	Statewide	Flood Hazard Mitigation	13,549
	PCA	Clay, McLeod & Dodge	County Capital Assistance Program	1,276
	Administration	St. Paul	Capitol Restoration - Out of Scope Items	26,724
	Administration	St. Paul	Capitol Restoration - Security Items	6,200
	MnDOT	Willmar	Local Road Program	3,770
	MnDOT	Richfield	77th Street Underpass Grant	10,000
	MnDOT	Statewide	Trunk Highway Bonding	140,000
	Vets Affairs	Minneapolis	Veterans Home Bridge	650
	Corrections	St. Louis County	Northeast Regional Corrections Center	1,200
	DEED	Statewide	Transportation Economic Development Grants	2,000
	DNR	Systemwide	DNR Facility and Natural Resource Damage Repair	2,140
	DNR	Statewide	Flood Hazard Mitigation Grants	2,515
	BWSR	Statewide	RIM Conservation Easements	4,700
Special Session 2017, Chapter 3				
	MnDOT	Statewide	Corridors of Commerce Trunk Highway	300,000
	MnDOT	Statewide	Trunk Highway Project	640,000
	MMB	Statewide	Bond Sale Expense	940
Special Session 2017, Chapter 8				
	Administration	St. Paul	Centennial Parking Ramp Structural Repairs	10,878
	Administration	Systemwide	Asset Preservation	5,000
	Administration	St. Paul	Monuments and Memorials Repairs	350
	Corrections	Systemwide	Asset Preservation	20,000
	Corrections	St. Cloud MCF	Phase 2 -Health Services and Loading Dock	19,000
	Corrections	Arrowhead	NERCC Vocational Programming Improvements	600
	Education	Statewide	Library Construction Grants	2,000
	Education	Olmsted County	Dyslexia Institute of MN	1,500

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	DEED	South Minneapolis	Asset Preservation: Workforce Center	1,342
	DEED	Statewide	Transportation Economic Dev. Program	3,500
	DEED	Statewide	Business Dev. Public Infrastructure	12,000
	DEED	Statewide	Innovative Business Dev. Public Infrastructure Grant Program	1,158
	DEED	Hermantown	Arrowhead Health Regional Wellness Center	8,000
	DEED	Virginia	Miners Memorial Community Center Upgrade and Expansion	12,000
	DEED	Litchfield	Phase 2 Power Generation Improvements	4,000
	DEED	Chisago County	Public Safety Center - Phase II	3,000
	DEED	St. Paul	Minnesota Museum of American Art	6,000
	DEED	St. Paul	Science Museum of Minnesota Building Preservation	13,000
	DEED	Bertha-Hewitt	Eagle Bend High School Demolition	1,500
	DEED	Minneapolis	Norway House	5,000
	DEED	Minneapolis	Pioneers and Soldiers Cemetery Fence Restoration Project	1,029
	DEED	Red Wing	River Town Renaissance	4,400
	Historical Soc.	St. Paul	Historic Fort Snelling Visitor Center	4,000
	Historical Soc.	Systemwide	Historic Sites Asset Preservation	2,500
	MHFA	Statewide	Public Housing Rehabilitation	10,000
	DHS	Systemwide	MN Security Hospital Phase 2	70,255
	DHS	Anoka	RTC Safety and Security Renovations	2,250
	DHS	Systemwide	Child and Adolescent Behavioral Health Services Facility	7,530
	DHS	Carver County	Residential Crisis Stabilization Center	1,250
	Metro Council	Systemwide	Metropolitan Regional Parks	5,000
	Metro Council	Systemwide	Orange Line BRT	12,100
	Metro Council	Bloomington	Mall of America Transit Station	8,750
	Metro Council	St. Paul	Como Zoo Habitat Preservation Exhibit Renovation	15,000
	Metro Council	West St. Paul	River to River Regional Greenway	200
	Metro Council	White Bear Lake	Trails	255
	Military Affairs	Systemwide	Asset Preservation	2,500
	MMB	Statewide	Bond Sale Expense	1,039

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	MN State	Systemwide	HEAPR	25,000
	MN State	North Mankato	STEM and Healthcare Design and Renovation	9,600
	MN State	Winona	Education Village Phase 2, Renovation and Demolition	25,306
	MN State	St. Cloud	Student Health and Academic Renovation	18,572
	MN Zoo	Apple Valley	Asset Preservation	4,000
	MN.IT Services	Statewide	Repurpose of State-Office Data Center Facilities	1,432
	DNR	Systemwide	Asset Preservation	15,000
	DNR	Systemwide	Flood Hazard Mitigation Grant Assistance Program	7,305
	DNR	Cedar River	Cedar River Watershed District - Flood Hazard Mitigation Grant	1,700
	DNR	Browns Valley	Flood Hazard Mitigation Grant	750
	DNR	Ortonville	Flood Hazard Mitigation Grant	1,800
	DNR	Statewide	Emergency Dam Safety Repair, Reconstruction and Removal	4,400
	DNR	Lanesboro	Lanesboro Dam	4,000
	DNR	Pelican Rapids	Pelican Rapids Dam	500
	DNR	Pine River	Norway Lake	200
	DNR	Yellow Medicine County	Canby R-6	200
	DNR	St. Louis County	Little Stone Lake	100
	DNR	Dakota County	Byllesby Dam	6,000
	DNR	Systemwide	State Land Reforestation and Stand Improvement	1,000
	DNR	Systemwide	Glacial Lakes Trail	2,590
	DNR	Systemwide	Heartland Trail	3,300
	DNR	Systemwide	Cuyuna State Recreation Area	3,600
	DNR	Little Falls	Camp Ripley/Veterans State Trail	1,600
	DNR	Lake Vermillion	Soudan State Park	3,500
	DNR	Systemwide	Mill Towns State Trail	328
	DNR	Systemwide	Gitchi-Gami State Trail	3,130
	DNR	Lake County	Prospectors ATV Trail System	1,000
	DNR	Morrison County	Soo Line Trail - Bridge Pier Restoration Project	400
	DNR	Champlin	Mill Pond Restoration	3,300
	PCA	St. Louis River	St. Louis River Area of Concern	25,410
	PCA	Statewide	Closed Landfill Construction	11,350
	PCA	Polk County	Capital Assistance Program	9,250
	PFA	Statewide	Wastewater Infrastructure Funding Program	40,000
	PFA	Statewide	Drinking Water Projects	15,000
	PFA	Statewide	Water Infrastructure Initiative	33,737
	PFA	Big Lake	Sewer System and Force Main	1,200
	PFA	Clearbrook	Water Plant Curb and Gutter	850

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	PFA	Dennison	Lift Station and Sewer Projects	726
	Public Safety	Camp Ripley	Oil Train Derailment-Joint Emergency Response Training Center	3,521
	MN Academies	Systemwide	Asset Preservation	2,000
	MN Academies	Faribault	Security Corridor Design	50
	MnDOT	Moorhead	Rail Grade Separation on Crude Oil Rail Lines Program	42,262
	MnDOT	Red Wing	Rail Grade Separation on Crude Oil Rail Lines Program	14,762
	MnDOT	Anoka County	Rail Grade Separation on Crude Oil Rail Lines Program	14,100
	MnDOT	Statewide	Highway/Railroad Grade Crossing - Warning Devices Replacement	1,000
	MnDOT	Statewide	Port Development Assistance Program	5,000
	MnDOT	Statewide	Minnesota Rail Service Improvement Program	1,000
	MnDOT	Statewide	Safe Routes To School Infrastructure Program	1,000
	MnDOT	Statewide	Local Bridge Replacement Program Grants	16,537
	MnDOT	Isle	Malone Island Bridge	800
	MnDOT	Minneapolis	10th Avenue SE Bridge	31,875
	MnDOT	Statewide	Local Road Improvement Fund Grants	25,336
	MnDOT	Anoka County	35W and Lake Drive & W Freeway Drive	9,000
	MnDOT	Appleton Township	100th Street SW Road Upgrade	1,000
	MnDOT	Carver County	Highway 212/County Rd 44 Interchange	10,500
	MnDOT	Hennepin County	U.S. Highway 12 Interchange	11,300
	MnDOT	Hennepin County	Interstate 35W/CSAH 3 Transit/Access Project	25,000
	MnDOT	McLeod County	Morningside (CSAH 15) Corridor Completion	2,350
	MnDOT	Ramsey County	Interstate Highway 694/Rice Street Interchange	20,500
	MnDOT	Eden Prairie	Pedestrian Rail Crossing	1,400
	MnDOT	International Falls	Koochiching Cty Airport Comm. - Airline Terminal Construction	3,000
	MnDOT	Grand Rapids	Mississippi River Pedestrian Bridge	750
	U of M	Systemwide	HEAPR	20,600
	U of M	Minneapolis	Chemistry and Advanced Materials Science Building	28,267
	U of M	Minneapolis	Health Sciences Education Facility	66,667
	U of M	Minneapolis	Plant Growth Research Facility	4,400
	Vets Affairs	Systemwide	Asset Preservation	5,000

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	Vets Affairs	Minneapolis	Veterans Home Truss Bridge Project	7,851
	BWSR	Statewide	Reinvest in Minnesota Reserve Program	10,000
	BWSR	Statewide	Local Government Roads Wetland Replacement Program	5,000
2018, Chapter 214				
	Administration	St. Paul	Capitol Complex Security Upgrades	10,000
	Administration	Systemwide	Asset Preservation and Replacement Account	5,000
	Corrections	Systemwide	Asset Preservation	20,000
	Corrections	St. Cloud MCF	Plumbing and Ventilation Upgrades	16,000
	Corrections	Moose Lake	Control Room Renovation	1,950
	Education	Statewide	Library Construction Grants	1,000
	Education	Atwater	ISD No. 2396 School Repurposing	5,000
	DEED	Statewide	Transportation Economic Dev. Infrastructure	1,000
	DEED	Wabasha	National Eagle Center & Wabasha Rivertown Resurgence	8,000
	DEED	Statewide	Business Development Public Infrastructure	5,000
	DEED	Statewide	Innovative Business Dev. Public Infrastructure	2,000
	DEED	Austin	Public Television	2,500
	DEED	Brooklyn Center	Second Harvest Heartland	18,000
	DEED	Hennepin County	Children's Theatre	1,000
	DEED	Itasca County	KAXE Radio Infrastructure	514
	DEED	Minneapolis	Upper Harbor Terminal Redevelopment	15,000
	DEED	Pipestone County	Dental Center	500
	DEED	Polk County	North Country Food Bank	3,000
	DEED	Silver Bay	Black Beach Campground	1,765
	DEED	St. Paul	Conway Center	4,500
	DEED	St. Paul	Humanities Center	1,000
	DEED	St. Paul	MN Museum of American Art	2,500
	DEED	Waite Park	Quarry Redevelopment & Amphitheater	5,000
	DEED	Fergus Falls	Regional Treatment Center Demolition	3,500
	DEED	Perham	School Repurposing	6,000
	DEED	Rosemount	Family Resource Center	450
	DEED	St. Paul	RiverCentre Parking Ramp	5,000
	DEED	St. Paul	SE Asian Language Job Training Facility	5,500
	DEED	Duluth	Lake Superior Zoo	1,900
	Historical Soc.	St. Paul	Historic Fort Snelling Revitalization	15,000
	Historical Soc.	Systemwide	Asset Preservation	8,000
	MHFA	Statewide	Public Housing Rehabilitation	10,000

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	DHS	St. Peter	Dietary Building HVAC and Electrical Replacement	2,200
	DHS	Anoka	Roof and HVAC Replacement	6,550
	DHS	Systemwide	Asset Preservation	10,000
	DHS	Systemwide	Regional Mental Health Crisis Center Grants	28,100
	DHS	Minneapolis	Family Partnership	10,000
	DHS	Scott County	Crisis Center	1,900
	DHS	Hennepin County	Regional Medical Examiner's Facility	15,073
	Metro Council	New Hope	50 Meter Pool	2,000
	Metro Council	St. Paul	Visitor & Interpretive Center at Bruce Vento Nature Sanctuary	3,000
	Metro Council	Carver County	Lake Waconia Park	1,500
	Metro Council	Loretto	Water Connection	400
	Metro Council	Ramsey County	White Bear Lake Trail	2,600
	Metro Council	Mahtomedi	White Bear Lake Trail	1,400
	Military Affairs	Brainerd	Readiness Center Design and Renovation	4,143
	Military Affairs	Grand Rapids	Readiness Center Design and Renovation	2,126
	Military Affairs	St. Cloud	Readiness Center Design and Renovation	4,450
	Military Affairs	Wadena	Readiness Center Design and Renovation	2,157
	MMB	Statewide	Bond Sale Expense	892
	MN State	Systemwide	HEAPR	45,000
	MN State	Anoka-Ramsey CC	Business and Nursing Building Design	569
	MN State	Bemidji	Academic Learning Center	22,512
	MN State	Century College	Applied Technology Center, East Campus, Design and Renovation	6,362
	MN State	Fond du Lac TCC	Maajiigi Design and Renovation	1,157
	MN State	Inver Hills CC	Technology and Business Center Design	698
	MN State	Moorhead	Weld Hall Design	628
	MN State	Normandale CC	Classroom and Student Services Design and Renovation	12,636
	MN State	Riverland CC	Transp., Trade and Industrial Educ. Center Design, Construction and Renovation	10,122
	MN State	Rochester CTC	Memorial and Plaza Halls Demolition, Design, Renovation and Construction	22,853
	MN Zoo	Apple Valley	Asset Preservation	6,000
	DNR	Systemwide	Asset Preservation	26,581
	DNR	Systemwide	Flood Hazard Mitigation Grant Assistance	20,000
	DNR	Systemwide	Betterment of Buildings	6,000
	DNR	Systemwide	State Park and Recreation Area Accessibility	500
	DNR	Fillmore County	Extension of Blufflands State Trail	1,500

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	DNR	Olmsted County	Chester Woods State Trail	2,500
	DNR	Aitkin County	Northwoods ATV Trail	1,500
	DNR	Battle Lake	Glendalough State Park	750
	DNR	Lake Vermillion-Soudan	Underground Mine State Park	4,000
	DNR	Systemwide	Mill Towns State Trail	500
	DNR	Austin	Shooting Star State Trail	250
	DNR	Babbitt	Babbitt Recreation Area	1,300
	DNR	Cohasset	Tioga Recreation Area	1,000
	DNR	Grand Marais	Lake Superior Water Access	2,000
	DNR	La Crescent	Wagon Wheel Trail	2,500
	DNR	Systemwide	Mesabi Trail	1,138
	DNR	Stillwater	St. Croix River Riverbank Restoration	1,650
	DNR	Systemwide	State Forest Reforestation and Stand Improvement	3,000
	DNR	Ely	Trailhead Development	1,300
	Administration	Perpich Center for Arts	Asset Preservation	250
	PCA	Becker County	Solid Waste Facility	750
	PFA	Statewide	Water Infrastructure Funding Program	25,000
	PFA	Aurora	Multi-City Wastewater Infrastructure	2,500
	PFA	Big Lake	Wastewater Treatment Facility	1,000
	PFA	Cold Spring	Water Treatment Facility	4,000
	PFA	Systemwide	Multi-City Water Infrastructure	850
	PFA	Oronoco	Wastewater Infrastructure	2,500
	Public Safety	Dakota County	Regional Public Safety Center	6,200
	Public Safety	Marshall	MERIT Center	3,100
	MN Academies	Systemwide	Asset Preservation	2,000
	MnDOT		Local Road Improvement Program	35,000
	MnDOT	Anoka County	Thurston Blvd Interchange	15,000
	MnDOT	Dayton	Brockton Interchange	13,500
	MnDOT	Inver Grove Hgts	Argenta Trail 70th Street Expansion	6,100
	MnDOT	Carver County	Highway 101	9,000
	MnDOT	Statewide	Local Bridge Replacement Program	5,000
	MnDOT	Statewide	Port Development Assistance Program	5,200
	MnDOT	Statewide	Safe Routes to School	1,000
	MnDOT	Minneapolis	Stone Arch Bridge	1,000
	MnDOT	Brooklyn Park	Highway 169/101st Ave	4,000
	MnDOT	Chisago County	Highway 8 Reconstruction	3,000
	MnDOT	Pope County	TH 29 & 55 Rail Grade Separation	10,500
	MnDOT	Foley	Highway 23 Safety Improvements	200
	MnDOT	Anoka County	Rail Grade Separation	2,000
	MnDOT	Mankato	Highway 169 Levee Reconstruction	830
	MnDOT	Wadena	Highway 10 Environmental Cleanup	5,000

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	MnDOT	Becker	Industrial Park Improvements	3,300
	MnDOT	Hennepin County	Rail Crossing Safety Improvements	1,200
	MnDOT	Goodview	Railroad Crossing Quiet Zone	330
	MnDOT	Moorhead	21st Street South Rail Grade Separation	6,000
	MnDOT	Rosemount	Bonaire Path Railroad Quiet Zone	1,000
	U of M	Systemwide	HEAPR	45,000
	U of M	Crookston	Dowell and Owen Halls	3,200
	U of M	Morris	Humanities Building and Blakely Hall	3,200
	U of M	Minneapolis	Pillsbury Hall Capital Renewal	24,000
	U of M	Duluth	Glensheen Capital Renewal	4,000
	Vets Affairs	Systemwide	Asset Preservation	9,000
	Vets Affairs	Bemidji	Veterans Home	12,400
	Vets Affairs	Montevideo	Veterans Home	9,400
	Vets Affairs	Preston	Veterans Home	10,200
	BWSR	Statewide	Local Government Roads Wetland Replacement	6,700
	BWSR	Systemwide	Minnesota River Basin Area II	700
2019, Chapter 2				
	DNR	Statewide	Asset Preservation	3,419
	DNR	Elk River	Dredge Lake Orono	1,500
	DNR	Lake Redwood	Lake Reclamation	7,300
	DNR	South St. Paul	Seidl's Lake Water Quality Improvement	781
	PCA	Anoka County	Waste Disposal	10,300
	BWSR	Statewide	RIM Conservation Reserve	10,000
	Metro Council	Systemwide	Metropolitan Regional Parks	10,000
	PFA	Statewide	Water Infrastructure Projects	14,652
	PFA	Statewide	Point Source Implementation	38,348
	MMB	Statewide	Bond Sale Expense	102
2020, Chapter 67				
	RFA	Statewide	Rural Finance Authority Loans	50,000
	MMB	Statewide	Bond Sale Expense	50

DESCRIPTION OF RURAL FINANCE AUTHORITY PROGRAMS

The Rural Finance Authority (RFA) currently administers thirteen loan programs to provide affordable credit to eligible farmers, and one program to provide financial assistance to proposed methane digester projects.

Five programs are funded from the sale of general obligation bonds. They include: the Beginning Farmer Loan Program, the Seller-Sponsored Loan Program, the Agricultural Improvement Program, the Livestock Expansion and Modernization Loan Program and the Restructure II Loan Program.

Each of these five programs are participation programs whereby the RFA joins in partnership with local lending institutions to provide credit based upon certain pre-established rules. Over 450 financial facilities are included in master participation agreements.

General eligibility requirements for each of these five programs are: (1) a borrower must be a resident of Minnesota or a domestic family farm corporation or family farm partnership, as defined in Minnesota Statutes, Section

500.24, subdivision 2; and (2) the borrower or one of the borrowers must be the principal operator of the farm with respect to which the loan is made.

Security for the bond funded loans must be a first mortgage on agricultural real estate. The interest rate for the RFA portion of a loan is set to meet the debt service requirements of the bonds sold to finance it. The maximum term for loan participations is ten (10) years unless otherwise stated by the RFA.

The Commissioner of Management and Budget has been authorized to issue up to $356.5 million in State general obligation bonds to finance certain programs of the RFA and has issued, including bonds from this sale, $331.6 million of these bonds for this purpose.

The following is a more extensive description of each of the five loan participation programs:

Beginning Farmer Loan Program

This program is aimed at younger, lower equity individuals who intend, over time, to become full time farmers. The purpose is to enable the beginning farmer to purchase farm real estate. The RFA participation is limited to 45 percent of the loan principal up to a maximum of $400,000. Each loan requires a minimum down payment of 10 percent of the purchase price. Loan amortization may be scheduled on a term of 15, 20, 25 or 30 years as negotiated among the lender, the borrower and the RFA. RFA participation is for a maximum of 10 years unless otherwise stated by the RFA. A Borrower must (1) have sufficient education, training or experience to succeed in the type of farming that they intend to pursue; (2) have a total net worth not exceeding $851,000, indexed yearly for inflation; (3) agree to enroll in a farm business management program approved by the Commissioner of Agriculture; and (4) agree to obtain credit life insurance for the amount of the debt incurred unless a waiver is given.

Seller-Sponsored Loan Program

This program is very similar to the Beginning Farmer program with one exception. This program is designed to permit the sellers of a farm to fund a portion of the financing essential to the completion of the sale. The seller agrees to subordinate its financing to the lender/RFA. The lender and the RFA provide the balance of the funds with a first mortgage. The down payment is negotiable. The program rules do not, however, require one to be made. Each lender determines its own requirements based on the buyer's ability to repay the needed financing.

Agricultural Improvement Program

This program creates affordable financing for new, state-of-the-art improvements for agriculture production, including the purchase and construction or installation of improvements to land, buildings and other permanent structures, and equipment incorporated in or permanently affixed to the land, buildings or structures, which are useful for and intended for the purpose of improving a farm. The improvements can be for any farm related purpose including livestock facilities, grain handling facilities, machine storage, erosion control, wells and manure systems. The RFA participation is 45 percent of the loan principal to a maximum of $400,000. The RFA is restricted to participation in loans that do not exceed 80 percent of the appraised value of the real estate comprising collateral for the loan. A borrower must have a total net worth not exceeding $851,000, indexed for inflation.

Restructured II Loan Program

Under this program, the RFA works with local lenders to help farmers reorganize their debt. This program is for farmers who remain in good credit standing with their local lender, but who are having trouble with cash flow. Only debt of an agricultural nature is eligible. The RFA will participate on 45 percent of the loan principal up to $525,000. The loans may be amortized over a period of up to 25 years. Participation is restricted to loans that do not exceed 80 percent of the appraised value of real estate comprising collateral for the loan. A borrower must (1) have received at least 50 percent of average annual gross income from farming for the past three years; (2) have a net worth not exceeding $1,809,000, indexed for inflation; and (3) have projected annual expenses not exceeding 95 percent of projected annual income.

Livestock Expansion and Modernization Loan Program

This program is similar to the Agricultural Improvement program, but only for livestock related needs. It creates affordable financing for new, state-of-the-art improvements to land, buildings and other permanent structures, and equipment incorporated in or permanently affixed to the land, buildings or structures, which are useful for and intended for the purpose of raising livestock. The RFA may participate on a loan up to 45 percent of the loan principal to a maximum of $525,000. The RFA is restricted to participation in loans that do not exceed 80 percent of the appraised value of the real estate comprising collateral for the loan. A borrower must (1) be actively engaged in a livestock operation; (2) have the ability to repay the loan; and (3) have a total net worth not exceeding $1,809,000, indexed for inflation.

(The remainder of this page has been intentionally left blank.)

SCHEDULE OF BONDS BEING REFUNDED

Various Purpose Refunding Bonds:

Proceeds of the Series 2020D Bonds will be used to refund the following bonds.

General Obligation State Various Purpose Refunding Bonds, Series 2010D dated September 29, 2010, maturing in the years and amounts and bearing interest at the annual rates set forth below. Bonds maturing on or after August 1, 2021, will be called for redemption and prepayment on September 14, 2020, at par plus accrued interest.

Maturing	Principal Amount	Interest Rate	CUSIP*
08/01/2021	$1,995,000	4.000%	604129VV5
08/01/2021	43,250,000	5.000%	60412ANR0
08/01/2022	36,730,000	5.000%	60412ANN9
08/01/2023	36,940,000	5.000%	60412ANP4
08/01/2024	23,565,000	5.000%	60412ANQ2
Total	$142,480,000		

* The State is not responsible for the use of the CUSIP numbers referenced herein nor is any representation made by the State as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

Proceeds of the Series 2020F Bonds will be used to refund the following bonds.

General Obligation State Various Purpose Bonds, Series 2011A dated October 12, 2011, maturing in the years and amounts and bearing interest at the annual rates set forth below. The Bonds maturing on October 1, 2021 are non-callable and will be escrowed to maturity. Bonds maturing on or after October 1, 2022, will be called for redemption and prepayment on October 1, 2021, at par plus accrued interest.

Maturing	Principal Amount	Interest Rate	CUSIP*
10/01/2021	$19,935,000	5.000%	60412ABB8
10/01/2022	19,935,000	5.000%	60412ABC6
10/01/2023	19,935,000	5.000%	60412ABD4
10/01/2024	19,935,000	5.000%	60412ABE2
10/01/2025	19,930,000	3.000%	60412ABF9
10/01/2026	19,930,000	5.000%	60412ABG7
10/01/2027	19,930,000	5.000%	60412ABH5
10/01/2028	19,930,000	4.000%	60412ABJ1
10/01/2029	19,930,000	4.000%	60412ABK8
10/01/2030	19,930,000	4.000%	60412ABL6
10/01/2031	19,930,000	4.000%	60412ABM4
Total	$219,250,000		

* The State is not responsible for the use of the CUSIP numbers referenced herein nor is any representation made by the State as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

(The remainder of this page has been intentionally left blank.)

Trunk Highway Refunding Bonds:

Proceeds of the Series 2020E Bonds will be used to refund the following bonds.

General Obligation State Trunk Highway Bonds, Series 2010B dated August 19, 2010, maturing in the years and amounts and bearing interest at the annual rates set forth below. Bonds maturing on or after August 1, 2021, will be called for redemption and prepayment on September 14, 2020, at par plus accrued interest.

Maturing	Principal Amount	Interest Rate	CUSIP*
08/01/2021	$11,250,000	5.000%	604129UD6
08/01/2022	11,250,000	4.000%	604129UE4
08/01/2023	11,250,000	4.000%	604129UF1
08/01/2024	11,250,000	4.250%	604129UG9
08/01/2025	11,250,000	4.250%	604129UH7
08/01/2026	11,250,000	4.000%	604129UJ3
08/01/2027	11,250,000	4.000%	604129UK0
08/01/2028	11,250,000	4.000%	604129UL8
08/01/2029	11,250,000	4.000%	604129UM6
08/01/2030	11,250,000	4.000%	604129UN4
Total	$112,500,000		

* The State is not responsible for the use of the CUSIP numbers referenced herein nor is any representation made by the State as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

General Obligation State Trunk Highway Refunding Bonds, Series 2010E dated September 29, 2010, maturing in the years and amounts and bearing interest at the annual rates set forth below. Bonds maturing on or after August 1, 2021, will be called for redemption and prepayment on September 14, 2020, at par plus accrued interest.

Maturing	Principal Amount	Interest Rate	CUSIP*
08/01/2021	$16,645,000	4.000%	604129WK8
08/01/2022	535,000	3.000%	604129WL6
08/01/2022	14,505,000	5.000%	604129XF8
08/01/2023	2,320,000	4.000%	604129WM4
08/01/2023	12,115,000	5.000%	604129XG6
08/01/2024	5,105,000	3.000%	604129WN2
08/01/2024	2,210,000	5.000%	604129XH4
Total	$53,435,000		

* The State is not responsible for the use of the CUSIP numbers referenced herein nor is any representation made by the State as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

Proceeds of the Series 2020G Bonds will be used to refund the following bonds.

General Obligation State Trunk Highway Bonds, Series 2011B dated October 12, 2011, maturing in the years and amounts and bearing interest at the annual rates set forth below. The Bonds maturing on October 1, 2021 are non-callable and will be escrowed to maturity. Bonds maturing on or after October 1, 2021, will be called for redemption and prepayment on October 1, 2021, at par plus accrued interest.

Maturing	Principal Amount	Interest Rate	CUSIP*
10/01/2021	$16,000,000	5.000%	604129YJ9
10/01/2022	16,000,000	5.000%	604129YK6
10/01/2023	16,000,000	5.000%	604129YL4
10/01/2024	16,000,000	5.000%	604129YM2
10/01/2025	16,000,000	5.000%	604129YN0
10/01/2026	16,000,000	5.000%	604129YP5
10/01/2027	16,000,000	5.000%	604129YQ3
10/01/2028	16,000,000	5.000%	604129YR1
10/01/2029	16,000,000	5.000%	604129YS9
10/01/2030	16,000,000	5.000%	604129YT7
10/01/2031	16,000,000	4.000%	604129YU4
Total	$176,000,000		

* The State is not responsible for the use of the CUSIP numbers referenced herein nor is any representation made by the State as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

(The remainder of this page has been intentionally left blank.)

(This page has been intentionally left blank.)

APPENDIX E

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

(This page has been intentionally left blank.)

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

RESIDENT POPULATION
(Thousands of Persons)

Year	U.S.	Minnesota	Minnesota Share of U.S.	% Change U.S.	% Change Minnesota
Census (April 1)					
2000	281,425	4,920	1.75 %	-	-
2010	308,746	5,304	1.72	-	-
Intercensal Population Estimates (July 1)					
2000	282,162	4,934	1.75 %	1.1 %	1.2 %
2001	284,969	4,983	1.75	1.0	1.0
2002	287,625	5,019	1.74	0.9	0.7
2003	290,108	5,054	1.74	0.9	0.7
2004	292,805	5,088	1.74	0.9	0.7
2005	295,517	5,120	1.73	0.9	0.6
2006	298,380	5,164	1.73	1.0	0.9
2007	301,231	5,207	1.73	1.0	0.8
2008	304,094	5,247	1.73	1.0	0.8
2009	306,772	5,281	1.72	0.9	0.7
2010	309,322	5,311	1.72	0.8	0.6
2011	311,557	5,346	1.72	0.7	0.7
2012	313,831	5,377	1.71	0.7	0.6
2013	315,994	5,413	1.71	0.7	0.7
2014	318,301	5,451	1.71	0.7	0.7
2015	320,635	5,482	1.71	0.7	0.6
2016	322,941	5,523	1.71	0.7	0.7
2017	324,986	5,566	1.71	0.6	0.8
2018	326,688	5,606	1.72	0.5	0.7
2019	328,240	5,640	1.72	0.5	0.6

Source: U.S. Department of Commerce, U.S. Census Bureau, www.census.gov/popest.
Data extracted by MMB staff in June 2020.

(The remainder of this page has been intentionally left blank.)

NON-FARM EMPLOYMENT-MIX OF MINNESOTA AND UNITED STATES FOR 2019
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Total Private	2,551.1	85.7	128,828	85.1
Goods-Producing	457.4	15.4	21,085	13.9
Mining and Logging	6.6	0.2	751	0.5
Construction	127.1	4.3	7,493	4.9
Manufacturing Durables	207.7	7.0	8,058	5.3
Manufacturing Non-Durables	116.1	3.9	4,783	3.2
Private Service Providing	2,093.8	70.3	107,743	71.2
Wholesale Trade	128.0	4.3	5,938	3.9
Retail Trade	292.8	9.8	15,795	10.4
Transportation, Warehousing, Utilities	109.3	3.7	6,106	4.0
Information	46.8	1.6	2,824	1.9
Financial Activities	192.6	6.5	8,676	5.7
Professional and Business Services	383.0	12.9	21,462	14.2
Education and Health Services	551.3	18.5	24,270	16.0
Leisure and Hospitality	275.6	9.3	16,741	11.1
Other Services	114.3	3.8	5,932	3.9
Government	426.4	14.3	22,576	14.9
Total (Non-Farm)	**2,977.6**	**100.0**	**151,404**	**100.0**

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2020.

(The remainder of this page has been intentionally left blank.)

EMPLOYMENT-MIX IN DURABLE GOODS INDUSTRIES OF UNITED STATES AND MINNESOTA FOR 2019
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Wood Products	11.7	5.7	410	5.1
Fabricated Metal Products	44.8	21.6	1,483	18.4
Machinery	33.8	16.3	1,136	14.1
Computers and Electronic Products	45.6	22.0	1,084	13.5
Transportation Equipment	11.3	5.5	1,736	21.5
Medical Equipment and Supplies	17.5	8.4	325	4.0
Other Durables	42.9	20.7	1,885	23.4
Total Durable Goods Manufacturing	**207.7**	**100.0**	**8,058**	**100.0**

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2020.

EMPLOYMENT-MIX IN NON-DURABLE GOODS INDUSTRIES OF UNITED STATES AND MINNESOTA FOR 2019
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Food Manufacturing	46.7	40.2	1,639	34.3
Other Non-Durables	69.4	59.8	3,144	65.7
Total Non-Durable Goods	**116.1**	**100.0**	**4,783**	**100.0**

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2020.

(The remainder of this page has been intentionally left blank.)

NON-FARM EMPLOYMENT-MIX OF UNITED STATES AND MINNESOTA: 1990, 2000 AND 2010
(Thousands of Jobs)

Category	Minnesota					United States				
				%Change					% Change	
	1990	2000	2010	90-00	00-10	1990	2000	2010	90-00	00-10
Total Private	1,791.7	2,293.4	2,237.2	28.0	(2.5)	90,695	111,923	108,568	23.4	(3.0)
Goods-Producing	424.5	524.8	391.0	23.6	(25.5)	23,203	24,575	17,796	5.9	(27.6)
Mining and Logging	8.5	8.0	6.3	(5.9)	(21.3)	761	602	734	(20.9)	21.9
Construction	76.1	119.8	88.4	57.4	(26.2)	5,047	6,792	5,467	34.6	(19.5)
Manufacturing Durables	215.2	256.6	186.0	19.2	(27.5)	10,504	10,862	7,137	3.4	(34.3)
Manufacturing Non-Durables	124.7	140.4	110.3	12.6	(21.4)	6,891	6,319	4,458	(8.3)	(29.5)
Private Service Providing	1,367.2	1,768.6	1,846.2	29.4	4.4	67,492	87,348	90,772	29.4	3.9
Wholesale Trade	104.5	128.4	121.5	22.9	(5.4)	5,245	5,884	5,476	12.2	(6.9)
Retail Trade	254.5	309.2	276.5	21.5	(10.6)	13,089	15,377	14,467	17.5	(5.9)
Transportation, Warehousing, Utilities	85.5	103.8	90.6	21.4	(12.7)	4,249	4,701	4,503	10.6	(4.2)
Information	54.7	70.4	53.6	28.7	(23.9)	2,693	3,705	2,682	37.6	(27.6)
Financial Activities	129.3	162.9	164.3	26.0	0.9	6,602	7,838	7,683	18.7	(2.0)
Professional and Business Services	217.2	323.9	329.1	49.1	1.6	10,765	16,832	17,020	56.4	1.1
Education and Health Services	246.4	331.5	460.9	34.5	39.0	11,271	15,465	20,134	37.2	30.2
Leisure and Hospitality	182.7	222.5	235.6	21.8	5.9	9,302	11,976	13,157	28.7	9.9
Other Services	92.4	116.0	114.1	25.5	(1.6)	4,276	5,196	5,337	21.5	2.7
Government	349.7	407.9	414.4	16.6	1.6	18,468	20,804	22,266	12.6	7.0
Total (Non-Farm)	**2,141.4**	**2,701.3**	**2,651.6**	**26.1**	**(1.8)**	**109,163**	**132,727**	**130,834**	**21.6**	**(1.4)**

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2020.

MINNESOTA AND UNITED STATES PER CAPITA PERSONAL INCOME

Year	Minnesota	U.S.	Minnesota as % of U.S.
1995	$24,320	$23,607	103.0
1996	$25,932	$24,771	104.7
1997	$27,087	$25,993	104.2
1998	$29,187	$27,557	105.9
1999	$30,318	$28,675	105.7
2000	$32,447	$30,657	105.8
2001	$33,454	$31,589	105.9
2002	$33,932	$31,832	106.6
2003	$35,263	$32,681	107.9
2004	$37,205	$34,251	108.6
2005	$38,111	$35,849	106.3
2006	$39,754	$38,114	104.3
2007	$41,720	$39,844	104.7
2008	$43,104	$40,904	105.4
2009	$41,015	$39,284	104.4
2010	$42,606	$40,547	105.1
2011	$45,349	$42,739	106.1
2012	$47,859	$44,605	107.3
2013	$47,943	$44,860	106.9
2014	$50,258	$47,071	106.8
2015	$52,320	$48,994	106.8
2016	$53,215	$49,890	106.7
2017	$54,938	$51,910	105.8
2018	$57,566	$54,526	105.6
2019	$59,683	$56,663	105.3

Note: Per capita personal income is total personal income divided by total midyear population estimates of the Census Bureau.
Note: Current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, https://www.bea.gov/regional/index.htm.
U.S. Department of Commerce, U.S. Census Bureau, www.census.gov/popest.
Data extracted by MMB staff June 2020.

(The remainder of this page has been intentionally left blank.)

PERSONAL INCOME GROWTH AND RESIDENT POPULATION IN TWELVE STATE NORTH CENTRAL REGION 1990-2000 AND 2000-2010

State	1990 Personal Income (Millions)	2000 Personal Income (Millions)	1990-2000 Annual Compound Rate of Increase (%)	Regional Growth Rank 1990-2000	2010 Personal Income (Millions)	2000-2010 Annual Compound Rate of Increase (%)	Regional Growth Rank 2000-2010	2000 Census Population (Thousands)	2000 Per Capita Personal Income ($)	2000 Regional Rank	2010 Census Population (Thousands)	2010 Per Capita Personal Income ($)	2010 Regional Rank
Illinois	$240,801	$413,443	5.6	5	$540,464	2.7	10	12,434	$33,251	1	12,841	$42,089.70	3
Indiana	$98,749	$171,415	5.7	4	$229,477	3.0	9	6,092	$28,138	8	6,490	$35,356	12
Iowa	$49,023	$80,651	5.1	10	$116,353	3.7	5	2,929	$27,535	10	3,051	$38,139	8
Kansas	$45,751	$76,243	5.2	9	$112,682	4.0	4	2,694	$28,304	7	2,858	$39,424	6
Michigan	$177,393	$301,662	5.5	6	$348,673	1.5	12	9,952	$30,310	3	9,878	$35,300	11
Minnesota	$87,514	$159,119	6.2	1	$225,594	3.6	6	4,934	$32,252	2	5,311	$42,478	2
Missouri	$91,909	$157,163	5.5	7	$220,547	3.4	7	5,607	$28,028	9	5,996	$36,782	9
Nebraska	$29,240	$49,898	5.5	8	$74,787	4.1	3	1,714	$29,115	5	1,830	$40,878	5
North Dakota	$10,257	$16,805	5.1	11	$29,446	5.8	1	642	$26,175	12	675	$43,643	1
Ohio	$202,980	$325,952	4.9	12	$423,062	2.6	11	11,364	$28,684	6	11,539	$36,663	10
South Dakota	$11,485	$20,325	5.9	3	$33,512	5.1	2	756	$26,890	11	816	$41,061	4
Wisconsin	$90,431	$158,928	5.8	2	$221,895	3.4	8	5,374	$29,573	4	5,690	$38,994	7
Region	**$1,135,533**	**$1,931,603**	**5.5**		**$2,576,494**	**2.9**		**64,491**	**$29,951**		**66,975**	**$38,470**	
U.S.	**$4,897,821**	**$8,650,325**	**5.9**		**$12,541,995**	**3.8**		**282,162**	**$30,657**		**309,326**	**$40,546**	

Note: Per capita personal income is total personal income divided by Census population.
Note: Current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/index.htm.
U.S. Department of Commerce, U.S. Census Bureau, www.census.gov/popest.
Data extracted by MMB staff June 2020.

PERSONAL INCOME GROWTH IN TWELVE STATE NORTH CENTRAL REGION: 2018-2019
($'s in Millions)

Growth Rank	State	2018 Personal Income	2019 Personal Income	Percent Growth
1	Iowa	$158,197	$166,070	5.0
2	Minnesota	$322,728	$336,590	4.3
3	Missouri	$292,513	$304,347	4.0
4	Wisconsin	$299,933	$311,984	4.0
5	North Dakota	$42,148	$43,819	4.0
6	Kansas	$149,859	$155,724	3.9
7	Michigan	$484,030	$502,540	3.8
8	Indiana	$315,516	$327,570	3.8
9	Ohio	$569,727	$590,838	3.7
10	South Dakota	$46,066	$47,705	3.6
11	Nebraska	$102,759	$106,143	3.3
12	Illinois	$724,189	$746,820	3.1
	Region	**$3,507,664**	**$3,640,149**	**3.8**
	U.S.	**$17,813,035**	**$18,599,062**	**4.4**

Note: Columns may not add due to rounding
Note: Current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/index.htm
Data extracted by MMB staff June 2020.

(The remainder of this page has been intentionally left blank.)

NON-FARM EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION: 1990-2000 AND 2000-2010
(Thousands of Jobs)

State	1990 Non-Farm Employment	2000 Non-Farm Employment	1990-2000 Percent Increase	Regional Growth Rank 1990-2000	2010 Non-Farm Employment	2000-2010 Percent Increase/ (Decrease)	Regional Growth Rank 2000-2010
Illinois	5,288	6,042	14.3%	12	5,610	(7.2)%	10
Indiana	2,522	3,004	19.1	8	2,799	(6.8)	9
Iowa	1,226	1,479	20.6	7	1,469	(0.6)	4
Kansas	1,092	1,346	23.3	6	1,330	(1.2)	5
Michigan	3,944	4,676	18.5	9	3,864	(17.4)	12
Minnesota	2,136	2,683	25.6	2	2,638	(1.7)	6
Missouri	2,345	2,753	17.4	10	2,666	(3.2)	7
Nebraska	731	913	24.9	3	945	3.5	3
North Dakota	266	328	23.3	5	376	14.7	1
Ohio	4,882	5,625	15.2	11	5,036	(10.5)	11
South Dakota	289	378	31.0	1	403	6.7	2
Wisconsin	2,291	2,832	23.6	4	2,725	(3.8)	8
Region	**27,012**	**32,057**	18.7%		**29,860**	(6.9)%	
U.S.	**109,527**	**132,024**	20.5%		**130,362**	(1.3)%	

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Data extracted by MMB staff June 2020.

(The remainder of this page has been intentionally left blank.)

NON-FARM EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION: 2017-2018 AND 2018-2019
(Thousands of Jobs)

State	2017 Non-Farm Employment	2018 Non-Farm Employment	2017-2018 Percent Increase	Regional Growth Rank 2017-2018	2019 Non-Farm Employment	2018-2019 Percent Increase	Regional Growth Rank 2018-2019
Illinois	6,055	6,102	0.8	7	6,118	0.3	10
Indiana	3,113	3,147	1.1	2	3,166	0.6	2
Iowa	1,573	1,584	0.7	9	1,586	0.1	12
Kansas	1,404	1,416	0.8	6	1,423	0.5	5
Michigan	4,369	4,418	1.1	1	4,433	0.3	8
Minnesota	2,938	2,963	0.9	5	2,978	0.5	6
Missouri	2,872	2,885	0.4	12	2,902	0.6	3
Nebraska	1,019	1,024	0.5	11	1,027	0.3	9
North Dakota	432	435	0.7	8	439	1.0	1
Ohio	5,526	5,563	0.7	10	5,587	0.4	7
South Dakota	434	438	0.9	4	441	0.6	4
Wisconsin	2,948	2,975	0.9	3	2,981	0.2	11
Region	**32,683**	**32,949**	**0.8**		**33,080**	0.4	
U.S.	**144,336**	**146,608**	**1.6**		**149,908**	1.6	

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Data extracted by MMB staff June 2020.

(The remainder of this page has been intentionally left blank.)

MINNESOTA & UNITED STATES UNEMPLOYMENT RATES (Percent)

	Annual Average	
Year	**Minnesota %**	**U.S. %**
2000	3.1	4.0
2001	3.8	4.7
2002	4.5	5.8
2003	4.9	6.0
2004	4.7	5.5
2005	4.1	5.1
2006	4.0	4.6
2007	4.6	4.6
2008	5.4	5.8
2009	7.8	9.3
2010	7.4	9.6
2011	6.5	8.9
2012	5.6	8.1
2013	5.0	7.4
2014	4.2	6.2
2015	3.7	5.3
2016	3.9	4.9
2017	3.4	4.4
2018	2.9	3.9
2019	3.2	3.7

	Monthly Figures (Seasonally Adjusted)	
Month	**Minnesota %**	**U.S. %**
2019		
January	3.2	4.0
February	3.2	3.8
March	3.2	3.8
April	3.2	3.6
May	3.2	3.6
June	3.2	3.7
July	3.2	3.7
August	3.2	3.7
September	3.2	3.5
October	3.3	3.6
November	3.3	3.5
December	3.3	3.5
2020		
January	3.2	3.6
February	3.1	3.5
March	2.9	4.4
April	8.7	14.7
May	9.9	13.3
June	8.6	11.1

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff July 2020.

MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500

($ in millions)

Rank 2019	Rank 2018	Company	Revenues	Assets	Profits	Industry Category	Industry Rank
7	6	UnitedHealth Group	$ 242,155	$ 173,889	$ 13,839	Health Care: Insurance and Managed Care	1
37	39	Target	$ 78,112	$ 42,779	$ 3,281	General Merchandisers	3
75	74	Best Buy	$ 43,638	$ 15,591	$ 1,541	Specialty Retailers: Other	3
103	95	Minnesota Mining & Manufacturing (3M	$ 32,136	$ 44,659	$ 4,570	Chemicals	2
105	97	Cenex Harvest States (CHS)	$ 31,901	$ 16,448	$ 830	Food Production	3
113	117	U.S. Bancorp	$ 27,325	$ 495,426	$ 6,914	Commercial Banks	8
192	200	General Mills	$ 16,865	$ 30,111	$ 1,753	Food Consumer Products	4
208	185	C.H. Robinson Worldwide	$ 15,310	$ 4,641	$ 577	Transportation and Logistics	2
213	215	Ecolab	$ 14,906	$ 20,869	$ 1,559	Chemicals	6
232	212	Land O'Lakes	$ 13,888	$ 8,899	$ 206	Food Consumer Products	5
245	249	Ameriprise Financial	$ 13,103	$ 151,828	$ 1,893	Diversified Financials	7
276	274	Xcel Energy	$ 11,529	$ 50,448	$ 1,372	Utilities: Gas and Electric	13
337	328	Hormel Foods	$ 9,497	$ 8,109	$ 979	Food Consumer Products	9
368	351	Thrivent Financial for Lutherans	$ 8,612	$ 102,478	$ 968	Insurance: Life, Health (Mutual)	6
442	476	Polaris Industries	$ 6,863	$ 4,431	$ 324	Transportation Equipment	1
455	-	Securian Financial Group	$ 6,601	$ 63,138	$ 435	Insurance: Life, Health (Stock)	12

Source: Fortune Magazine, http://fortune.com/fortune500/
Data extracted by MMB staff June 2020.

(This page has been intentionally left blank.)

APPENDIX F
SELECTED STATE FINANCIAL STATEMENTS
For the Fiscal Year
Ended June 30, 2019

(This page has been intentionally left blank.)

APPENDIX F
SELECTED STATE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019
Table of Contents

BASIC FINANCIAL STATEMENTS

The Office of the Legislative Auditor, the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Office of the Legislative Auditor also has not performed any procedures relating to this offering document.

(This page has been intentionally left blank.)

Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Walz, Governor

Mr. Myron Frans, Commissioner, Minnesota Management and Budget

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2019, which collectively comprise the state's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The State of Minnesota's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund and represents 59 percent, 45 percent, and 30 percent, respectively, of the total assets, total net position, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, Office of Higher Education, Public Facilities Authority, Minnesota Sports Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, total net position, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing*

Room 140 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155-1603 • Phone: 651-296-4708 • Fax: 651-296-4712
E-mail: legislative.auditor@state.mn.us • Website: www.auditor.leg.state.mn.us • Minnesota Relay: 1-800-627-3529 or 7-1-1

Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Minnesota's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Minnesota's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The financial statements of the Housing Finance Agency, the National Sports Center Foundation, and the Workers' Compensation Assigned Risk Plan, which are discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the State of Minnesota's basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The Introduction, the Combining and Individual Nonmajor Fund Financial Statements and Schedules, General Obligation Debt Schedule, and the Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Combining and Individual Nonmajor Fund Financial Statements and Schedules and the General Obligation Debt Schedule have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Introduction and Statistical Sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the State of Minnesota's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Chris Buse

Christopher Buse, CPA
Deputy Legislative Auditor

Scott Tjomsland

Scott Tjomsland, CPA
Audit Director

December 13, 2019

MINNESOTA

2019 Comprehensive Annual Financial Report

Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2019, and identifies changes in the financial position of the state that occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

The focus of Minnesota's financial reporting is on the state as a whole, and on the individual funds that are considered to be major. This reporting focus presents a more comprehensive view of Minnesota's financial activities and financial position and makes the comparison of Minnesota's government to other governments easier.

The financial section of this annual report has four parts:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements – Nonmajor Funds

The report also includes statistical and economic information, which generally provides a ten-year history of various indicators.

The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements that provide more detailed information.

Government-wide Financial Statements

The government-wide financial statements provide an overall view of the state's operations in a manner similar to a private-sector business. Government-wide financial statements consist of the statement of net position and the statement of activities that are prepared using the economic resources measurement focus and the accrual basis of accounting. All current year revenues and expenses are included in the statements regardless of whether the related cash has been received or paid. Revenues and expenses are reported in the statement of activities for some items that will not result in cash flows until future fiscal periods (e.g. uncollected taxes, accounts receivable, and earned but unused vacation leave). This reporting method produces a view of financial activities and position similar to that presented by most private-sector companies. The statements provide both short-term and long-term information about the state's financial position, which assists readers in assessing the state's economic condition at the end of the fiscal year.

The government-wide financial statements are located immediately following this discussion and analysis.

The statement of net position presents all of the state's financial resources along with capital assets and long-term obligations. The statement includes all assets and liabilities of the state. Net position is the difference between assets and liabilities and is one method to measure the state's financial condition.

- An increase or decrease in the state's net position from one year to the next indicates whether the financial position of the state is improving or deteriorating.
- Other indicators of the state's financial condition include the condition of its infrastructure and economic events and trends that affect future revenues and expenses.

The statement of activities presents the changes in net position and reports on the gross and net cost of various activities carried out by the state (governmental, business-type, and component units). These costs are paid by general taxes and other revenues generated by the state. This statement summarizes the cost of providing specific services by the government and includes all current year revenues and expenses.

The statement of net position and the statement of activities segregate the activities of the state into three types:

Governmental Activities

The governmental activities of the state include most basic services such as environmental resources, general government, transportation, education, health and human services, and public safety. Most of the costs of these activities are financed by taxes, fees, and federal grants.

Business-type Activities

The business-type activities of the state normally are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. The operations of the Unemployment Insurance, the State Colleges and Universities, and the Lottery are examples of business-type activities.

Discretely Presented Component Units

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. Discretely presented component units are shown separately from the primary government. Component units are legally separate organizations for which the state is financially accountable, or the nature and significance of the unit's relationship with the state is such that exclusion of the unit would cause the state's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit governing body, and either a) the ability of the state to impose its will, or b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government.

The state's 11 component units are reported as discretely presented component units and reported in two categories: major and nonmajor. This categorization is based on the relative size of an individual component unit's assets, liabilities, revenues, and expenses in relation to the total of all component units and the primary government.

The state's three major component units are:

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

The state's eight nonmajor component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

- Agricultural and Economic Development Board
- Minnesota Comprehensive Health Association
- Minnesota Sports Facilities Authority
- National Sports Center Foundation
- Office of Higher Education
- Public Facilities Authority
- Rural Finance Authority
- Workers' Compensation Assigned Risk Plan

State Fund and Component Unit Financial Statements

A fund is a grouping of related self-balancing accounts used to maintain control over resources that have been segregated for specific activities or objectives. The state of Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state, reporting the state's operations in more detail than in the government-wide statements. Fund financial statements focus on the most significant funds within the state.

The state's funds are divided into three categories:

Governmental Funds

Governmental funds record most of the basic services provided by the state and account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, the fund financial statements focus on how money flows in and out of the funds during a fiscal year and spendable resources available at the end of the fiscal year.

Governmental funds are accounted for using the modified accrual basis of accounting, which recognizes revenues when they are available and measurable. Expenditures are generally recognized in the accounting period when the fund liability is incurred, if measurable. This approach is known as the flow of current financial resources measurement focus. These statements provide a detailed short-term view of the state's finances that assist in determining whether there are more or less resources available and whether these financial resources will be adequate to meet the current needs of the state. Governmental funds include the General, special revenue, capital project, Debt Service, and Permanent funds.

The focus of governmental funds is narrower than that of the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By comparing this financial information, readers may better understand the long-term impact of the state's short-term financing decisions.

The basic financial statements include a reconciliation of governmental funds to governmental activities. These reconciliations follow the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

The state maintains 22 individual state governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Federal funds, which are reported as major funds. Information from the remaining funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

The state adopts a biennial budget with annual appropriations for the majority of the activity reported in the General Fund. A budgetary comparison statement has been provided for the General Fund activity with appropriations included in the biennial budget to demonstrate compliance with this budget.

Proprietary Funds

When the state charges customers for the services it provides, whether to outside customers or to other agencies within the state, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) use accrual accounting which is the same method used by private-sector businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds, a type of proprietary fund, are used to report activities that provide goods and services to outside (non-government) customers, including the general public. Internal service funds are used to accumulate and allocate costs internally for goods and services provided by one program of the state to another. Because the activities reported by internal service funds predominantly benefit governmental functions rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The state maintains 17 individual proprietary funds. The State Colleges and Universities and Unemployment Insurance funds, both of which are considered major funds, are presented separately in the proprietary funds statement of net position and in the proprietary funds statement of revenues, expenses, and changes in net position. Information from the nine nonmajor enterprise funds and the six internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

Fiduciary Funds

Fiduciary funds are used to report activities when the state acts as a trustee or fiduciary to hold resources for the benefit of parties outside the state. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the state to finance its operations. The state must ensure that the assets reported in fiduciary funds are used for their intended purposes.

The state maintains 19 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which account for the transactions, assets, liabilities, and fund equity of the external investment pools), and the Agency Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements included in this report.

Component Units

Component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the discretely presented component units in a single column on the statement of net position. Also, some information on the statement of changes in net position is aggregated for component units. The discretely presented component units' statements of net position and statements of changes in net position provide detail for each major discretely presented component unit and aggregate the detail for nonmajor discretely presented component units. Individual nonmajor discretely presented component unit detail can be found in the combining financial statements included in this report.

Notes to the Financial Statements

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the financial statements are located immediately following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This section includes maintenance data regarding certain portions of the state's infrastructure, actuarial measures of pension and other postemployment benefits, and public employees insurance program development information.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

Government-wide Financial Analysis

Net position serves as a useful indicator of a government's financial position over time. The state's combined net position (governmental and business-type activities) totaled $21.1 billion at the end of fiscal year 2019, compared to $17.5 billion at the beginning of the year.

Net Position
June 30, 2019, and 2018
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current Assets	$ 20,352,038	$ 18,205,048	$ 3,276,395	$ 3,179,551	$ 23,628,433	$ 21,384,599
Noncurrent Assets:						
Capital Assets	18,009,789	17,369,824	2,184,596	2,212,921	20,194,385	19,582,745
Other Assets	854,992	797,935	123,110	120,186	978,102	918,121
Total Assets	$ 39,216,819	$ 36,372,807	$ 5,584,101	$ 5,512,658	$ 44,800,920	$ 41,885,465
Deferred Outflows of Resources	$ 4,329,423	$ 5,770,076	$ 719,330	$ 1,040,500	$ 5,048,753	$ 6,810,576
Current Liabilities	$ 7,207,154	$ 6,100,428	$ 479,414	$ 481,592	$ 7,686,568	$ 6,582,020
Noncurrent Liabilities	11,862,933	17,539,378	1,096,959	2,256,535	12,959,892	19,795,913
Total Liabilities	$ 19,070,087	$ 23,639,806	$ 1,576,373	$ 2,738,127	$ 20,646,460	$ 26,377,933
Deferred Inflows of Resources	$ 6,970,065	$ 4,247,198	$ 1,097,825	$ 604,745	$ 8,067,890	$ 4,851,943
Net Position:						
Net Investment in Capital Assets	$ 14,068,082	$ 13,318,601	$ 1,659,114	$ 1,634,807	$ 15,727,196	$ 14,953,408
Restricted	6,895,583	6,566,430	2,078,645	1,973,820	8,974,228	8,540,250
Unrestricted	(3,457,575)	(5,629,152)	(108,526)	(398,341)	(3,566,101)	(6,027,493)
Total Net Position	$ 17,506,090	$ 14,255,879	$ 3,629,233	$ 3,210,286	$ 21,135,323	$ 17,466,165

The largest portion, $15.7 billion of $21.1 billion, of the state's net position reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets) less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to Minnesotans. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately $9.0 billion of the state's net position represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used. Additional information on the state's net position restrictions is located in Note 16 – Equity in the notes to the financial statements.

The remaining net position balance represents a deficit in unrestricted net position of $3.6 billion. This deficit does not mean that the state lacks resources to pay its bills in the near future. Rather, this deficit primarily reflects three significant factors. First, the state, similar to other states, issues general obligation bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net position; however, the state is responsible for the repayment of the debt. This practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the noncapital portion of net position for most of its governmental activities' special revenue, debt service, and permanent funds as restricted. Third, the state recognized a net pension liability for defined benefit plans to which the state contributes either on behalf of state employees or for employees of other entities. This liability is long-term in nature and is being managed by the retirement systems and the state Legislature.

The state's combined net position for governmental and business-type activities increased $3.7 billion (21.0 percent) over the course of this fiscal year. This resulted from a $3.3 billion (22.8 percent) increase in net position of governmental activities, and a $418.9 million (13.1 percent) increase in net position of business-type activities.

Changes in Net Position
For Fiscal Years Ended June 30, 2019, and 2018
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	$ 1,662,053	$ 2,496,201	$ 2,749,401	$ 2,694,849	$ 4,411,454	$ 5,191,050
Operating Grants and Contributions	12,544,931	11,889,525	437,587	445,338	12,982,518	12,334,863
Capital Grants	235,522	115,974	28	—	235,550	115,974
General Revenues:						
Individual Income Taxes	12,693,113	12,125,496	—	—	12,693,113	12,125,496
Corporate Income Taxes	1,606,928	1,343,290	—	—	1,606,928	1,343,290
Sales Taxes	6,275,369	5,995,103	—	—	6,275,369	5,995,103
Property Taxes	820,829	823,551	—	—	820,829	823,551
Motor Vehicle Taxes	1,626,285	1,566,759	—	—	1,626,285	1,566,759
Fuel Taxes	931,329	936,618	—	—	931,329	936,618
Other Taxes	3,056,301	2,964,339	—	—	3,056,301	2,964,339
Tobacco Settlement	166,137	165,089	—	—	166,137	165,089
Investment/Interest Income	156,000	94,641	59,959	50,457	215,959	145,098
Other Revenues	137,949	75,201	732	4,249	138,681	79,450
Total Revenues	$ 41,912,746	$ 40,591,787	$ 3,247,707	$ 3,194,893	$ 45,160,453	$ 43,786,680
Expenses:						
Agricultural, Environmental and Energy Resources	$ 1,153,557	$ 1,369,950	$ —	$ —	$ 1,153,557	$ 1,369,950
Economic and Workforce Development	619,817	769,021	—	—	619,817	769,021
General Education	10,516,190	10,172,185	—	—	10,516,190	10,172,185
General Government	756,146	1,438,678	—	—	756,146	1,438,678
Health and Human Services	17,514,760	17,390,698	—	—	17,514,760	17,390,698
Higher Education	1,087,101	1,032,885	—	—	1,087,101	1,032,885
Intergovernmental Aid	1,867,341	1,699,020	—	—	1,867,341	1,699,020
Public Safety and Corrections	974,208	1,296,548	—	—	974,208	1,296,548
Transportation	3,283,888	3,287,843	—	—	3,283,888	3,287,843
Interest	246,462	224,558	—	—	246,462	224,558
State Colleges and Universities	—	—	1,795,697	2,174,240	1,795,697	2,174,240
Unemployment Insurance	—	—	731,132	754,269	731,132	754,269
Lottery	—	—	477,974	455,374	477,974	455,374
Other	—	—	467,022	495,581	467,022	495,581
Total Expenses	$ 38,019,470	$ 38,681,386	$ 3,471,825	$ 3,879,464	$ 41,491,295	$ 42,560,850
Excess (Deficiency) Before Transfers	$ 3,893,276	$ 1,910,401	$ (224,118)	$ (684,571)	$ 3,669,158	$ 1,225,830
Transfers	(643,065)	(626,435)	643,065	626,435	—	—
Changes in Net Position	$ 3,250,211	$ 1,283,966	$ 418,947	$ (58,136)	$ 3,669,158	$ 1,225,830
Net Position, Beginning	$ 14,255,879	$ 12,971,913	$ 3,210,286	$ 3,268,422	$ 17,466,165	$ 16,240,335
Net Position, Ending	$ 17,506,090	$ 14,255,879	$ 3,629,233	$ 3,210,286	$ 21,135,323	$ 17,466,165

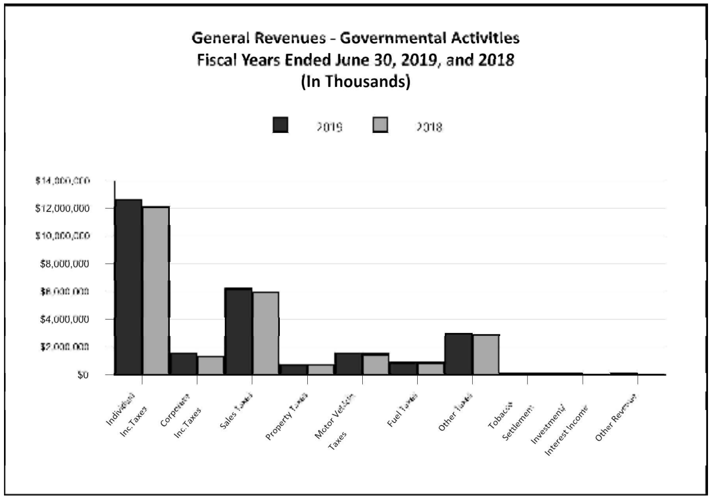
Approximately 60 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 29 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 10 percent of the total revenues. The remaining 1 percent came from other general revenues.

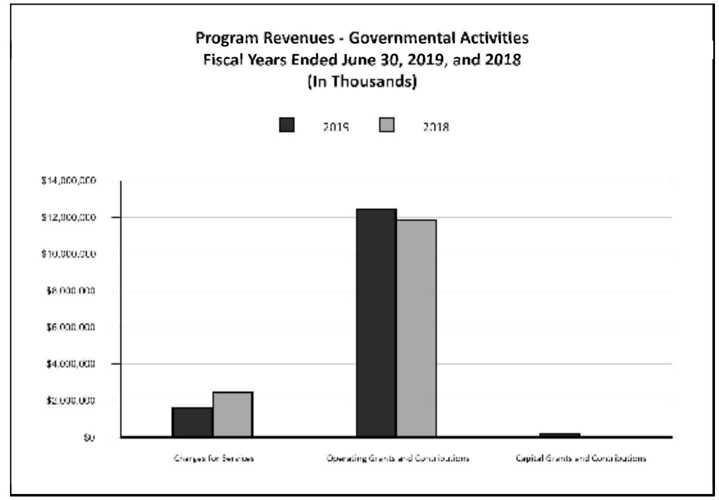
The state’s expenses cover a range of services. The largest expenses were for general education and health and human services.

Governmental Activities

Governmental activities increased the state’s net position by $3.3 billion in the current year compared to an increase of $1.3 billion in the prior year.

Revenues increased, $1.3 billion (3.3 percent) over prior year. The following graphs show revenues for the current year and prior year separating general revenues from program revenues.

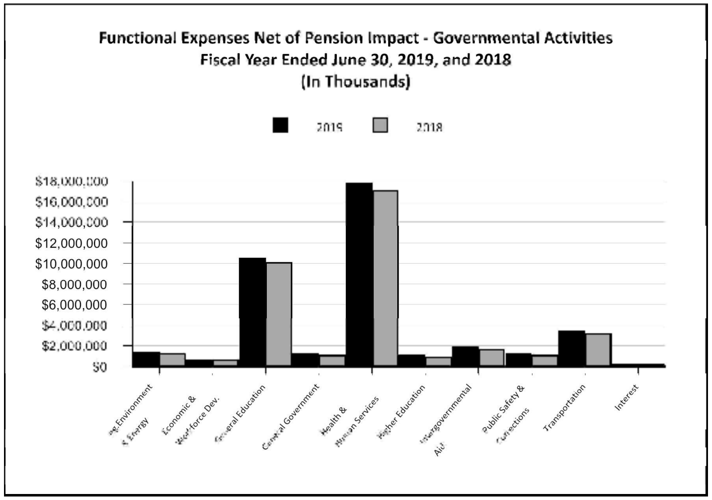




The state's largest general revenues, sales and income taxes, grew due to a continued economic growth in wages and jobs. The increase in other revenues resulted from a receipt of the excess surplus from the Workers' Compensation Assigned Risk Plan (component unit). The significant decrease in charges for services was primarily related to a one-time voluntary settlement of $850 million from a Minnesota company for the cleanup and safeguarding of drinking water, and habitat restoration and recreation in the prior year. The operating grants and contributions increase is due to the federal government's share of the growth in medical assistance expenses, as well as the federal government grant for the MinnesotaCare program. Capital grants increased due to the federal share of the increased capital expenses on transportation infrastructure projects during the current year.

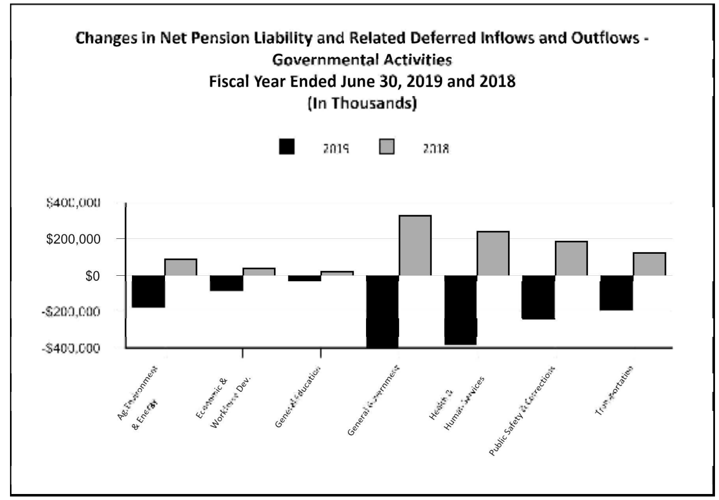
There was a $661.9 million (1.7 percent) decrease in governmental activities expenses compared to the prior year. This included a decrease in expenses of $2.6 billion related to the impacts of pension reporting offset by an increase in non-pension related expenses of $2.0 billion. Pension reporting impacted all functional expenses except higher education and intergovernmental aid. See the chart on the Changes in Net Pension Liability and Related Deferred Inflows and Outflows for the impact by functional expenses.

The following graph shows the functional expenses for governmental activities, excluding the impacts of the changes related to pensions.



Health and human services expenses increase was the result of growth in the cost of medical assistance. As previously noted, these expenses were partially reimbursed by the federal government. The increase in general education was primarily due to a two percent per pupil formula increase and an increase in the number of pupils. The transportation expenses increase was due to additional grants to local units of governments for transportation infrastructure projects, an increase in grants to Metropolitan Council (component unit) and additional operating and planning costs associated with state transportation infrastructure. Agricultural, environmental and energy resources expenses increase resulted from grants to Minnesota Comprehensive Health Association (component unit), which were reimbursed by the federal government as noted above. This increase was offset by decrease in the current year due to the payment of legal fees associated with a Minnesota company settlement in the prior year. Additional grants to the University of Minnesota (component unit) caused an increase in higher education expenses while additional grants to local units of government and an additional homestead credit granted to agricultural landowners caused an increase in intergovernmental aid expenses during the current year.

The following graph shows the changes in functional expenses for governmental activities related to the impacts of pension reporting.

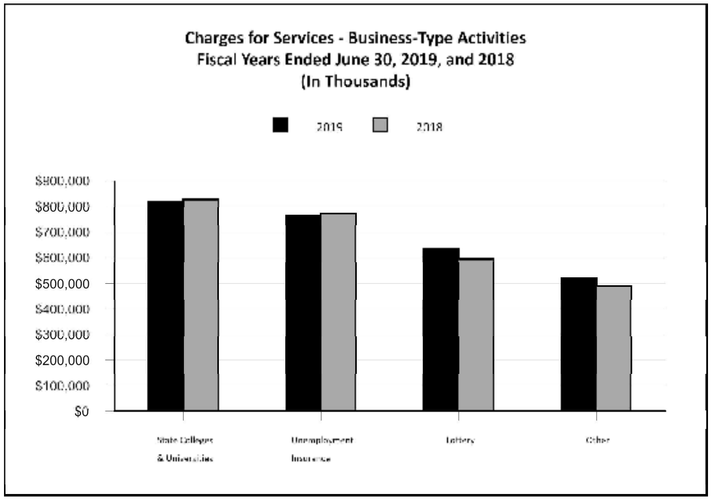


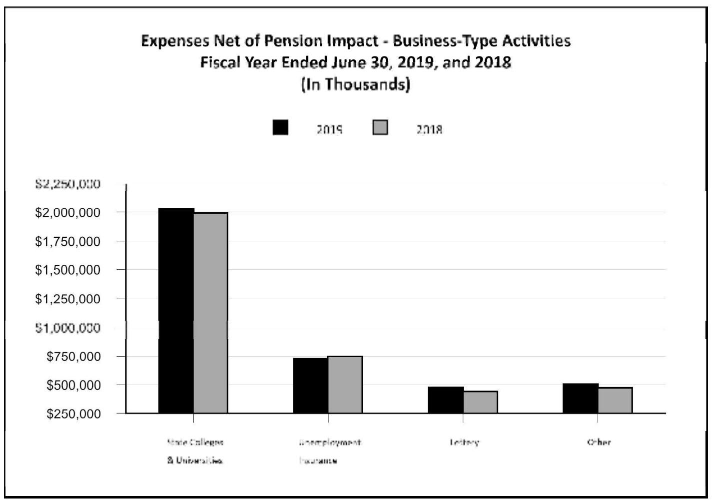
Business-type Activities

Net position for the state’s business-type activities increased by $418.9 million during the current year compared to a decrease of $58.1 million in the prior year. The impacts of pension related reporting on business-type activities resulted in a decrease in expenses of $489.5 million during the current year. See chart on expenses net of pension impact - business-type activities for changes in expenses net of these pension reporting impacts.

The increase in the net position of the state's business-type activities primarily resulted from a $263.4 million increase in net position in the State Colleges and Universities Fund and a $69.0 million increase in net position in the Unemployment Insurance Fund.

The State Colleges and Universities Fund’s net position increased $263.4 million during the current year compared to a decrease of $137.9 million in the prior year. Most of this was attributable to a $418.6 million decrease in net pension expense as noted above. The Unemployment Insurance Fund’s net position increased $69.0 million during the current year compared to an increase of $51.2 million in the prior year. This was primarily attributed to a decrease in the unemployment rate reducing the number of applicants requesting unemployment benefits. This decrease in unemployment benefits was slightly offset by a decrease in insurance premiums due to a slight reduction in the average taxable rate.





Long-Term Liabilities

The state's total long-term liabilities decreased by $6.8 billion (33.0 percent) during the current fiscal year. The decrease in Net Pension Liability of $6.8 billion is the primary reason for the decrease in long-term liabilities.

State Funds Financial Analysis

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term cash inflows and outflows during the fiscal year and balances of spendable resources as of fiscal year end. Such information is useful in assessing the state's financial condition. The unassigned fund balance serves as a useful measure of the state's net resources available for future spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of $12.6 billion, an increase of $1.0 billion over the prior year.

The General Fund is the main operating fund of the state. At the end of the current fiscal year, the fund balance of the General Fund was $5.6 billion, an increase of $809.0 million during the current year.

Because the General Fund is the main operating fund of the state, many of the same variances impacting Governmental Activities impacted the General Fund. As previously noted, sales and income taxes grew due to continued growth in wages and jobs and other revenue increased as a result of revenue from the Workers' Compensation Assigned Risk Plan (component unit).

The General Fund expenditures for general education increased as a result of the two percent per pupil formula increase and an increase in the number of pupils and Health and Human Services expenditures increase related to a growth in medical assistance. Additional grants to local units of governments and an additional homestead credit granted to agricultural landowners during the current year increased intergovernmental aid expenditures, while additional grants to Metropolitan Council (component unit) increased transportation expenditures.

The growth in medical assistance also impacted the Federal Fund because of the federal government's share of the health and human services expenditures. The $850 million voluntary settlement from a Minnesota company in the prior year caused a decrease in other revenue in the current year while the payment of the legal fees associated with this settlement caused a decrease in the agricultural, environmental and energy resources expenditures in the Environmental and Remediation Fund (special revenue fund) in the current year. The increase in transportation expenditures resulted from additional operating and planning costs in the Trunk Highway Fund (special revenue fund), which were partially offset by grants from the federal government and additional grants to local units of governments in Municipal State-Aid Street and County State-Aid Highway funds (special revenue funds) for transportation infrastructure projects. Additional grants to the University of Minnesota (component unit) for capital projects caused an increase in higher education expenses.

Proprietary Funds – Enterprise and Internal Service Funds

The statements for proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Enterprise Funds

The state's enterprise funds are included in the Business-type Activities column of the Statement of Activities. Enterprise funds net position increased by $418.9 million during the current year. This primarily resulted from a $263.4 million increase in net position of the State Colleges and Universities Fund and a $69.0 million increase in net position of the Unemployment Insurance Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

Internal Service Funds

The state's internal service funds are included in the Governmental Activities column of the Statement of Activities; however, eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made.

The implementation of GASB 68, "Accounting and Financial Reporting for Pensions," which required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions, has caused many of the nonmajor enterprise and internal services funds to end the fiscal year in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and state Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include the pension-related liabilities or deferred inflow and outflows of resources in the rate-setting process for managing these funds as long as the funds are contributing the statutory required contributions. The amounts will continue to be monitored by the retirement systems administering these plans and the state Legislature.

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2019. These are material to understanding changes in General Fund balances that occurred in fiscal year 2019. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes 16A.152, require that the budget be balanced for the biennium. The following highlights material actions taken by the state Legislature and the Governor affecting fiscal year 2019.

Actions Establishing the Fiscal Year 2019 Budget

The budget for state fiscal year 2019 was adopted in May 2017. The February 2017 Budget and Economic Forecast increased the projected budget balance for the 2018-19 biennium from $1.4 billion to $1.651 billion. General Fund revenues were forecast to be $45.663 billion and base spending was estimated to be $44.741 billion. Legislative actions during the 2017 regular session and a subsequent court order that partially funded the legislative budget reduced the projected balance by $1.488 billion to $163 million. Legislative changes included $816 million in new spending, $657 million in lower revenue and $15 million in reduced resources carried forward from the 2016-17 biennium due to changes enacted impacting that budget period.

Changes to the General Fund included $486 million in new spending in E-12 education, largely due to 2 percent annual increase to the basic education formula, $210 million increase in higher education spending, $155 million higher spending for the courts and public safety, $95 million higher appropriations for transportation spending, and a $165 million increase in economic development. The spending increases were offset by a $466 million spending decrease in health and human services. Revenue changes included the dedication of General Fund sales taxes on auto parts, rental cars and motor vehicle leases to the Highway User Tax Distribution Fund, removal of the annual inflator on the statewide property tax and the cigarette and tobacco tax, an increase of the exemption level for the estate tax, and various subtractions, deductions and credits to individual income and corporate taxes.

After the 2017 legislative session and subsequent court order, the enacted budget for fiscal year 2019 included $2.180 billion in carry forward from fiscal year 2018, $23.030 billion in General Fund revenues,

$23.053 billion in General Fund spending, $1.953 billion in cash and budgetary reserves, $40 million in a stadium reserve account, and a $163 million ending budgetary balance.

Budget and Forecast Actions Impacting Fiscal Year 2019

The November 2017 Budget and Economic Forecast reduced the budget outlook for the 2018-19 biennium by $351 million. A favorable close to fiscal year 2017 increased resources carried forward by $625 million but the General Fund revenue forecast was decreased $559 million. Spending estimates were increased by $398 million. Statutory reserve allocations transferred $5 million to the budget reserve and $15 million to the stadium reserve, leaving a deficit of $188 million. Lower expected individual, sales, corporate, and state general property tax revenue more than offset increased forecasts for other tax and non-tax revenue. A large portion of the higher spending, $358 million, in the 2018-19 biennium is the result of unspent appropriations from the previous biennium that carried forward and are available to be spent in the current biennium. A higher forecast for E-12 education contributed $121 million to the overall forecast spending increase.

The February 2018 Budget and Economic Forecast increased General Fund revenues by $353 million and reduced spending estimates by $167 million. Those changes, offset by a $2 million increase in stadium reserves, increased the 2018-19 biennium forecast balance by $518 million. The February forecast for fiscal year 2018 reflected $21.867 billion in General Fund resources, $22.695 billion in General Fund spending, $1.958 billion in cash and budget reserves, $40 million in the stadium reserve, and a $507 million budgetary balance.

The November 2018 Budget and Economic Forecast showed improvement in the state's financial position for the 2018-19 biennium. Forecast revenues were expected to be $45.410 billion, an increase of $609 million (1.4 percent) over end of session estimates. Biennial spending estimates total $45.549 billion, a decline of $306 million (0.7 percent) from prior estimates. Prior to any allocation to the budget reserve under Minnesota Statutes 16A.152, the forecast included two allocations to the budget reserve directed by Minnesota law totaling $137 million. The stadium reserve was reduced by $8 million due to a decision to redirect corporate revenue back to the General Fund that had been allocated to the stadium reserve account. Aggregating spending, revenue and reserve changes resulted in a projected forecast balance for the 2018-19 biennium of $1.074 billion, an improvement of $786 million over end of session estimates. Minnesota statutes automatically allocate 33 percent of any positive budgetary balance in the current biennium to the budget reserve account. After $354 million was allocated to the budget reserve, the available balance for fiscal year 2019 was projected to be $720 million.

The February 2019 Budget and Economic Forecast projected a budgetary balance of $563 million for the 2018-19 biennium, $157 million lower than prior estimates. Revenues were projected to be $198 million (0.4 percent) lower than November estimates. A lower income tax forecast ($403 million, 1.7 percent) was partially offset by higher forecast for corporate taxes ($130 million, 4.8 percent), other tax revenue ($36 million, 1.0 percent) and non-tax revenue ($57 million, 3.5 percent). Estimated expenditures were $41 million (0.1 percent) lower than previous estimates. Lower actual expenditures in Health and Human Services (HHS) compared to the prior forecast was the largest driver of the change. Projected reserve balances were unchanged from prior estimates.

Actions in the 2019 legislative session increased the projected balance for fiscal year 2019 to $606 million, $43 million higher than prior estimates. Revenues increased $26 million, largely due to state tax law conformity to provisions in federal tax law while expenditures were $17 million lower than forecast. This was due to the cancellation of a $50 million transfer from the General Fund to the Health Care Access Fund (account within the General Fund), which was partially offset by increased appropriations for state agencies and a transfer to the disaster contingency account. Reserves were unchanged from February forecast estimates for fiscal year 2019, but legislation was added to reduce the budget reserve balance by $491 million on the first day of fiscal year 2022.

The 2018 legislative session ended in May 2018. Changes impacting fiscal year 2019 enacted in the session included $159 thousand in revenue changes, $66 million in supplemental spending and a $25 million reduction to the budget reserve.

Fiscal year 2019 officially closed in August 2019. Actual revenues for fiscal year 2019 were $23.743 billion, $802 million higher than end of session estimates. Tax revenue at close was $689 million higher while non-tax revenue was $33 million higher than forecast; $80 million in transfers and prior period adjustments accounted for the remainder of the revenue gain compared to estimates. Spending for fiscal year 2019 was $23.054 billion, $90 million below previous estimates; however, $71 million of unspent appropriations in fiscal year 2019 were authorized to carry forward into fiscal year 2020. Statutory allocations added $5 million to the stadium reserve. The ending budgetary balance for fiscal year 2019 is $1.421 billion, $815 million higher than prior estimates.

Budget and GAAP Based Financial Outlook

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made, with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Expenditures are recognized when a liability occurs.

On a budgetary basis, the state's General Fund ended fiscal year 2019 with a balance of $2.093 billion. On a GAAP basis, the General Fund reported a balance of $5.592 billion for fiscal year 2019, a difference of $3.499 billion from the budgetary General Fund balance. The difference between the General Fund budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of $2.470 billion. The difference between the GAAP basis and budgetary basis fund balance of the General Fund, excluding these additional funds not reported in the budgetary fund balance, was $1.029 billion. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 18 – Budgetary Basis vs. GAAP of the notes to the financial statements.

A budgetary balance of $1.052 billion was projected for the 2020-21 biennium in the February Budget and Economic Forecast. Actions during the 2019 regular and special legislative sessions reduced that projected balance to $242 million. The higher than expected incoming balance from the closed biennium, combined with an increased revenue forecast, slightly decreased spending estimates, and an increased allocation to the stadium reserve resulted in a forecast balance of $1.616 billion. Minnesota statute allocates a portion of any November forecast balance to the budget reserve account until the statutorily defined target is met. With the November 2019 forecast, $284 million was allocated to the budget reserve, which brought it to the target level of $2.359 billion. After the reserve allocation, the available General Fund balance for the 2020-21 biennium was $1.332 billion.

Revenue in the 2020-21 biennium was projected to reach $48.656 billion, an increase of $501 million (1.0 percent) over end of session estimates. Forecast increases in the two largest taxes, individual income and sales tax, were partially offset by a reduced forecast to the corporate tax forecast. Non-tax revenue was projected to be higher while transfers and other resources were projected to be slightly lower.

Overall projected spending in the 2020-21 biennium was materially unchanged from end of session estimates. The November 2019 forecast assumed spending for 2020-21 biennium to be $48.463 billion, a reduction of $7 million (0.0 percent) from estimates when the budget was first enacted in May 2019.

Forecast expenditures for education aid programs were down $54 million (0.3 percent) from previous estimates but were partially offset by an additional appropriation for safe schools supplemental aid of $30 million that was activated when fiscal year 2019 closed with a General Fund balance that was higher than projected at the end of the legislative session. Total health and human services spending was projected to be down by $97 million due to lower enrollment in Medical Assistance. This savings, along with $51 million (4.3 percent) in lower debt service, was partially offset by increases in Property Tax Aids and Credits, the implementation of two additional contingency appropriations in the 2020-21 biennium and the carryforward of unspent appropriations.

Minnesota Statute 16A.152 directs Minnesota Management and Budget (MMB) to allocate funds to the budget reserve account when there is a positive forecast balance in the current biennium and the current budget reserve balance is below the statutory target. These conditions were met with the November 2019 forecast and $284 million was credited to the budget reserve account, increasing the reserve to its target amount of $2.359 billion for the 2020-21 biennium.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2019, was $24.8 billion, less accumulated depreciation of $4.6 billion, resulting in a net book value of $20.2 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures, internally generated computer software, and equipment. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets
June 30, 2019, and 2018
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Capital Assets not Depreciated:						
Land	$ 2,727,599	$ 2,662,339	$ 93,226	$ 93,012	$ 2,820,825	$ 2,755,351
Buildings, Structures, Improvements	333,834	333,754	—	—	333,834	333,754
Construction in Progress	283,114	197,848	124,721	89,553	407,835	287,401
Development in Progress	187,427	172,082	—	—	187,427	172,082
Infrastructure	11,264,466	10,879,482	—	—	11,264,466	10,879,482
Easements	440,931	417,028	—	—	440,931	417,028
Art and Historical Treasures	7,724	7,559	—	—	7,724	7,559
Total Capital Assets not Depreciated	$ 15,245,095	$ 14,670,092	$ 217,947	$ 182,565	$ 15,463,042	$ 14,852,657
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 3,384,856	$ 3,334,404	$ 3,765,459	$ 3,706,537	$ 7,150,315	$ 7,040,941
Infrastructure	405,871	387,010	28,153	28,153	434,024	415,163
Library Collections	—	—	37,230	38,666	37,230	38,666
Internally Generated Computer Software	401,329	277,777	64,607	57,948	465,936	335,725
Easements	4,127	4,720	—	—	4,127	4,720
Equipment, Furniture, Fixtures	872,792	823,791	341,996	337,895	1,214,788	1,161,686
Total Capital Assets Depreciated	$ 5,068,975	$ 4,827,702	$ 4,237,445	$ 4,169,199	$ 9,306,420	$ 8,996,901
Less: Accumulated Depreciation	(2,304,281)	(2,127,970)	(2,270,796)	(2,138,843)	(4,575,077)	(4,266,813)
Capital Assets Net of Depreciation	$ 2,764,694	$ 2,699,732	$ 1,966,649	$ 2,030,356	$ 4,731,343	$ 4,730,088
Total	$ 18,009,789	$ 17,369,824	$ 2,184,596	$ 2,212,921	$ 20,194,385	$ 19,582,745

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 3,000 bridges that are maintained by the Minnesota Department of Transportation (MnDOT).

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2018, indicated that the average PQI for principal arterial pavement was 3.5 and 3.3 for all other pavements. The state has maintained a stable condition of pavement over the past several years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar

year 2018, indicated that 94.6 percent of principal arterial system bridges and 94.1 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

During the current year, expenditures were fairly consistent with budget. The increase in capitalized expenditures compared to budget primarily related to pavement and bridge costs associated with three projects on interstate 35W.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 – Capital Assets of the notes to the financial statements and in the required supplementary information, respectively.

Debt Administration

The authority of the state to incur general obligation debt is described in Article XI, Sections 5 and 7, of the state's constitution. General obligation bonds, issued by the state, are backed by the full faith, credit, and taxing powers of the state.

The state's general obligation bonds were rated on June 30, 2019, as follows:

- AAA by Fitch Ratings
- AAA by Standard & Poor's
- Aa1 by Moody's Investors Service

The Legislature also statutorily authorizes other types of debt.

The state issues revenue bonds, which are payable solely from rentals, revenues, and other income, and charges and monies that were pledged for repayment.

The state issued state General Fund appropriation refunding bonds to refund bonds issued by a blended component unit, Tobacco Securitization Authority, which no longer exists. The state also issued state General Fund appropriation bonds to finance the state and City of Minneapolis shares of the costs of a professional football stadium project and the state financed the Lewis and Clark Regional Water System project.

The Certificates of Participation were issued by the state to finance the statewide systems, integrated tax system, and the legislative office facility.

Outstanding Bonded Debt and Unamortized Premium
June 30, 2019, and 2018
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General Obligation	$ 6,924,502	$ 6,867,284	$ 223,190	$ 227,901	$ 7,147,692	$ 7,095,185
Revenue	34,150	36,795	309,803	351,871	343,953	388,666
State Appropriation Bonds	997,488	1,048,439	—	—	997,488	1,048,439
Certificate of Participation	81,709	93,425	—	—	81,709	93,425
Total	$ 8,037,849	$ 8,045,943	$ 532,993	$ 579,772	$ 8,570,842	$ 8,625,715

During fiscal year 2019, the state issued the following bonds:

- $397.7 million in general obligation state various purpose bonds
- $206.0 million in general obligation state trunk highway bonds
- $16.0 million in taxable state bonds

Additional information on the state's long-term debt obligations is located in Note 12 – General Long-Term Liabilities – Primary Government in the notes to the financial statements.

Requests for Information

This financial report is designed to provide Minnesotans, taxpayers, customers, investors, and creditors with a general overview of the state's finances and to demonstrate the state's accountability for the money it receives.

Please contact us if you have questions about this report or to request additional financial information.

Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota, 55155-1489
651-201-8000
https://www.mn.gov/mmb/

STATE OF MINNESOTA

STATEMENT OF NET POSITION
JUNE 30, 2019
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 12,729,273	$ 2,839,417	$ 15,568,690	$ 1,408,321
Investments	3,052,451	24,396	3,076,847	1,081,326
Accounts Receivable	2,699,976	388,354	3,088,330	484,547
Due from Component Units	11,863	—	11,863	—
Due from Primary Government	—	—	—	323,352
Accrued Investment/Interest Income	36,588	—	36,588	34,791
Federal Aid Receivable	1,713,214	21,812	1,735,026	17,910
Inventories	33,252	24,055	57,307	55,299
Loans and Notes Receivable	31,635	4,009	35,644	421,548
Internal Balances	27,870	(27,870)	—	—
Other Assets	15,916	2,222	18,138	44,632
Total Current Assets	$ 20,352,038	$ 3,276,395	$ 23,628,433	$ 3,871,726
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ —	$ 100,451	$ 100,451	$ 1,089,394
Investments-Restricted	—	299	299	3,045,315
Accounts Receivable-Restricted	—	—	—	55,227
Due from Primary Government-Restricted	—	—	—	2,213
Due from Primary Government	—	—	—	3,570
Due from Component Units	82,918	—	82,918	—
Investments	—	—	—	5,236,291
Accounts Receivable	600,229	2,538	602,767	466,290
Loans and Notes Receivable	167,080	19,822	186,902	3,042,892
Depreciable Capital Assets (Net)	2,764,694	1,966,649	4,731,343	7,213,732
Nondepreciable Capital Assets	3,980,629	217,947	4,198,576	1,716,221
Infrastructure (Not depreciated)	11,264,466	—	11,264,466	—
Other Assets	4,765	—	4,765	29,152
Total Noncurrent Assets	$ 18,864,781	$ 2,307,706	$ 21,172,487	$ 21,900,297
Total Assets	$ 39,216,819	$ 5,584,101	$ 44,800,920	$ 25,772,023
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ —	$ —	$ —	$ 10,984
Bond Refunding	9,721	1,942	11,663	10,130
Deferred Pension Outflows	4,289,914	706,174	4,996,088	1,055,055
Deferred Other Postemployment Benefits Outflows	29,788	11,214	41,002	13,811
Deferred Derivative Outflows	—	—	—	2,297
Total Deferred Outflows of Resources	$ 4,329,423	$ 719,330	$ 5,048,753	$ 1,092,277
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 5,649,678	$ 267,371	$ 5,917,049	$ 469,354
Due to Component Units	258,080	6	258,086	—
Due to Primary Government	—	—	—	14,477
Unearned Revenue	307,557	92,220	399,777	108,528
Accrued Interest Payable	113,367	132	113,499	58,619
Bonds and Notes Payable	616,419	62,409	678,828	596,954
Capital Leases Payable	10,162	4,141	14,303	5,467
Certificates of Participation Payable	2,180	—	2,180	—
Claims Payable	203,516	20,318	223,834	245,909
Compensated Absences Payable	46,195	19,723	65,918	233,952
Other Liabilities	—	13,094	13,094	4,077
Total Current Liabilities	$ 7,207,154	$ 479,414	$ 7,686,568	$ 1,737,337

STATEMENT OF NET POSITION
JUNE 30, 2019
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ —	$ —	$ —	$ 112,147
Unearned Revenue-Restricted	—	—	—	152,756
Accrued Interest Payable-Restricted	—	—	—	13,667
Due to Primary Government	—	—	—	82,918
Unearned Revenue	128,551	411	128,962	7,881
Interest Rate Swap Agreements	—	—	—	10,984
Bonds and Notes Payable	7,386,679	480,942	7,867,621	7,205,386
Due to Component Units	3,570	—	3,570	—
Capital Leases Payable	51,702	5,353	57,055	33,089
Certificates of Participation Payable	79,529	—	79,529	—
Claims Payable	718,110	2,102	720,212	558,519
Compensated Absences Payable	286,716	139,858	426,574	31,483
Other Postemployment Benefits	527,953	84,846	612,799	317,689
Net Pension Liability	2,680,123	360,421	3,040,544	362,382
Funds Held in Trust	—	—	—	386,625
Other Liabilities	—	23,026	23,026	42,242
Total Noncurrent Liabilities	$ 11,862,933	$ 1,096,959	$ 12,959,892	$ 9,317,768
Total Liabilities	$ 19,070,087	$ 1,576,373	$ 20,646,460	$ 11,055,105
DEFERRED INFLOWS OF RESOURCES				
Bond Refunding	$ 37,370	$ 4,000	$ 41,370	$ 6,122
Capital Lease Restructuring	11,312	—	11,312	—
Deferred Revenue	476,903	—	476,903	20,409
Deferred Pension Inflows	6,385,192	1,088,219	7,473,411	1,706,578
Deferred Other Postemployment Benefits Inflows	59,288	5,606	64,894	25,929
Total Deferred Inflows of Resources	$ 6,970,065	$ 1,097,825	$ 8,067,890	$ 1,759,038
NET POSITION				
Net Investment in Capital Assets	$ 14,068,082	$ 1,659,114	$ 15,727,196	$ 5,857,102
Restricted to:				
Improve Agricultural, Environmental and Energy Resources	$ 2,837,090	$ —	$ 2,837,090	$ —
Enhance Arts and Culture	27,394	—	27,394	—
Acquire, Maintain, and Improve Land and Buildings	—	863	863	—
Retire Indebtedness	485,560	122,494	608,054	—
Develop Economy and Workforce	180,911	2,445	183,356	—
Enhance E-12 Education	14,615	—	14,615	—
Enhance State Government	24,043	—	24,043	—
Enhance Health and Human Services	95,209	—	95,209	—
Enhance Higher Education	35	18,150	18,185	—
Enhance 911 Services and Increase Safety	15,575	61,856	77,431	—
School Aid-Expendable	9,838	—	9,838	—
School Aid-Nonexpendable	1,535,199	—	1,535,199	—
Construct Highways and Improve Infrastructure	1,670,114	—	1,670,114	—
Unemployment Benefits	—	1,797,462	1,797,462	—
Other Purposes	—	75,375	75,375	—
Component Units	—	—	—	7,668,447
Total Restricted	$ 6,895,583	$ 2,078,645	$ 8,974,228	$ 7,668,447
Unrestricted	$ (3,457,575)	$ (108,526)	$ (3,566,101)	$ 524,608
Total Net Position	$ 17,506,090	$ 3,629,233	$ 21,135,323	$ 14,050,157

The notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(IN THOUSANDS)

		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBU-TIONS	CAPITAL GRANTS AND CONTRIBU-TIONS
Primary Government:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources	$ 1,153,557	$ 470,015	$ 370,445	$ 23,694
Economic and Workforce Development	619,817	56,817	229,531	—
General Education	10,516,190	19,141	933,467	7,348
General Government	756,146	337,288	63,345	—
Health and Human Services	17,514,760	544,739	9,946,653	—
Higher Education	1,087,101	—	—	—
Intergovernmental Aid	1,867,341	—	—	—
Public Safety and Corrections	974,208	151,911	207,925	—
Transportation	3,283,888	82,142	793,565	204,480
Interest	246,462	—	—	—
Total Governmental Activities	$ 38,019,470	$ 1,662,053	$ 12,544,931	$ 235,522
Business-type Activities:				
State Colleges and Universities	$ 1,795,697	$ 820,489	$ 434,229	$ 28
Unemployment Insurance	731,132	767,805	3,358	—
Lottery	477,974	636,806	—	—
Other	467,022	524,301	—	—
Total Business-type Activities	$ 3,471,825	$ 2,749,401	$ 437,587	$ 28
Total Primary Government	$ 41,491,295	$ 4,411,454	$ 12,982,518	$ 235,550
Component Units:				
Housing Finance	$ 394,103	$ 256,596	$ 196,665	$ —
Metropolitan Council	957,643	403,391	564,301	328,309
University of Minnesota	3,924,593	1,549,896	1,090,394	102,767
Others	693,904	169,126	231,479	7,600
Total Component Units	$ 5,970,243	$ 2,379,009	$ 2,082,839	$ 438,676

General Revenues:

Taxes:

- Individual Income Taxes
- Corporate Income Taxes
- Sales Taxes
- Property Taxes
- Motor Vehicle Taxes
- Fuel Taxes
- Other Taxes

Tobacco Settlement

Unallocated Investment/Interest Income

Other Revenues

State Grants Not Restricted

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning, as Reported

Net Position, Ending

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
$ (289,403)		$ (289,403)	
(333,469)		(333,469)	
(9,556,234)		(9,556,234)	
(355,513)		(355,513)	
(7,023,368)		(7,023,368)	
(1,087,101)		(1,087,101)	
(1,867,341)		(1,867,341)	
(614,372)		(614,372)	
(2,203,701)		(2,203,701)	
(246,462)		(246,462)	
$ (23,576,964)		$ (23,576,964)	
	$ (540,951)	$ (540,951)	
	40,031	40,031	
	158,832	158,832	
	57,279	57,279	
	$ (284,809)	$ (284,809)	
$ (23,576,964)	$ (284,809)	$ (23,861,773)	
			$ 59,158
			338,358
			(1,181,536)
			(285,699)
			$ (1,069,719)
$ 12,693,113	$ —	$ 12,693,113	$ —
1,606,928	—	1,606,928	—
6,275,369	—	6,275,369	—
820,829	—	820,829	—
1,626,285	—	1,626,285	—
931,329	—	931,329	—
3,056,301	—	3,056,301	86,846
166,137	—	166,137	—
156,000	59,959	215,959	365,089
137,949	732	138,681	752,584
—	—	—	1,077,480
(643,065)	643,065	—	—
$ 26,827,175	$ 703,756	$ 27,530,931	$ 2,281,999
$ 3,250,211	$ 418,947	$ 3,669,158	$ 1,212,280
$ 14,255,879	$ 3,210,286	$ 17,466,165	$ 12,837,877
$ 17,506,090	$ 3,629,233	$ 21,135,323	$ 14,050,157

STATE OF MINNESOTA

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 6,622,800	$ 314,854	$ 5,331,516	$ 12,269,170
Investments	1,197,836	—	1,854,615	3,052,451
Accounts Receivable	2,678,152	298,778	318,151	3,295,081
Interfund Receivables	159,057	50	64,604	223,711
Due from Component Units	279	24	94,478	94,781
Accrued Investment/Interest Income	30,254	—	6,334	36,588
Federal Aid Receivable	—	1,635,141	78,073	1,713,214
Inventories	—	—	32,879	32,879
Loans and Notes Receivable	71,370	4,767	122,578	198,715
Investment in Land	—	—	15,962	15,962
Total Assets	$ 10,759,748	$ 2,253,614	$ 7,919,190	$ 20,932,552
LIABILITIES				
Accounts Payable	$ 3,191,292	$ 1,814,373	$ 673,846	$ 5,679,511
Interfund Payables	9,399	—	74,781	84,180
Due to Component Units	37,502	139,871	80,053	257,426
Unearned Revenue	135,721	278,817	—	414,538
Total Liabilities	$ 3,373,914	$ 2,233,061	$ 828,680	$ 6,435,655
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	$ 1,794,268	$ —	$ 106,738	$ 1,901,006
Total Deferred Inflows of Resources	$ 1,794,268	$ —	$ 106,738	$ 1,901,006
FUND BALANCES				
Nonspendable	$ 1,229,393	$ —	$ 1,568,078	$ 2,797,471
Restricted	93,570	20,553	4,698,452	4,812,575
Committed	62,221	—	663,729	725,950
Assigned	2,124,922	—	53,513	2,178,435
Unassigned	2,081,460	—	—	2,081,460
Total Fund Balances	$ 5,591,566	$ 20,553	$ 6,983,772	$ 12,595,891
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 10,759,748	$ 2,253,614	$ 7,919,190	$ 20,932,552

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 12,595,891
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Infrastructure	$ 11,264,466	
Nondepreciable Capital Assets	3,964,406	
Depreciable Capital Assets	4,870,632	
Accumulated Depreciation	(2,181,016)	
		17,918,488
Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end.		1,424,103
Net Deferred Outflows (Inflows) resulting from the refunding of debt and restructuring of capital leases included in the Statement of Net Position.		(38,961)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		15,423
Deferred pension and other postemployment benefits outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.		
Total Deferred Pension and Other Postemployment Benefits Outflows	$ 3,995,143	
Total Deferred Pension and Other Postemployment Benefits Inflows	(5,933,114)	
		(1,937,971)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Accrued Interest Payable	$ (113,288)	
General Obligation Bonds Payable	(6,078,657)	
State Appropriation Bonds Payable	(896,490)	
Revenue Bonds Payable	(34,150)	
Loans and Notes Payable	(3,633)	
Bond Premium Payable	(946,843)	
Due to Component Units	(4,224)	
Capital Leases Payable	(61,864)	
Certificate of Participation Payable	(72,145)	
Certificate of Participation Premium Payable	(9,564)	
Claims Payable	(832,488)	
Compensated Absences Payable	(322,264)	
Other Postemployment Benefits	(521,652)	
Net Pension Liability	(2,573,621)	
		(12,470,883)
Net Position of Governmental Activities		$ 17,506,090

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 12,674,858	$ —	$ —	$ 12,674,858
Corporate Income Taxes	1,613,373	—	—	1,613,373
Sales Taxes	5,775,278	—	489,388	6,264,666
Property Taxes	811,117	—	—	811,117
Motor Vehicle Taxes	323,059	—	1,303,370	1,626,429
Fuel Taxes	—	—	930,988	930,988
Other Taxes	2,817,669	—	223,278	3,040,947
Tobacco Settlement	162,765	—	—	162,765
Federal Revenues	12,788	11,469,682	701,203	12,183,673
Licenses and Fees	234,462	5,231	344,708	584,401
Departmental Services	242,310	5,472	196,223	444,005
Investment/Interest Income	243,163	6,154	278,006	527,323
Other Revenues	479,461	74,333	322,732	876,526
Net Revenues	$ 25,390,303	$ 11,560,872	$ 4,789,896	$ 41,741,071
Expenditures:				
Agricultural, Environmental and Energy Resources	$ 280,074	$ 306,536	$ 637,810	$ 1,224,420
Economic and Workforce Development	237,288	218,110	306,982	762,380
General Education	9,678,641	788,169	78,202	10,545,012
General Government	865,390	18,349	94,649	978,388
Health and Human Services	8,029,374	9,638,251	213,447	17,881,072
Higher Education	942,218	—	144,940	1,087,158
Intergovernmental Aid	1,867,151	—	190	1,867,341
Public Safety and Corrections	725,507	154,390	289,073	1,168,970
Transportation	542,645	258,745	2,584,536	3,385,926
Total Current Expenditures	$ 23,168,288	$ 11,382,550	$ 4,349,829	$ 38,900,667
Capital Outlay	115,086	110,056	615,236	840,378
Debt Service	30,673	—	923,108	953,781
Total Expenditures	$ 23,314,047	$ 11,492,606	$ 5,888,173	$ 40,694,826
Excess of Revenues Over (Under) Expenditures	$ 2,076,256	$ 68,266	$ (1,098,277)	$ 1,046,245
Other Financing Sources (Uses):				
Bond Issuance	$ 3,875	$ —	$ 599,532	$ 603,407
Bond Issue Premium	625	—	78,544	79,169
Transfers-In	265,088	1,685	998,818	1,265,591
Transfers-Out	(1,536,801)	(56,359)	(360,741)	(1,953,901)
Net Other Financing Sources (Uses)	$ (1,267,213)	$ (54,674)	$ 1,316,153	$ (5,734)
Net Change in Fund Balances	$ 809,043	$ 13,592	$ 217,876	$ 1,040,511
Fund Balances, Beginning, as Reported	$ 4,782,523	$ 6,961	$ 6,765,896	$ 11,555,380
Fund Balances, Ending	$ 5,591,566	$ 20,553	$ 6,983,772	$ 12,595,891

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds		1,040,511
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded the depreciation in the current period.		
Capital Outlay	$ 840,378	
Depreciation	(198,720)	
		641,658
Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported.		(5,640)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds activities is reported in governmental activities, but not included in governmental funds.		194,810
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.		58,908
Bond and loan proceeds provide current financial resources to governmental funds; however, issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Position.		(682,576)
Net changes due to the additions and amortization of deferred inflows and outflows related to the refunding of debt and restructuring of capital leases is reported in the Statement of Activities but not included in governmental funds.		8,715
Net changes in the net pension liability and the additions and amortization of deferred inflows and outflows related to pensions is reported in the Statement of Activities but not included in governmental funds.		1,441,631
Net changes in the other postemployment benefits liability and the additions and amortization of deferred inflows and outflows related to other postemployment benefits is reported in the Statement of Activities but not included in governmental funds.		(38,713)
Repayment of bonds, loans, and capital leases are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		701,045
Net changes in expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.		(110,138)
Change in Net Position of Governmental Activities		$ 3,250,211

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2019
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 12,263,300	$ 11,965,190	$ 12,405,417
Corporate Income Taxes	1,295,375	1,523,624	1,660,015
Sales Taxes	5,749,798	5,645,507	5,735,600
Property Taxes	816,499	809,108	810,627
Other Taxes	2,677,696	2,743,429	2,763,526
Tobacco Settlement	150,604	160,161	162,765
Licenses and Fees	217,779	223,316	234,644
Departmental Services	114,454	118,848	119,697
Investment/Interest Income	33,041	87,802	110,615
Other Revenues	309,071	382,115	392,368
Net Revenues	$ 23,627,617	$ 23,659,100	$ 24,395,274
Expenditures:			
Agricultural, Environmental and Energy Resources	$ 221,160	$ 222,802	$ 220,351
Economic and Workforce Development	175,302	175,666	174,441
General Education	9,626,982	9,711,864	9,670,089
General Government	951,104	959,235	947,985
Health and Human Services	7,686,757	7,394,222	7,103,191
Higher Education	913,106	915,553	915,290
Intergovernmental Aid	1,870,547	1,870,738	1,869,898
Public Safety and Corrections	764,244	775,988	772,997
Transportation	159,517	159,607	159,392
Total Expenditures	$ 22,368,719	$ 22,185,675	$ 21,833,634
Excess of Revenues Over (Under) Expenditures	$ 1,258,898	$ 1,473,425	$ 2,561,640
Other Financing Sources (Uses):			
Transfers-In	$ 58,048	$ 57,109	$ 70,429
Transfers-Out	(2,089,398)	(2,089,398)	(2,089,398)
Net Other Financing Sources (Uses)	$ (2,031,350)	$ (2,032,289)	$ (2,018,969)
Net Change in Fund Balances	$ (772,452)	$ (558,864)	$ 542,671
Fund Balances, Beginning, as Reported	$ 4,048,747	$ 4,048,747	$ 4,048,747
Prior Period Adjustments	—	—	102,177
Fund Balances, Beginning, as Restated	$ 4,048,747	$ 4,048,747	$ 4,150,924
Budgetary Fund Balances, Ending	$ 3,276,295	$ 3,489,883	$ 4,693,595
Less: Appropriation Carryover	—	—	83,339
Less: Reserved for Long-Term Receivables	—	—	37,663
Less: Budgetary Reserve	—	—	2,479,808
Unassigned Fund Balance, Ending	$ 3,276,295	$ 3,489,883	$ 2,092,785

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 1,019,925	$ 1,562,654	$ 256,838	$ 2,839,417	$ 460,103
Investments	24,396	—	—	24,396	—
Accounts Receivable	57,944	298,712	31,698	388,354	77,137
Interfund Receivables	27,164	—	9,451	36,615	4
Federal Aid Receivable	21,638	174	—	21,812	—
Inventories	15,746	—	8,309	24,055	373
Loans and Notes Receivable	4,009	—	—	4,009	—
Prepaid Expenses	1,734	—	488	2,222	15,916
Total Current Assets	$ 1,172,556	$ 1,861,540	$ 306,784	$ 3,340,880	$ 553,533
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 100,451	$ —	$ —	$ 100,451	$ —
Investments-Restricted	299	—	—	299	—
Accounts Receivable	—	—	2,538	2,538	—
Loans and Notes Receivable	19,822	—	—	19,822	—
Depreciable Capital Assets (Net)	1,801,610	—	165,039	1,966,649	75,078
Nondepreciable Capital Assets	203,351	—	14,596	217,947	261
Prepaid Expenses	—	—	—	—	4,765
Total Noncurrent Assets	$ 2,125,533	$ —	$ 182,173	$ 2,307,706	$ 80,104
Total Assets	$ 3,298,089	$ 1,861,540	$ 488,957	$ 5,648,586	$ 633,637
DEFERRED OUTFLOWS OF RESOURCES					
Bond Refunding	$ 1,942	$ —	$ —	$ 1,942	$ —
Deferred Pension Outflows	609,519	—	96,655	706,174	324,202
Deferred Other Postemployment Benefits Outflows	10,361	—	853	11,214	357
Total Deferred Outflows of Resources	$ 621,822	$ —	$ 97,508	$ 719,330	$ 324,559
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 194,954	$ 15,142	$ 57,275	$ 267,371	$ 42,416
Interfund Payables	17,383	19,897	27,205	64,485	111,429
Due to Component Units	—	—	6	6	—
Unearned Revenue	52,943	29,039	10,238	92,220	21,570
Accrued Interest Payable	—	—	132	132	79
Bonds and Notes Payable	40,989	—	21,420	62,409	15,137
Capital Leases Payable	4,141	—	—	4,141	—
Claims Payable	2,697	—	17,621	20,318	89,138
Compensated Absences Payable	17,716	—	2,007	19,723	1,231
Other Liabilities	13,094	—	—	13,094	—
Total Current Liabilities	$ 343,917	$ 64,078	$ 135,904	$ 543,899	$ 281,000

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Noncurrent Liabilities:					
Unearned Revenue	$ —	$ —	$ 411	$ 411	$ —
Bonds and Notes Payable	467,415	—	13,527	480,942	28,188
Capital Leases Payable	5,353	—	—	5,353	—
Claims Payable	2,102	—	—	2,102	—
Compensated Absences Payable	129,203	—	10,655	139,858	9,416
Other Postemployment Benefits	70,054	—	14,792	84,846	6,301
Net Pension Liability	322,706	—	37,715	360,421	106,502
Other Liabilities	23,026	—	—	23,026	—
Total Noncurrent Liabilities	$ 1,019,859	$ —	$ 77,100	$ 1,096,959	$ 150,407
Total Liabilities	$ 1,363,776	$ 64,078	$ 213,004	$ 1,640,858	$ 431,407
Noncurrent Liabilities:					
DEFERRED INFLOWS OF RESOURCES					
Bond Refunding	$ 4,000	$ —	$ —	$ 4,000	$ —
Deferred Pension Inflows	931,975	—	156,244	1,088,219	510,657
Deferred Other Postemployment Benefits Inflows	3,945	—	1,661	5,606	709
Total Deferred Inflows of Resources	$ 939,920	$ —	$ 157,905	$ 1,097,825	$ 511,366
NET POSITION					
Net Investment in Capital Assets	$ 1,514,426	$ —	$ 144,688	$ 1,659,114	$ 32,014
Restricted for:					
Acquire, Maintain, and Improve Land and Buildings	$ 863	$ —	$ —	$ 863	$ —
Retire Indebtedness	122,494	—	—	122,494	—
Develop Economy and Workforce	—	—	2,445	2,445	—
Enhance Higher Education	18,150	—	—	18,150	—
Enhance 911 Services and Increase Safety	—	—	61,856	61,856	—
Unemployment Benefits	—	1,797,462	—	1,797,462	—
Other Purposes	—	—	75,375	75,375	—
Total Restricted	$ 141,507	$ 1,797,462	$ 139,676	$ 2,078,645	$ —
Unrestricted	$ (39,718)	$ —	$ (68,808)	$ (108,526)	$ (16,591)
Total Net Position	$ 1,616,215	$ 1,797,462	$ 215,556	$ 3,629,233	$ 15,423

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 690,874	$ —	$ —	$ 690,874	$ —
Restricted Student Payments, Net	110,507	—	—	110,507	—
Net Sales	—	—	915,387	915,387	305,025
Insurance Premiums	—	754,321	205,960	960,281	1,005,906
Other Income	19,108	13,484	39,760	72,352	12,275
Total Operating Revenues	$ 820,489	$ 767,805	$ 1,161,107	$ 2,749,401	$ 1,323,206
Less: Cost of Goods Sold	—	—	484,650	484,650	—
Gross Margin	$ 820,489	$ 767,805	$ 676,457	$ 2,264,751	$ 1,323,206
Operating Expenses:					
Purchased Services	$ 255,206	$ —	$ 88,410	$ 343,616	$ 199,014
Salaries and Fringe Benefits	1,132,891	—	117,233	1,250,124	(69,889)
Student Financial Aid	55,209	—	—	55,209	—
Unemployment Benefits	—	726,959	—	726,959	—
Claims	—	—	196,432	196,432	914,908
Depreciation and Amortization	133,129	—	17,495	150,624	19,294
Supplies and Materials	124,251	—	6,349	130,600	19,218
Repairs and Maintenance	24,501	—	1,323	25,824	12,470
Indirect Costs	—	—	2,448	2,448	3,045
Other Expenses	38,834	—	1,131	39,965	1,207
Total Operating Expenses	$ 1,764,021	$ 726,959	$ 430,821	$ 2,921,801	$ 1,099,267
Operating Income (Loss)	$ (943,532)	$ 40,846	$ 245,636	$ (657,050)	$ 223,939
Nonoperating Revenues (Expenses):					
Investment Income	$ 19,146	$ 37,449	$ 3,364	$ 59,959	$ 8,539
Federal Grants	291,142	—	—	291,142	—
Private Grants	36,045	—	—	36,045	—
Grants and Subsidies	107,070	3,358	—	110,428	—
Other Nonoperating Revenues	—	—	121	121	—
Interest and Financing Costs	(20,629)	—	(822)	(21,451)	(1,055)
Grants, Aids and Subsidies	(11,047)	(4,173)	(16,817)	(32,037)	—
Other Nonoperating Expenses	—	—	(10,889)	(10,889)	(2,992)
Gain (Loss) on Disposal of Capital Assets	475	—	(861)	(386)	512
Total Nonoperating Revenues (Expenses)	$ 422,202	$ 36,634	$ (25,904)	$ 432,932	$ 5,004
Income (Loss) Before Transfers and Contributions	$ (521,330)	$ 77,480	$ 219,732	$ (224,118)	$ 228,943
Transfers-In	784,692	—	22,712	807,404	—
Transfers-Out	—	(8,431)	(155,908)	(164,339)	(34,133)
Change in Net Position	$ 263,362	$ 69,049	$ 86,536	$ 418,947	$ 194,810
Net Position, Beginning, as Reported	$ 1,352,853	$ 1,728,413	$ 129,020	$ 3,210,286	$ (179,387)
Net Position, Ending	$ 1,616,215	$ 1,797,462	$ 215,556	$ 3,629,233	$ 15,423

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 818,713	$ 749,936	$ 1,122,128	$ 2,690,777	$ 1,349,112
Receipts from Other Revenues	—	—	33,004	33,004	12,275
Receipts from Repayment of Program Loans	4,335	—	—	4,335	—
Financial Aid Disbursements	(55,642)	—	—	(55,642)	—
Payments to Claimants	—	(724,844)	(588,457)	(1,313,301)	(911,563)
Payments to Suppliers	(444,074)	—	(148,860)	(592,934)	(365,763)
Payments to Employees	(1,366,587)	—	(174,179)	(1,540,766)	(97,960)
Payments to Others	—	—	(52,738)	(52,738)	(2,992)
Net Cash Flows from Operating Activities	$ (1,043,255)	$ 25,092	$ 190,898	$ (827,265)	$ (16,891)
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 426,726	$ 3,349	$ —	$ 430,075	$ —
Grant Disbursements	(10,189)	(4,165)	(16,817)	(31,171)	—
Transfers-In	724,802	—	22,712	747,514	—
Transfers-Out	—	(5,924)	(155,143)	(161,067)	(34,133)
Advances from Other Funds	—	—	—	—	110,000
Net Cash Flows from Noncapital Financing Activities	$ 1,141,339	$ (6,740)	$ (149,248)	$ 985,351	$ 75,867
Cash Flows from Capital and Related Financing Activities:					
Transfers-In	$ 62,224	$ —	$ —	$ 62,224	$ —
Investment in Capital Assets	(107,066)	—	(6,245)	(113,311)	(25,561)
Proceeds from Disposal of Capital Assets	468	—	136	604	2,832
Proceeds from Capital Bonds	18,943	—	—	18,943	—
Proceeds from Loans	—	—	—	—	23,661
Capital Lease Payments	(4,247)	—	—	(4,247)	—
Repayment of Loan Principal	(672)	—	—	(672)	(13,586)
Repayment of Bond Principal	(39,646)	—	(20,400)	(60,046)	—
Interest Paid	(20,510)	—	(2,598)	(23,108)	(1,028)
Net Cash Flows from Capital and Related Financing Activities	$ (90,506)	$ —	$ (29,107)	$ (119,613)	$ (13,682)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 2,318	$ —	$ —	$ 2,318	$ —
Purchase of Investments	(3,737)	—	—	(3,737)	—
Investment Earnings	14,464	37,449	3,364	55,277	8,539
Net Cash Flows from Investing Activities	$ 13,045	$ 37,449	$ 3,364	$ 53,858	$ 8,539
Net Increase (Decrease) in Cash and Cash Equivalents	$ 20,623	$ 55,801	$ 15,907	$ 92,331	$ 53,833
Cash and Cash Equivalents, Beginning, as Reported	$ 1,099,753	$ 1,506,853	$ 240,931	$ 2,847,537	$ 406,270
Cash and Cash Equivalents, Ending	$ 1,120,376	$ 1,562,654	$ 256,838	$ 2,939,868	$ 460,103

STATE OF MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	$ (943,532)	$ 40,846	$ 245,636	$ (657,050)	$ 223,939
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization	$ 133,129	$ —	$ 17,495	$ 150,624	$ 19,294
Miscellaneous Nonoperating Revenues	—	—	121	121	—
Miscellaneous Nonoperating Expenses	—	—	(10,889)	(10,889)	(2,992)
Loan Principal Repayments	4,335	—	—	4,335	—
Loans Forgiven	279	—	—	279	—
Change in Assets, Liabilities, Deferred Outflows and Inflows:					
Accounts Receivable	(1,870)	(10,827)	(7,682)	(20,379)	51,918
Inventories	(395)	—	1,008	613	(109)
Other Assets	—	—	91	91	3,851
Deferred Outflows	269,956	—	51,214	321,170	143,699
Accounts Payable	(3,537)	1,128	(3,044)	(5,453)	(134,551)
Salaries Payable	1,511	—	—	1,511	—
Claims Payable	—	—	3,604	3,604	3,345
Compensated Absences Payable	3,330	—	(13)	3,317	(22,656)
Unearned Revenues	96	(6,035)	1,558	(4,381)	(13,737)
Other Postemployment Benefits	4,896	—	(6,139)	(1,243)	(11,256)
Net Pension Liability	(952,816)	—	(155,730)	(1,108,546)	(453,169)
Other Liabilities	1,951	(20)	—	1,931	—
Deferred Inflows	439,412	—	53,668	493,080	175,533
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ (99,723)	$ (15,754)	$ (54,738)	$ (170,215)	$ (240,830)
Net Cash Flows from Operating Activities	$ (1,043,255)	$ 25,092	$ 190,898	$ (827,265)	$ (16,891)
Noncash Investing, Capital and Financing Activities:					
Donated Capital Assets	$ 10,440	$ —	$ —	$ 10,440	$ —
Bond Premium Amortization	$ 3,985	$ —	$ 1,691	$ 5,676	$ —

The notes are an integral part of the financial statements.

STATE OF MINNESOTA
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalent Investments	$ 54,441	$ —	$ 126,340
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 3,522,929	$ 42,481	$ —
Investments	79,014,122	1,061,035	—
Accrued Interest and Dividends	162,278	2,299	—
Securities Trades Receivables (Payables)	(542,368)	(8,305)	—
Total Investment Pool Participation	$ 82,156,961	$ 1,097,510	$ —
Receivables:			
Accounts Receivable	$ —	$ —	$ 55,485
Interfund Receivables	9,597	—	—
Other Receivables	137,786	—	—
Total Receivables	$ 147,383	$ —	$ 55,485
Securities Lending Collateral	$ 5,253,993	$ —	$ —
Depreciable Capital Assets (Net)	40,791	—	—
Nondepreciable Capital Assets	429	—	—
Total Assets	$ 87,653,998	$ 1,097,510	$ 181,825
LIABILITIES			
Accounts Payable	$ 26,886	$ —	$ 181,825
Interfund Payables	9,833	—	—
Accrued Expense	30	—	—
Revenue Bonds Payable	10,839	—	—
Bond Interest	5	—	—
Compensated Absences Payable	2,905	—	—
Securities Lending Liabilities	5,253,993	—	—
Other Liabilities	1,818	—	—
Total Liabilities	$ 5,306,309	$ —	$ 181,825
NET POSITION			
Net Position Restricted for Pensions and Pooled Investments	$ 82,347,689	$ 1,097,510	$ —

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2019
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer	$ 1,420,954	$ —
Member	1,655,072	—
Contributions From Other Sources	9,445	—
Participating Plans	—	8,764
Total Contributions	$ 3,085,471	$ 8,764
Net Investment Income (Loss):		
Investment Income (Loss)	$ 5,711,750	$ 84,812
Less: Investment Expenses	(72,319)	(545)
Net Investment Income (Loss)	$ 5,639,431	$ 84,267
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 179,800	$ —
Securities Lending Rebates and Fees	(146,186)	—
Net Securities Lending Revenue	$ 33,614	$ —
Total Investment Income (Loss)	$ 5,673,045	$ 84,267
Transfers-In	$ 111,754	$ —
Other Additions	13,764	—
Total Additions	$ 8,884,034	$ 93,031
Deductions:		
Benefits	$ 5,225,888	$ —
Refunds and Withdrawals	420,611	27,487
Administrative Expenses	65,334	72
Transfers-Out	32,376	—
Total Deductions	$ 5,744,209	$ 27,559
Net Increase (Decrease)	$ 3,139,825	$ 65,472
Net Position Restricted for Pensions and Pooled Investments, Beginning, as Reported	$ 79,196,927	$ 1,032,703
Change in Reporting Entity	10,272	—
Change in Fund Structure	665	(665)
Net Position Restricted for Pensions and Pooled Investments, Beginning, as Restated	$ 79,207,864	$ 1,032,038
Net Position Restricted for Pensions and Pooled Investments, Ending	$ 82,347,689	$ 1,097,510

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2018 and JUNE 30, 2019
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 57,230	$ 171,709	$ 529,485	$ 649,897	$ 1,408,321
Investments	53,641	49,711	658,226	319,748	1,081,326
Accounts Receivable	527	20,734	413,575	49,711	484,547
Due from Primary Government	570	102,514	83,485	136,783	323,352
Accrued Investment/Interest Income	13,787	2,003	2,926	16,075	34,791
Federal Aid Receivable	3,001	14,383	—	526	17,910
Inventories	—	35,928	19,319	52	55,299
Loans and Notes Receivable	165,603	—	10,624	245,321	421,548
Prepaid Expenses	—	—	—	4,057	4,057
Other Assets	1,965	1,135	37,443	32	40,575
Total Current Assets	$ 296,324	$ 398,117	$ 1,755,083	$ 1,422,202	$ 3,871,726
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 394,602	$ 330,158	$ 62,958	$ 301,676	$ 1,089,394
Investments-Restricted	2,895,459	—	122,288	27,568	3,045,315
Accounts Receivable-Restricted	—	55,227	—	—	55,227
Due from Primary Government-Restricted.	—	2,213	—	—	2,213
Due from Primary Government	—	—	—	3,570	3,570
Investments	—	629,788	4,596,395	10,108	5,236,291
Accounts Receivable	—	—	127,784	338,506	466,290
Loans and Notes Receivable	789,832	44,871	70,603	2,137,586	3,042,892
Depreciable Capital Assets (Net)	6,082	3,517,269	2,714,874	975,507	7,213,732
Nondepreciable Capital Assets	—	1,071,626	608,556	36,039	1,716,221
Prepaid Expenses	—	—	—	311	311
Other Assets	—	—	28,841	—	28,841
Total Noncurrent Assets	$ 4,085,975	$ 5,651,152	$ 8,332,299	$ 3,830,871	$ 21,900,297
Total Assets	$ 4,382,299	$ 6,049,269	$ 10,087,382	$ 5,253,073	$ 25,772,023
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 10,984	$ —	$ —	$ —	$ 10,984
Bond Refunding	62	—	634	9,434	10,130
Deferred Pension Outflows	26,561	407,446	612,919	8,129	1,055,055
Deferred Other Postemployment Benefits Outflows	97	8,376	5,315	23	13,811
Deferred Derivative Outflows	—	2,297	—	—	2,297
Total Deferred Outflows of Resources	$ 37,704	$ 418,119	$ 618,868	$ 17,586	$ 1,092,277

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2018 and JUNE 30, 2019
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 40,173	$ 94,807	$ 306,974	$ 27,400	$ 469,354
Due to Primary Government	—	423	2,095	11,959	14,477
Unearned Revenue	—	19,872	64,408	24,248	108,528
Accrued Interest Payable	27,086	2,268	15,735	13,530	58,619
Bonds and Notes Payable	60,195	146,432	303,825	86,502	596,954
Capital Leases Payable	—	875	4,540	52	5,467
Claims Payable	—	6,356	48,321	191,232	245,909
Compensated Absences Payable	327	25,041	208,291	293	233,952
Other Liabilities	—	—	4,054	23	4,077
Total Current Liabilities	$ 127,781	$ 296,074	$ 958,243	$ 355,239	$ 1,737,337
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ —	$ 55,957	$ 56,190	$ —	$ 112,147
Unearned Revenue-Restricted	—	152,756	—	—	152,756
Accrued Interest Payable-Restricted	—	13,667	—	—	13,667
Due to Primary Government	—	—	4,047	78,871	82,918
Unearned Revenue	—	—	44	7,837	7,881
Interest Rate Swap Agreements	10,984	—	—	—	10,984
Bonds and Notes Payable	3,204,648	1,488,542	1,306,369	1,205,827	7,205,386
Capital Leases Payable	—	4,535	28,427	127	33,089
Claims Payable	—	14,028	11,236	533,255	558,519
Compensated Absences Payable	2,293	7,104	21,160	926	31,483
Other Postemployment Benefits	1,716	275,287	40,283	403	317,689
Net Pension Liability	8,725	141,511	209,393	2,753	362,382
Funds Held in Trust	92,121	—	294,385	119	386,625
Other Liabilities	—	—	41,992	250	42,242
Total Noncurrent Liabilities	$ 3,320,487	$ 2,153,387	$ 2,013,526	$ 1,830,368	$ 9,317,768
Total Liabilities	$ 3,448,268	$ 2,449,461	$ 2,971,769	$ 2,185,607	$ 11,055,105
DEFERRED INFLOWS OF RESOURCES					
Bond Refunding	$ —	$ —	$ 6,122	$ —	$ 6,122
Deferred Revenue	18,446	—	—	1,963	20,409
Deferred Pension Inflows	41,836	649,805	1,001,539	13,398	1,706,578
Deferred Other Postemployment Benefits Inflows	192	25,205	487	45	25,929
Total Deferred Inflows of Resources	$ 60,474	$ 675,010	$ 1,008,148	$ 15,406	$ 1,759,038
NET POSITION					
Net Investment in Capital Assets	$ 6,082	$ 3,115,332	$ 1,724,650	$ 1,011,038	$ 5,857,102
Restricted-Expendable	1,066,014	454,650	2,624,751	1,970,716	6,116,131
Restricted-Nonexpendable	—	—	1,552,316	—	1,552,316
Unrestricted	(160,835)	(227,065)	824,616	87,892	524,608
Total Net Position	$ 911,261	$ 3,342,917	$ 6,726,333	$ 3,069,646	$ 14,050,157

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 and JUNE 30, 2019
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 394,103	$ 957,643	$ 3,924,593	$ 693,904	$ 5,970,243
Program Revenues:					
Charges for Services	$ 256,596	$ 403,391	$ 1,549,896	$ 169,126	$ 2,379,009
Operating Grants and Contributions	196,665	564,301	1,090,394	231,479	2,082,839
Capital Grants and Contributions	—	328,309	102,767	7,600	438,676
Net (Expense) Revenue	$ 59,158	$ 338,358	$ (1,181,536)	$ (285,699)	$ (1,069,719)
General Revenues:					
Taxes	$ —	$ 84,416	$ —	$ 2,430	$ 86,846
Investment Income (Loss)	—	6,073	358,012	1,004	365,089
Other Revenues	818	493	748,070	3,203	752,584
Total General Revenues before Grants	$ 818	$ 90,982	$ 1,106,082	$ 6,637	$ 1,204,519
State Grants Not Restricted	53,320	—	674,288	349,872	1,077,480
Total General Revenues	$ 54,138	$ 90,982	$ 1,780,370	$ 356,509	$ 2,281,999
Change in Net Position	$ 113,296	$ 429,340	$ 598,834	$ 70,810	$ 1,212,280
Net Position, Beginning, as Reported	$ 797,965	$ 2,913,577	$ 6,127,499	$ 2,998,836	$ 12,837,877
Net Position, Ending	$ 911,261	$ 3,342,917	$ 6,726,333	$ 3,069,646	$ 14,050,157

The notes are an integral part of the financial statements.

Index of Notes to the Financial Statements

Notes to the Financial Statements

These notes provide disclosures relevant to the basic financial statements on the preceding pages.

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statements for the fiscal year ended June 30, 2019:

- GASB Statement No. 83"Certain Asset Retirement Obligations" was issued November 2016. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement has no material impact on the state.
- GASB Statement No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" was issued March 2018. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. See Note 12 – Long-Term Liabilities - Primary Government for additional disclosures.

Financial Reporting Entity of the State of Minnesota

This report includes the state departments, agencies, institutions, and organizational units that are controlled by or dependent upon the Minnesota Legislature or its constitutional officers. The state of Minnesota, as a primary government, consists of all organizations that make up its legal entity. This report also includes other legally separate organizations as component units. GASB has established criteria for determining which organizations should be included as component units. Legally separate organizations are reported as component units if either the state is financially accountable for the organization or the nature and significance of the organization's relationship with the state are such that exclusion would cause the state's financial statements to be misleading. These criteria include the state's ability to appoint a voting majority of an organization's governing body, and either the state's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. All of the state's component units are discretely presented component units that are shown separately from the primary government. The "Component Units" column in the accompanying financial statements includes the financial data of the state's discretely presented component units. Discretely presented component units are also identified separately in the note disclosures because of their separate legal status. All discretely presented component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting.

Discretely Presented Component Units

The following provides a description of the state's discretely presented component units:

- Housing Finance Agency (HFA) – HFA provides money for loans and technical assistance for constructing and rehabilitating housing for families of low and moderate incomes. The HFA board has seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. The state has the ability to significantly influence the programs, projects, and levels of services provided by HFA. HFA issues bonds in its own name.
- Metropolitan Council (MC) – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members, including the chair, subject to the advice and consent of the Minnesota senate. The state has the ability to significantly influence the projects and levels of services provided by MC. The regional administrator, appointed by the council, is responsible for the administration of council activities. The fiscal year for MC ends December 31.
- University of Minnesota (U of M) – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of U of M's operating budget. The Minnesota Legislature elects the twelve-member board of regents, which governs U of M, but the state does not have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several nonprofit organizations as component units.
- Agricultural and Economic Development Board (AEDB) – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. The state has the ability to significantly influence the programs and projects of AEDB. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.
- Minnesota Comprehensive Health Association (MCHA) – MCHA administers the Premium Security Plan (PSP), a risk mitigation program designed to keep premiums affordable to individual purchasers within the state of Minnesota. The purpose is to promote the public health and welfare of the people of Minnesota by making available certain health insurance plans to residents of the state who are not otherwise able to obtain such coverage in the marketplace. The board has 13 members, seven of whom are selected by commissioners of state departments. The state has appropriated funding for the program and has the ability to approve or reject the parameters for making payments to health carriers. The fiscal year for MCHA ends December 31.
- Minnesota Sports Facilities Authority (MSFA) – MSFA's mission is to provide for the construction, financing, and long-term use of a multi-purpose stadium and related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural, and commercial activities. The board of the authority has five members, including a chair and two members who are appointed by the governor. The state provides administrative funding to MSFA.
- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission (MASC), consisting of 14 members 9 of which are appointed by the state, contracts with NSCF to operate various sports facilities, including the National Sports Center. The facilities are used primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The MASC appoints all foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The fiscal year for NSCF ends December 31.

- Office of Higher Education (OHE) – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE's name with limitations set by the Minnesota Legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints the OHE director with the advice and consent of the senate.
- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. The state provides funding and administrative services for PFA. PFA is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.
- Rural Finance Authority (RFA) – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of the Department of Agriculture, who is a member of the board. The state has issued general obligation bond debt for RFA programs.
- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.

A discretely presented component unit is classified as major or non-major, depending on its significance relative to other component units and the nature and significance of the component unit's relationship to the primary government. HFA, MC, and U of M are classified as major component units for this report.

Additional information is available from the component unit's separately-issued financial statements. Because AEDB and RFA do not issue separately audited financial statements, the combining financial statements include a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows for each of these component units.

Complete financial statements of the discretely presented component units may be obtained from their respective administrative offices as follows:

- Housing Finance Agency, 400 Wabasha Street, Suite 400, St. Paul, Minnesota 55102, *www.mnhousing.gov*
- Metropolitan Council, 390 Robert Street North, St. Paul, Minnesota 55101-1805, *www.metrocouncil.org*
- University of Minnesota, Office of the Controller, 205 West Bank Office Building, 1300 South Second Street, Minneapolis, Minnesota 55454-1075, *www.twin-cities.umn.edu*
- Minnesota Comprehensive Health Assoc., 1650 West End Boulevard, Suite 100, St. Louis Park, Minnesota 55416, *www.mchamn.com*

- Minnesota Sports Facilities Authority, 1005 4th Street South, Minneapolis, Minnesota 55415-1752, *www.msfa.com*
- National Sports Center Foundation, National Sports Center, 1700 105th Avenue Northeast, Blaine, Minnesota 55449-4500, *www.nscsports.org*
- Office of Higher Education, 1450 Energy Park Drive, Suite 350, St. Paul, Minnesota 55108-5227, *www.ohe.state.mn.us*
- Public Facilities Authority, Department of Employment & Economic Development, 1st National Bank Building, 332 Minnesota Street, Suite W820, St. Paul, Minnesota 55101-1378, *www.mn.gov/deed/pfa*
- Workers' Compensation Assigned Risk Plan, Affinity Insurance Services, Inc., 8200 Tower, Suite 1100, 5600 West 83rd Street, Minneapolis, Minnesota 55437-1062, *www.mwcarp.org*

Related Entities – These are entities for which the state is accountable because the state appoints a voting majority of the board, but does not have financial accountability or the ability to impose the state's will on the entity. The following are related entities, but are not included in the reporting entity:

- Higher Education Facilities Authority (HEFA) – The governor appoints a majority of the board. HEFA can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of HEFA.
- Joint Underwriting Association – The state commissioner of the Department of Commerce appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.
- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.
- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

The following organizations, which are included in the primary government, prepare and publish separate financial reports, which may contain differences in presentation resulting from differing reporting emphasis. These financial reports may be obtained directly from each organization.

- Minnesota State Lottery, 2645 Long Lake Road, Roseville, Minnesota 55113-1117, *www.mnlottery.com*
- Minnesota State Retirement System, 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103-3000, *www.msrs.state.mn.us*
- State Board of Investment, 60 Empire Drive, Suite 355, St. Paul, Minnesota 55103-3555, *www.mn.gov/sbi*
- Teachers Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-1889, *www.minnesotatra.org*
- Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088, *www.mnpera.org*
- Minnesota State Colleges and Universities, Financial Reporting Unit, 500 Wells Fargo Place, 30 East 7th Street, St. Paul, Minnesota 55101-7804, *www.minnstate.edu*

The financial reports, available from the State Board of Investment, report on investments in investment pools, which include the majority of the state's Fiduciary Funds.

Financial Reporting Structure of the State of Minnesota

The basic financial statements include government-wide and fund financial statements. The government-wide financial statements report on the state as a whole, while the fund financial statements emphasize major individual funds and fund types. Both types of statements categorize activities as either governmental or business-type. Governmental expenditures are classified by function. Each of the state's departments and agencies is included in a functional classification based on its primary mission and objectives.

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the state as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and it's discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the general government function.

The focus of the government-wide statements is on financial information of the state as an entity and the change in the overall financial position of the state as a result of the activities of the fiscal year. Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting government, both current and long-term, are reported in the government-wide statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements. These amounts are reported as expenditures in the governmental fund financial statements. Long-term debt is recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liabilities, rather than as expenditures.

In the government-wide Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis by column. The statement includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports how much of the cost of each functional category (public safety and corrections, transportation, etc.) is supported by general government revenues (sales taxes, income taxes, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues, and by operating and capital grants and contributions.

Program revenues must be directly associated with, or derived directly from, the function or a business-type activity. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Program revenues are applied against program expenses in the Statement of Activities to report the net cost of each program.

General revenues normally cover the net costs (program expenses less program revenues) of all activities. Taxes represent the majority of general revenues. Internally dedicated resources are reported as general revenues, rather than program revenues.

Fund Financial Statements

Fund financial statements report on the financial operations and position of governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. The emphasis in fund financial statements is on the major funds in the governmental or enterprise categories. All remaining governmental, proprietary, and fiduciary funds are aggregated and reported as nonmajor funds.

Governmental funds, including the general, special revenue, capital projects, debt service, and permanent funds, are presented on a current financial resource measurement focus and modified accrual basis of accounting in the fund financial statements. This presentation is deemed most appropriate to demonstrate compliance with legal and bond covenant requirements, the source and use of financial resources, and how the state's actual spending conforms to the budget. Because the governmental fund statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the government-wide statements, reconciliations explaining the adjustments required to restate the fund-based financial statements for the government-wide governmental activities column are included.

Proprietary funds, including the enterprise and internal service funds, are presented on the economic resource measurement focus and full accrual basis of accounting in the fund financial statements. This is the same measurement focus and basis of accounting as the government-wide financial statements.

The state's fiduciary funds are presented in the fund financial statements by type (pension trust, investment trust, or agency). These assets are held for the benefit of others and cannot be used for activities or obligations of the government; therefore, the funds are excluded from the government-wide statements.

The fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate, for governmental, enterprise, and internal service funds.

Classification of Funds

The financial position and results of state operations are organized using individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The state uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

Governmental Fund Types – These funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. The fund types included in this category are the General Fund plus special revenue, capital project, debt service, and permanent funds.

- The General Fund accounts for all financial resources not accounted for and reported in another fund. This fund encompasses many of the primary government's functions.
- Special revenue funds account for revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.
- Capital project funds account for financial resources that are restricted, committed, or assigned to capital expenditures, including the acquisition or construction of capital facilities and other capital assets. The state's capital expenditures are reported as capital outlay, whereas capital expenditures

for other entities are reported as grant expenditures. Capital project funds exclude capital-related outflows financed by proprietary funds or for assets that will be held in trust.
- The Debt Service Fund accounts for the accumulation of resources for, and the payment of, most long-term debt principal and interest.
- Permanent Funds account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs. The state has only one permanent fund, the Permanent School Fund. Minnesota Constitution, Article XI, Section 8 allows for the distribution of net interest and dividends to school districts. The change in investment value is recorded on the face of the financial statements as "Investment/Interest Income." Amounts that can be authorized for expenditure are classified as restricted on the face of the statements.

The state has two major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund is the state's only major special revenue fund. It receives and disburses federal government grants, reimbursements, recoveries, and premiums.

Proprietary Fund Types – These funds focus on determining net income, changes in net position, financial position, and cash flows. Generally accepted accounting principles, similar to those used by private sector businesses, are followed in accounting for these funds. The fund types included in this category are the enterprise and internal service funds.

- Enterprise funds account for activities that charge a fee to external users for goods or services. Activities of enterprise funds are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.
- Internal service funds account for the financing of goods or services provided by one agency to primarily other state agencies on a cost reimbursement or other basis. The activities reported as internal service funds include motor pool, central services, employee insurance, technology services, plant management, and risk management.

The state has two major enterprise funds, the State Colleges and Universities Fund and the Unemployment Insurance Fund. The State Colleges and Universities Fund accounts for the activities of the Minnesota State Colleges and Universities (MnSCU) system, which is the largest higher education system in the state. The Unemployment Insurance Fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

Fiduciary Fund Types – These funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. Pension trust, investment trust, and the Agency Fund are included in this fund category.

- Pension trust funds report retirement funds administered by independent boards for which the state has a fiduciary role.
- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.
- The Agency Fund accounts for resources held in a custodial capacity for individuals, private organizations, or other governmental units. Some examples include resources held for inmates of correctional facilities or residents of veterans and group homes, sales taxes to be distributed to local governments, and child support collections to be distributed to custodial parents.

Basis of Accounting, Measurement Focus, and Fund Financial Statement Presentation

All governmental funds focus on the flow of current financial resources and use the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) to fund balances. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year-end. The state considers receivables collected after June 30, but by the close of the books in late August, to be available, and recognizes these receivables as current year revenues in governmental funds. Individual income taxes, property taxes, sales taxes, and federal grants are the major revenue sources susceptible to accrual. Receivables not collected by the close of the books in late August are reported as deferred revenue. Revenues collected prior to meeting eligibility requirements (excluding time requirements), including certain federal grant revenues, are reported as unearned revenue until the eligibility requirements are met, at which time revenue is recognized. However, revenues collected prior to meeting only time requirements are reported as deferred revenue. Expenditures and related liabilities are recognized when fund obligations are incurred, except for debt service, compensated absences, capital leases, pension and other postemployment benefits, and claims and judgments, which are recorded when due and expected to be liquidated with available financial resources. The following provides further detail on specific items regarding the modified accrual basis of accounting.

Tax Revenues – Tax revenues, excluding property taxes, are recognized in the period they become both measurable and available to finance expenditures of the current period. Measurable means that taxpayer liability is supported by sufficient documentation and can be reasonably estimated. The state's liability for anticipated refunds of such taxes is estimated and recorded as reductions in revenue in the period when the related tax is recognized.

Property Tax Revenues – Minnesota Statutes 275.025 establishes a state general tax (property tax) against commercial/industrial and seasonal residential recreational properties. Counties, as agents for the state, assess the state general tax. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. Levies are determined based on the formula contained in the laws. The state preliminarily certifies the state general levy rate to each county no later than November 1 of each year for taxes payable in the following calendar year. The state certifies the final state general tax levy on January 1 of each year to each county. Property taxes are due to counties in two installments for each year – May 15 and October 15. The counties pay the state general tax to the state on three dates – June 30, December 1, and a final date of January 25 for any adjustments or changes. Property tax is recognized, net of uncollectible amounts, in the period for which the taxes are levied and the taxes are available.

Federal Revenues – Federal revenues, earned by incurring allowable obligations, are recognized at the same time the related obligation is recognized, with one exception. Trunk Highway Fund (special revenue fund) expenditures incurred by June 30, but not converted to Federal funding by the close of the federal fiscal year, are not recognized as federal revenues until the year they are converted.

Proprietary, pension trust, and investment trust funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for defined benefit and defined contribution pension plans. Agency funds use the accrual basis of accounting but do not have a measurement focus because agency funds do not recognize revenues and expenses.

Proprietary funds distinguish operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost

of sales and services, administrative expense, and depreciation of capital assets. All other revenues and expenses are reported as nonoperating items.

Cash Equivalents and Investments

Cash Equivalents – Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash equivalents also include management pools and money market funds that are used essentially as demand deposit accounts.

Investments – Investments are reported at fair value, which is defined as the exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The state measures the fair value of investments based on a hierarchy of valuation inputs. Investments in derivatives are generally made to manage the overall risk of the individual manager's portfolios to a level satisfactory to the investment management firm and in accordance with the firm's contract with the State Board of Investment. See Note 2 – Cash, Investments, and Derivative Instruments for additional information regarding cash, investments, and derivative instruments.

Inventories

Generally, inventories for governmental funds are recorded as expenditures when purchased and are not a resource available for appropriation. The exception primarily relates to the Trunk Highway Fund (special revenue fund) and inventories are valued using weighted-average cost. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of proprietary funds are valued using the first-in, first-out, average cost, or specific cost methods.

Securities Lending

Securities on loan for cash collateral and the liabilities resulting from the security lending transactions are reported on the Statement of Net Position or the Balance Sheet, as appropriate, for the particular fund type or level of reporting. Securities lending income and rebate and management fees are reported separately on the Statement of Revenues, Expenditures, and Changes in Fund Balances; the Statement of Revenues, Expenses and Changes in Net Position; or the Statement of Changes in Net Position, as appropriate for the particular fund type.

Restricted Net Position

Mandatory asset segregations required by bond covenants and other external restrictions are presented in enterprise funds and discretely presented component units as restricted net position. After liabilities from restricted assets are paid, any remaining restricted assets in the enterprise funds will be used for debt service.

Income Tax Credits

The Minnesota Department of Revenue processes several types of tax credits through the individual income tax system. For financial reporting purposes, income tax credits that are limited by the amount of the individual's tax liability (before considering such credits) are reported as revenue reductions. In contrast, credits for Education, Working Family, and Child and Dependent Care may be received even if they exceed the individual's tax liability. These types of credits are reported as expenditures, rather than revenue reductions, because the income tax system is, essentially, being used as a filing and payment mechanism to make grant payments to individuals.

Grant Expenditures and Liabilities Recognition

Grants are defined as nonexchange transactions because the state gives (or receives) value to another party without receiving (or giving) equal value in return. Grants are normally paid on either a reimbursement basis or an entitlement basis.

Reimbursement type grants may be awarded for specific services provided to eligible recipients, or may be made for eligible types of reimbursements. Grants paid on the reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of providing specific services to eligible recipients or makes eligible types of expenditures.

Entitlement type grants may be based on services provided by the grantee. The intent of the grant is to help fund such services, but the grant amount is not based on the cost of providing the service(s). Expenditures and the related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed can be reasonably estimated soon after the end of the state's fiscal year. Other types of entitlement grants are not based on the services provided or action taken by the grantee. Expenditures and the related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Resources received in advance of meeting all eligibility requirements, excluding time requirements, are recorded as liabilities.

Compensated Absences

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated in cash only upon termination from state employment. The current and noncurrent compensated absences liabilities for governmental funds are reported only in the government-wide Statement of Net Position. All other fund types report the liability for compensated absences as a liability of the specific fund.

Capital Assets

Capital assets, which include land, buildings, equipment, infrastructure, intangible assets, and art and historical treasures, are reported in the government-wide financial statements and the fund financial statements for proprietary and fiduciary funds. Capital assets are generally defined by the state as assets with an initial, individual cost of more than $300,000 for buildings and depreciable infrastructure, $30,000 for equipment, $300,000 for non-depreciable infrastructure, $30,000 to $2,000,000 for internally generated computer software depending on the fund and fund type, and $30,000 for art and historical treasures. All land and easement assets are capitalized, regardless of cost. Capital assets must also have an estimated useful life of two or more years.

Capital assets are recorded at cost or, for donated assets, at acquisition value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available; therefore, estimated historical costs have been used in these situations. Permanent School Fund (permanent fund) land is reported at estimated historic cost. The land included in the Permanent School Fund was granted to the state by the federal government in connection with the state being admitted to the United States. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 20-50 years for buildings and depreciable infrastructure, 20-50 years for large improvements, 3-10 years for small improvements, 3-15 years for equipment, 3-10 years for internally generated computer software, and 20-50 years for easements. Transportation infrastructure assets using the modified approach, land,

construction, and development in progress, permanent easements with indefinite useful lives, and works of art and historical treasures, such as the state capitol, are not depreciated.

GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" allows an alternative (modified) approach to the recording of infrastructure assets in which costs to maintain and preserve these assets are expensed in lieu of depreciation. The transportation infrastructure capital assets of pavement and bridges are reported using the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state's pavement and bridges are included in Required Supplementary Information Modified Approach for Infrastructure. See Note 6 – Capital Assets for further information on capital assets.

Current and Noncurrent Assets

At the government-wide level, assets are classified as either current or noncurrent. Governmental activity current assets are those considered available for appropriation and expenditure and include cash, various receivables, and short-term investments. Current assets in business-type activities are those that are available or can readily be made available to meet the cost of operating or to pay current liabilities. All other assets are considered noncurrent. Assets are classified as current or noncurrent in proprietary funds, but assets are not classified at the fund level for governmental funds.

Deferred Outflows of Resources

In the government-wide financial statements, the differences between the net carrying amounts and the reacquisition price on refunding bonds are reported as a deferred outflows of resources when the net carrying amount exceeds the reacquisition price. These amounts are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In addition, contributions to pension plans and transactions to other postemployment benefit (OPEB) plans subsequent to the measurement date of the net pension liability and the total OPEB liability before the fiscal year end are reported as deferred outflows of resources. In addition, amounts related to the increases in the net pension liability and the total OPEB liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and net differences between projected and actual investment earnings for pensions are reported as deferred outflows of resources. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable plan, with the exception of the difference between projected and actual earnings, which is amortized over five years.

Current and Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Long-term liabilities are the amount of liabilities not due and payable during the fiscal year resulting from debt issuances, compensated absences, closure and post closure care for landfills, workers' compensation claims, supplementary and second injury benefit claims, pollution remediation obligations, capital leases, net pension, other postemployment benefits, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

See Note 12 – Long-Term Liabilities - Primary Government for further information.

Deferred Inflows of Resources

In the governmental funds, when an asset is recorded but the revenue is not available, the amount is reported as a deferred inflow of resources until the revenue becomes available. Amounts that are not permitted to be used until the next fiscal year remain as deferred inflows of resources in the government-wide statements. In addition, differences between the reacquisition price and the net carrying amounts on refunding bonds when the reacquisition price exceeds the net carrying amount as well as the adjustments to the lease obligations on a capital lease restructuring due to the refunding of the debt by the lessor are reported as a deferred inflow of resources on the government-wide financial statements. These amounts are amortized as interest expense over the shorter of the remaining life of the old debt or the life of the new debt. Amounts related to the decreases in the net pension liability and total other postemployment benefits (OPEB) liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and net differences between projected and actual investment earnings for pensions are reported as deferred inflows of resources. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable plan, with the exception of the difference between projected and actual earnings, which is amortized over five years.

Deferred Compensation Plan

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The Minnesota Deferred Compensation Fund (pension trust fund) represents the value of all assets of the plan. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement System. Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with state statute, effective July 1, 1997, contributions are held for the exclusive benefit of the participants and their beneficiaries. These amounts are held in trust, in custodial accounts, or in qualifying contracts, as required by federal law. The State Board of Investment determines the investment options available to plan participants and oversees the activities of the investment managers. The majority of the assets of the plan are invested in various mutual funds. The state is not liable for any investment losses under the plan.

Net Position/Fund Balances and Fund Balance Classification Policies and Procedures

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balances" on governmental fund statements.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets as well as deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of these assets or related debt. Significant unspent related debt proceeds are included in Restricted for Capital Projects.

Restricted Net Position represents the portion of net position that is constrained either externally by parties such as creditors or grantors, or legally through constitutional provisions or enabling legislation. Restricted net position is determined at the fund level. For a fund with more than one revenue stream, restricted net position is determined by the materiality of any restricted revenues in the fund.

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the state is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or, imposed by law through constitutional provisions or enabling legislation. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Minnesota Legislature by passing a bill, which is signed by the Governor, are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Minnesota Legislature removes or changes the specified use by taking the same type of action it employed to commit those amounts. Amounts that are constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed, are classified as assigned fund balances. Intent is expressed by agency heads to whom the Governor has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

The state's policy is that restricted amounts are spent first when expenditures are incurred for purposes for which both restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the state's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by Minnesota Management and Budget and presented to the Minnesota Legislature for approval. Specific appropriations are required for the majority of the expenditures from the General Fund. The accounts not requiring specific appropriations are considered perspective differences in the budgetary basis vs. GAAP reconciliation. Specific appropriations are also required for all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Douglas J. Johnson Economic Protection Trust, Endowment, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

Budgetary control is essentially maintained at the departmental level except for certain programs where control is at the program level. In most departments, upon notifying the governor and legislative leadership, department heads are permitted to revise budgets by transferring amounts between programs within their departments.

Unencumbered appropriation balances generally cancel to the fund at the end of the fiscal year. However, if specifically provided by law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The accounting system maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting point for the financial statements. The second ledger tracks information on a budgetary basis of accounting, which approximates a cash basis with the exception that, at year-end, encumbered amounts are included as expenditures of the year appropriated for budgetary reporting. The budget ledger controls expenditures by appropriation line item as established in the legally adopted appropriation bills. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from Minnesota Management and Budget.

Interfund Activity and Balances

Generally, internal service fund activity has been eliminated from the government-wide statements. Internal service fund activity from external customers is reported under governmental activities in the government-wide statements. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for residual amounts between governmental and business-type activities. See Note 5 – Interfund Transactions for additional information.

Salary Income

The net pension income during the current fiscal year caused the salary expense in the Internal Service Funds Combining Statement of Revenues, Expenses and Changes in Net Position for the MN.IT Fund (internal service fund), and the Nonmajor Enterprise Funds Combining Statement of Revenues, Expenses and Changes in Net Position for the Giants Ridge, and Minnesota Correctional Industries funds (enterprise funds) to be in an income position.

Note 2 – Cash, Investments, and Derivative Instruments

Primary Government

Cash and Cash Equivalents

The majority of the primary government's cash is held in the state treasury and commingled in state bank accounts, while the majority of component unit cash is held in separate bank accounts. Cash in individual funds may be invested separately where permitted by statute; however, cash in most funds is invested as part of an investment pool. A fund's investment with the primary government's cash pools is reported as a cash equivalent. Where provided by statute, investment earnings of the primary government's pools are allocated to the individual funds. Earnings for all other participants are credited to the General Fund.

Deposits

Minnesota Statutes 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. The statute further requires that the insurance and collateral shall be in an amount sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amounts and the fair value of the collateral.

Investments

The State Board of Investment (SBI) manages the majority of the state's investments. All investments undertaken by SBI are governed by the standards codified in Minnesota Statutes 11A and 356A. Minnesota Statutes 11A.24, broadly restricts investments of the primary government to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds.

Funds not invested by SBI are primarily from the Minnesota State Colleges and Universities. Investments for these funds must also conform to the above statutes and may be further restricted by bond indentures.

Generally, when applicable, the statutes limit investments to those rated by a nationally recognized rating agency within the top four quality ratings categories. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

SBI is authorized to establish, and has established, combined investment funds used by participating public retirement and nonretirement funds. Retirement and nonretirement funds should not be commingled. Each investment fund has its own characteristics, including investment objective and risk characteristics. Within statutory requirements and based on detailed analysis of each fund, SBI has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

Investment Derivative Instruments

Minnesota Statutes 11A.24, provides that any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. This provision applies to foreign currency forward contracts used to offset the currency risk of a security. All other derivatives are exchange traded. The purpose of the SBI derivative activity is to equitize cash in the portfolio, to adjust the duration of the portfolio, or to offset current futures positions.

The cash inflows, cash outflows, and changes in fair value of investment derivatives are reported as investment income. The June 30, 2019 fair value of investment derivatives is reported as investments.

Synthetic Guaranteed Investment Contract (SGIC): SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Pool - Fixed Interest Account of the pension and investment trust funds' portfolio. The investment objective of the Fixed Interest Account is to protect investors in defined contribution and deferred compensation plans from loss of their original investment and to provide a competitive interest rate. On June 30, 2019, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of $1,589,083,000 that is $30,619,000 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool with a fair value of $27,176,000.

The following table summarizes, by derivative type, the investment derivative activity, and June 30 positions for fiscal year 2019.

Primary Government
Derivative Activity for the Year Ended June 30, 2019
By Derivative Type
(In Thousands)

Derivative Type	Change in Fair Value	Year End Fair Value	Year End Notional Amount
Governmental Activities:			
Futures	$ 1,615	$ —	$ (32,450)
Total Governmental Activities	$ 1,615	$ —	$ (32,450)
Fiduciary Activities:			
Futures	$ 814	$ —	$ 344,227
Futures Options Bought	(5,802)	613	1,378
Futures Options Written	4,258	(1,465)	(5,263)
FX Forwards	(2,841)	361	460,201
Warrants/Stock Rights	770	1,565	3,100
Total Fiduciary Activities	$ (2,801)	$ 1,074	$ 803,643

Credit Risk: Minnesota is exposed to credit risk through seven counter parties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state's FX Forward counter parties combined exposes the state to a maximum loss of $2,639,000 should these counter parties fail to perform. These counter parties have Standard & Poor's (S&P) credit ratings of A- or better. The primary government, excluding pension and investment trust funds, had no exposure to counter party risk.

Foreign Currency Risk: Currency futures and foreign stock index futures are exposed to foreign currency risk. Their currency risks are included in the Foreign Currency Risk schedule of this note.

Component Unit Derivative Activity: Derivative activity of the state's component units is disclosed in the last section of this note.

Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holders of the investment. Minnesota Statutes limit investments in debt securities to the top four quality rating categories by a nationally recognized rating agency. SBI may also invest in unrated corporate

obligations or in corporate obligations that are not rated among the top four quality categories provided that:

Unrated Corporate Obligations

- Aggregate value may not exceed 5 percent of the fair value of the fund for which the state board is investing;
- SBI's participation is limited to 50 percent of a single offering; and
- SBI's participation is limited to 25 percent of the issuer's unrated obligations.

Corporate Stock

- Aggregate value of corporate stock may not exceed 85 percent of the fair market or book value, whichever is less, of a fund; and
- Investment in corporate stock may not exceed 5 percent of the total outstanding shares of any one corporation; with limited exceptions.

The state does not have a credit risk policy that is more stringent than the statutory requirements. The contracts between SBI and investment managers include guidelines or limitations regarding credit risk. The exposure to credit risk is based on the lower of S&P or Moody's Quality Ratings. For clarity of reporting, Moody's ratings are displayed in this exhibit using the comparable S&P rating.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2019
(In Thousands)

Quality Rating	Fair Value
AAA	$ 1,574,922
AA	2,903,328
A	1,262,539
BBB	7,134,396
BB	106,467
Unrated	2,988,272
Agencies	7,451
U.S. Governments	563
Total Debt Securities	$ 15,977,938

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2019
(In Thousands)

Quality Rating	Fair Value
AAA	$ 678,893
AA	11,329,651
A	431,965
BBB	1,602,762
BB	818,687
B	56,399
CCC	26,198
CC	15,524
C	2,916
D	728
Unrated	2,931,668
Total Debt Securities	$ 17,895,391

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The state does not have a policy on interest rate risk. The contracts between SBI and investment managers contain the guidelines and limitations regarding interest rate risk. Debt securities are constrained around the quality rating, sector mix, and duration of the Barclays Capital U.S. Aggregate Bond index. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
As of June 30, 2019
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
U.S. Treasury	$ 859,608	2.55
U.S. Agencies	2,293,803	0.62
Mortgage-backed Securities	435,907	7.91
State or Local Government Bonds	85,809	9.41
Corporate Bonds	2,007,918	2.6
Yankee Bonds	807,291	1.2
Foreign Country Bonds	1,704	10.24
Short Term Notes	9,485,898	0.05
Total Debt Securities	$ 15,977,938	
Equity Investments:		
Corporate Stock	$ 1,783,159	
Other Investments:		
Escheat Property	21,637	
Money Market Accounts	10,074	
Total Other Investments	$ 31,711	
Total Investments	$ 17,792,808 [1]	

[1] Total investments are less than the amount shown on the face of the financial statements as amounts do not include cash on hand.

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
As of June 30, 2019
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
U.S. Treasury	$ 8,231,169	13.53
U.S. Agencies	788,385	8.28
Mortgage-backed Securities	2,963,592	5.21
State or Local Government Bonds	86,332	18.1
Corporate Bonds	2,033,628	10.02
Yankee Bonds	666,713	7.83
Foreign Country Bonds	14,031	2.78
Asset-backed Securities	575,406	6.41
Short Term Notes	2,536,135	0.47
Total Debt Securities	$ 17,895,391	
Equity Investments:		
Corporate Stock	$ 44,995,131	
Alternative Equities	10,267,771	
Stock Rights/Warrants	1,565	
Total Equity Investments	$ 55,264,467	
Other Investments:		
Guaranteed Investment Account:		
Synthetic Guaranteed Investment Contract (SGIC)	$ 1,558,464	
Short Term Investment Pool	27,176	
Total Guaranteed Investment Account	$ 1,585,640	
Futures Options	(852)	
Mutual Funds	8,719,132	
Total Other Investments	$ 10,303,920	
Total Investments	$ 83,463,778 [(1)]	

[(1)] Total Investments do not include $231.23 million of cash that is included in the cash and cash equivalent investments line on the pension and investments trust funds statements.

Fair Value Reporting

GASB Statement No. 72 "Fair Value Measurement and Application" sets forth the framework for measuring the fair value of investments based on a hierarchy of valuation inputs. The statement defines fair value as the exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The hierarchy has three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs for Level 2 include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs reflect SBI's assumptions about the inputs that market participants would use in pricing an asset or liability.

Investments that do not have a readily determinable fair value are measured using the net asset value (NAV) per share (or its equivalent) as a practical expedient, and not classified in the fair value hierarchy.

All non-cash investments, including derivative investments that are not hedging derivatives, are required to be measured at fair value on a recurring basis. SBI maintains investment pools in which participants own a proportionate share of the investment pools. The fair value of the investment pools is priced daily by SBI's custodian, when a daily price is available, by using independent pricing sources.

Level 3 investments primarily consist of assets where the asset is distressed or there is not an active market. The fair value of the assets measured at the NAV has been determined using the March 31, 2019 values, adjusted for cash flows. The investments measured at the NAV are typically not eligible for redemption. Distributions received as underlying investments within the funds are liquidated over the life of the investment. Cash and a portion of the short-term investments are not leveled under GASB 72.

SBI has 57 investments that are valued at the NAV that are currently in the liquidation mode, totaling three percent of the NAV. The majority of the remaining value of investments in the liquidation mode will be returned to SBI within a time period of three to five years. SBI has a total of $10,228,487,000 in unfunded commitments to the invested value of the NAV. Unfunded commitments is money that has been committed to an investment, but not yet transferred to the investor.

The private equity investment strategy is to establish and maintain a broadly diversified private equity portfolio composed of investments that provide diversification by industry type, stage of corporate development, and location.

The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio composed of investments that provide overall diversification by property type and location. The main components of this portfolio consist of investments in closed-end commingled funds. The remaining portion of the portfolio may include investments in less diversified, more focused (specialty) commingled funds and Real Estate Investment Trusts (REITs).

The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments and energy service industry investments that are diversified by geographic area as well as by type.

The strategy for yield-oriented investments is to target funds that typically provide a current return and may have an equity component. Structures such as subordinated debt investments and mezzanine investments are typical yield-oriented investments.

Primary Government
Governmental, Proprietary, and Agency Funds
Fair Value of Investments
As of June 30, 2019
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	$ 1,729,968	$ 1,726,853	$ 3,115	$ —
Real Estate Investment Trust	53,047	53,047	—	—
Equity Total	$ 1,783,015	$ 1,779,900	$ 3,115	$ —
Fixed Income:				
Asset-backed Securities	$ 358,070	$ —	$ 358,070	$ —
Mortgage-backed Securities	435,236	—	435,236	—
Corporate Bonds	2,234,646	—	2,233,872	774
Government Issues	4,509,801	8,559	4,501,242	—
Fixed Income Total	$ 7,537,753	$ 8,559	$ 7,528,420	$ 774
Total Investments by Fair Value	$ 9,320,768 [1]	$ 1,788,459	$ 7,531,535	$ 774

[1] Total investments are less than the cash, cash equivalent investments, and investments shown on the face of the financial statements since cash and a portion of the short-term investments are not leveled under GASB 72 and are not included in this table.

Primary Government
Pension and Investment Trust Funds
Fair Value of Investments
As of June 30, 2019
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	$ 42,247,523	$ 42,238,403	$ 8,872	$ 248
Real Estate Investment Trust	1,328,935	1,328,935	—	—
Other Equity	1,533,500	1,090,686	103,043	339,771
Equity Total	$ 45,109,958	$ 44,658,024	$ 111,915	$ 340,019
Fixed Income:				
Asset-backed Securities	$ 858,518	$ —	$ 816,402	$ 42,116
Mortgage-backed Securities	3,311,816	—	3,276,399	35,417
Corporate Bonds	3,296,463	—	3,279,276	17,187
Government Issues	9,806,167	—	9,780,886	25,281
Other Debt Instruments	521,304	—	521,304	—
Fixed Income Total	$ 17,794,268	$ —	$ 17,674,267	$ 120,001
Investment Derivatives - Options	$ (852)	$ (852)	$ —	$ —
Total Investments by Fair Value	$ 62,903,374	$ 44,657,172	$ 17,786,182	$ 460,020
Investments Measured at Net Asset Value (NAV):	NAV	Number of Investments	Percent of NAV Value	Unfunded Commitments
Private Equity	$ 6,318,495	150	62%	$ 6,889,342
Real Estate	822,565	26	8	1,343,867
Resource	1,980,553	36	20	929,112
Yield Oriented	1,026,533	36	10	1,066,166
Total Investments at NAV	$ 10,148,146	248	100%	$ 10,228,487
Total Investments by Fair Value and NAV	$ 73,051,520 [1]			

[1] Total investments are less than the cash, cash equivalent investments, and investments shown on the face of the financial statements since cash and a portion of the short-term investments are not leveled under GASB 72 and are not included in this table.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The state does not have a formal policy regarding concentration of credit risk for rated corporate debt securities that are among the top four quality categories. For other types of investments, Minnesota Statutes 11A.24, established investment parameters which are outlined in the "Credit Risk of Debt Security Investments" section of this note. SBI determined the concentration of credit risk based on security identification number.

The state did have exposure to one single issuer that equals or exceeds five percent of the overall portfolio as of June 30, 2019. Federal Home Loan Bank had an aggregate market value of 9.1 percent of the total debt security total of the Governmental, Proprietary, and Agency Funds.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SBI has established guidelines to be used by investment managers. Managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts to avoid currency losses.

The primary government, excluding pension and investment trust funds, had no exposure to foreign currency risk as of June 30, 2019. The following table shows the foreign currency risk for the pension and investment trust funds.

Pension and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2019
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 2,792	$ —	$ 690,725
Brazilian Real	36	—	220,852
Canadian Dollar	6,429	25,605	1,015,467
Danish Krone	29	—	186,876
Euro Currency	8,312	4,427	4,235,279
Hong Kong	7,928	—	1,073,249
Indian Rupee	193	—	104,219
Indonesian	625	—	88,712
Japanese Yen	26,476	—	2,215,630
New Taiwan	415	—	328,627
Pound Sterling	2,550	10,442	1,681,132
Singapore Dollar	231	—	150,350
South African	128	—	159,834
South Korean	449	—	372,456
Swedish Krona	67	—	253,389
Swiss Franc	89	—	889,533
Other	2,071	—	593,030
Total	$ 58,820	$ 40,474	$ 14,259,360

Custodial Risk – Investments

Custodial risk for investments is the risk that, in the event of a failure of the counterparty, the state will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are held in the state's name and collateral for repurchase agreements is held in the state's name by third party agents. The primary government does not have a formal policy for custodial credit risk.

Securities Lending

Minnesota Statutes do not prohibit the state from participating in securities lending transactions. The state has, by a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to act as agent in lending state securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, State Street lent, on behalf of the state, certain securities held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the federal government. State Street does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to at least 100 percent of the fair value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the state in the event of default by a borrower. There were no failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the state and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a collective investment pool. As of June 30, 2019, the investment pool had an average duration of 14.42 days and an average weighted maturity of 83.43 days for U.S. dollar collateral.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2019, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

The fair value of collateral held and the fair value of securities on loan for the state as of June 30, 2019, were $7,457,241,177 and $7,256,219,000, respectively. Securities received as collateral for which the state does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Cash collateral of $5,253,993,000 is reported in the Fiduciary Funds Statement of Net Position as an asset and corresponding liability.

Primary Government
Pension and Investment Trust Funds
Securities Loaned
As of June 30, 2019
(In Thousands)

Investment Type		Fair Value
Domestic Equities	$	5,452,348
U.S. Government Bonds		750,244
International Equities		376,973
Domestic Corporate Bonds		676,654
Total	$	7,256,219

Component Units

Housing Finance Agency

As of June 30, 2019, the Housing Finance Agency (HFA) had $451,832,000 of cash and cash equivalents and $2,949,100,000 of investments. As of June 30, 2019, $451,286,000 of deposits and $2,840,987,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 9.0 – 27.3 years.

HFA cash equivalents included $546,000 of investment agreements, which are generally uncollateralized interest-bearing contracts.

HFA investments had an estimated fair value of $2,949,100,000 as of June 30, 2019. Included in these investments were $109,125,000 in U.S. Treasuries (not rated), and $2,715,701,000 in U.S. Agencies having an S&P rating of AA+ and Moody's Investors Services rating of Aaa. An additional $15,615,000 in municipal debt investments had an S&P rating of AA+ and Moody's Investors Services rating of Aaa.

HFA measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." HFA measured investments of $123,681,000 and $2,716,760,000 using Level 1 and Level 2 inputs, respectively. The remaining investments of $108,659,000 related to premiums/discounts and unrealized appreciation/depreciation.

HFA had investments in single issuers as of June 30, 2019, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of $1,016,585,000 were issued by Federal National Mortgage Association.

HFA entered into interest rate swap agreements that were considered to be derivative instruments under GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." These interest rate swap agreements have been determined to be effective hedges and were reported at fair value as of June 30, 2019, as a liability called "Interest Rate Swap Agreements." The inception-to-date change in fair value as of June 30, 2019, was reported in "Accumulated Decrease in Fair Value of Hedging Derivatives" deferred outflows of resources.

As of June 30, 2019, HFA had interest rate swap agreements with the following counterparties; the Bank of New York Mellon (one agreement), Royal Bank of Canada (five agreements) and Wells Fargo (two agreements) for total notional amounts of $35,000,000, $183,225,000, and $80,000,000, and fair values of $(1,730,000), $(7,306,000), and $(2,443,000), respectively. For these counterparties, the fair values for the fiscal year ended June 30, 2019, decreased $(1,559,000), decreased $(8,879,000), and decreased $(3,814,000), respectively.

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, the Bank of New York Mellon, Royal Bank of Canada, and Wells Fargo have been rated by Moody's as Aa2, Aa2, and Aa2 respectively, and by S&P as AA-, AA-, and A+ respectively.

All swaps are pay-fixed, receive-variable. The initial notional amounts matched the original principal amounts and have terms which reduce the notional amounts to approximately follow the anticipated reductions in outstanding principal. HFA has also purchased the rights on the underlying mortgage loans, generally based upon a 300 percent PSA prepayment rate (the standard prepayment model of the Security Industries and Financial Market Association). This has further reduced the notional balances of the swaps as needed to match outstanding principal amounts of the associated bonds. HFA also has the right to terminate outstanding swaps in whole or in part at any time if it is not in default. The swap contracts may also be terminated by the counterparties, but are generally limited to HFA payment default or other HFA defaults that remain uncured for 30 days.

The variable rate HFA pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month taxable London Inter-Bank Offered Rate (LIBOR) rate or the Securities Industry and Financial Markets Association (SIFMA) index rate. This exposes HFA to basis risk (the risk that the rates do not equal), and this risk will vary over time due to inter-market conditions.

HFA assumes the risk that changes in the tax code may vary from the historical long-term relationship between taxable and tax-exempt short-term interest rates for economic reasons.

Metropolitan Council

As of December 31, 2018, the Metropolitan Council (MC), had $501,867,000 in cash and cash equivalents and $679,499,000 in investments. Of this amount, $1,159,752,000 was subject to rating. Using the Moody's Investors Services rating scale, $903,938,000 of these investments were rated Aaa, while $255,814,000 were not rated. The net outstanding checks of $21,614,000 comprise the remaining cash and investment amount.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Of the $309,043,000 U.S. agency investments, MC has a custodial credit risk exposure of $1,992,000 because the related securities are held by a custodial agent in the broker's name.

MC measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." MC measured investmentsof $288,867,000 and $470,798,000 using Level 1 and Level 2 inputs, respectively. MC measured another $221,260,000 of investments at the net asset value, while the remaining $21,614,000 was cash and cash equivalents. MC also holds $158,159,000 in the Internal Equity Pool and $20,668,000 in a cash fund with the State Board of Investment (SBI) was a trust account for other post-employment benefits (OPEB).

MC has adopted a simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2018. The investment portfolio excluding the cash and escrow accounts and the OPEB trust portfolio has an average yield of 2.59 percent, modified duration of 1.65 years, effective duration of 1.12 years, and convexity of -0.24.

The following table presents the estimated fair value of MC investments subject to interest rate risk using the simulation model.

Major Component Unit
Metropolitan Council
Fair Value of Investments
As of December 31, 2018
(In Thousands)

Fair Value of Portfolio		Estimated Fair Value
Before Basis Point Increase	$	1,186,562
After Basis Point Increase of:		
50 Points	$	1,174,961
100 Points		1,168,861
150 Points		1,162,960
200 Points		1,156,569

MC has used commodity futures as an energy forward pricing mechanism permitted by Minnesota Statutes 473.1293. Statutorily, MC may not hedge more than 100 percent of the projected consumption of any of its commodities and only up to 23 months into the future. Since 2004, MC has hedged most of its annual diesel fuel consumption. The hedging transactions are separate from fuel purchase transactions. For calendar year 2018, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2018, MC had 286 New York Mercantile Exchange (NYMEX) heating oil futures contracts (12.00 million gallons) acquired from April 04, 2017, through December 20, 2018, to terminate on dates from January 31, 2019, through September 30, 2020. As of December 31, 2018, the heating oil futures contracts had a fair value of $20,604,000.

MC is using NYMEX heating oil futures to hedge its diesel fuel consumption. MC will be exposed to basis risk if the prices significantly deviate from each other. Historically, there has been a strong correlation between the two products.

University of Minnesota

As of June 30, 2019, the University of Minnesota (U of M), including its discretely presented component units, had $592,443,000 of cash and cash equivalents and $5,376,909,000 of investments. U of M's discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of $467,817,000 and investments of $2,324,800,000.

As of June 30, 2019, U of M's bank balance of $176,429,000 was uninsured and uncollateralized.

U of M maintains centralized management for substantially all of its cash and investments. The Board of Regents establishes U of M's investment policies and objectives. U of M uses internal investment pools designed to meet respective investment objectives within established risk parameters for each pool.

U of M has established policies to address the various types of investment risks. U of M uses S&P ratings and duration as a measure of a debt investment's exposure to fair value changes arising from changing interest rates. As of June 30, 2019, $1,354,850,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $1,061,996,000 was rated AA or better
- $60,446,000 was rated BBB to A
- $54,950,000 was rated BB or lower
- $177,458,000 was not rated

The securities subject to interest rate risk were comprised of the following:

- $591,631,000 in government agencies with weighted average maturities of 1.0 to 2.1 years
- $79,569,000 in mortgage-backed securities with a weighted average maturity of 16.9 years
- $231,439,000 in cash and cash equivalents with a weighted average maturity of 0.0 years
- $274,753,000 in mutual funds with a weighted average maturity of 5.8 years

As of June 30, 2019, U of M had $137,906,000 of equity investments subject to foreign currency risk. The two largest components of this amount are $52,739,000 in Euro Currency and $26,726,000 in Japanese Yen.

As of June 30, 2019, several U of M investment holdings are subject to custodial credit risk. The market value of investments the U of M held in the custodial accounts was $738,392,000 in Temporary Investment Pool (TIP); $134,483,000 in Consolidated Endowment Fund (CEF); and $23,741,000 in Group Income Pool (GIP), respectively.

U of M measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." U of M measured investments of $280,322,000; $714,677,000; and $8,402,000 using Level 1, 2 and 3 inputs, respectively. U of M measured another $1,321,399,000 of investments at the net asset value.

Nonmajor Component Units

Nonmajor Component Units
Cash, Cash Equivalents, and Investments
As of December 31, 2018, or June 30, 2019, as applicable
(In Thousands)

Component Unit		Cash and Cash Equivalents		Investments
Agricultural and Economic Development Board	$	2,020	$	21,240
Minnesota Comprehensive Health Association		202		—
Minnesota Sports Facilities Authority		15,840		6,354
National Sports Center Foundation		2,267		—
Office of Higher Education		546,121		—
Public Facilities Authority		361,550		60,733
Rural Finance Authority		17,979		—
Workers' Compensation Assigned Risk Plan		5,594		269,097
Total	$	951,573	$	357,424

Note 3 – Disaggregation of Receivables

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2019
(In Thousands)

	Governmental Activities			
Description	General Fund[2]	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 1,007,006	$ —	$ —	$ 1,007,006
Sales and Use	416,711	—	30,349	447,060
Property	417,207	—	—	417,207
Health Care Provider	442,821	—	—	442,821
Motor Vehicle/Fuel	—	—	94,818	94,818
Other	44,287	—	31,548	75,835
Child Support	34,337	34,118	173	68,628
Workers' Compensation	—	—	77,041	77,041
Other	316,019	264,660	89,110	669,789
Net Receivables	$ 2,678,388	$ 298,778	$ 323,039	$ 3,300,205

	Business-type Activities			
Description	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	$ —	$ 298,712	$ —	$ 298,712
Tuition and Fees[3]	57,944	—	—	57,944
Other	—	—	34,236	34,236
Net Receivables	$ 57,944	$ 298,712	$ 34,236	$ 390,892
Total Government-wide Net Receivables				$ 3,691,097

[1] Includes $77.137 million for Internal Service Funds, less Internal Service Fund eliminations of $72.249 million among Governmental Activities.

[2] Includes $236 thousand Interfund Receivables from Fiduciary Funds reclassified to Accounts Receivable on the Government-wide Statement of Net Position.

[3] The revenue associated with tuition and fees is reduced by a scholarship allowance of $299.766 million.

Accounts receivable are reported net of allowances for uncollectible amounts. Significant uncollectible amounts are:

- Corporate and Individual Taxes $140,222,000
- Sales and Use Taxes $39,560,000
- Child Support $150,485,000

Receivable balances not expected to be collected within one year are:

- Corporate and Individual Taxes $207,045,000
- Sales and Use Taxes $90,950,000
- Child Support $66,418,000
- Health Care Provider $100,542,000
- Other Receivables $137,812,000

Note 4 – Loans and Notes Receivable

Primary Government
Loans and Notes Receivable, Net of Allowance
As of June 30, 2019
(In Thousands)

Loan Purpose	General Fund	Federal Fund	Nonmajor Special Revenue Funds	State Colleges and Universities Fund	Total Loans and Notes Receivable
Student Loan Program	$ —	$ —	$ —	$ 22,090	$ 22,090
Economic Development	64,805	4,767	39,056	—	108,628
School Districts	299	—	—	—	299
Agricultural, Environmental and Energy Resources	—	—	79,330	—	79,330
Transportation	—	—	3,179	—	3,179
Other	6,266	—	1,013	1,741	9,020
Total	$ 71,370	$ 4,767	$ 122,578	$ 23,831	$ 222,546

Component Units
Loans and Notes Receivable
As of December 31, 2018, or June 30, 2019, as applicable
(In Thousands)

Component Unit	Loans and Notes Receivable
Housing Finance Agency	$ 955,435
Metropolitan Council	44,871
University of Minnesota	81,227
Agricultural and Economic Development Board	137
National Sports Center Foundation	695
Office of Higher Education	492,364
Public Facilities Authority	1,799,194
Rural Finance Authority	90,517
Total	$ 3,464,440

Note 5 – Interfund Transactions

Primary Government

During normal operations, the state processes routine transactions between funds, including loans, expenditures, and transfers of resources for administrative and program services, debt service, and compliance with legal mandates.

In the fund financial statements, these transactions are generally recorded as transfers in/out and interfund receivables/payables. Transfers generally represent legally authorized transfers between funds authorized to receive revenue and funds authorized to make expenditures, and do not represent reimbursement of expenditures.

Primary Government
Interfund Receivables and Payables
As of June 30, 2019
(In Thousands)

Description	Amount
Due to the General Fund From:	
Nonmajor Governmental Funds	$ 22,472
Nonmajor Enterprise Funds	24,920
Internal Service Funds	111,429
Fiduciary Funds	236
Total Due to General Fund From Other Funds	$ 159,057
Due to the Federal Fund From:	
Unemployment Insurance Fund	$ 50
Total Due to Federal Fund From Other Funds	$ 50
Due to the State Colleges and Universities Fund From:	
Nonmajor Governmental Funds	$ 27,164
Total Due to State Colleges and Universities Fund From Other Funds	$ 27,164
Due to Nonmajor Enterprise Funds From:	
General Fund	$ 9,399
Nonmajor Governmental Funds	52
Total Due to Nonmajor Enterprise Funds From Other Funds	$ 9,451
Due to the Internal Service Funds From:	
Nonmajor Governmental Funds	$ 4
Total Due to Internal Service	$ 4
Due to Fiduciary Funds From:	
Fiduciary Funds	$ 9,597
Total Due to Fiduciary Funds From Other Funds	$ 9,597
Due to Nonmajor Governmental Funds From:	
State Colleges and Universities Fund	$ 17,383
Unemployment Insurance Fund	19,847
Nonmajor Governmental Funds	25,089
Nonmajor Enterprise Funds	2,285
Total Due to Nonmajor Governmental Funds From Other Funds	$ 64,604

Primary Government
Interfund Transfers
Year Ended June 30, 2019
(In Thousands)

Description		Amount
Transfers to the General Fund From:		
Federal Fund	$	55,351
Nonmajor Governmental Funds		58,728
Nonmajor Enterprise Funds		123,971
Internal Service Funds		27,038
Total Transfers to General Fund From Other Funds	$	265,088
Transfers to the Federal Fund From:		
Unemployment Insurance Fund	$	44
Nonmajor Governmental Funds		1,641
Total Transfers to Federal Fund From Other Funds	$	1,685
Transfers to the State Colleges and Universities Fund From:		
General Fund	$	722,032
Nonmajor Governmental Funds		62,660
Total Transfers to State Colleges and Universities Fund From Other Funds	$	784,692
Transfers to Fiduciary Funds From:		
General Fund	$	79,378
Fiduciary Funds		32,376
Total Transfers to Fiduciary Funds From Other Funds	$	111,754
Transfers to Nonmajor Governmental Funds From:		
General Fund	$	714,659
Federal Fund		1,008
Unemployment Insurance Fund		8,387
Nonmajor Governmental Funds		237,712
Nonmajor Enterprise Funds		29,957
Internal Service Funds		7,095
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	998,818
Transfers to Nonmajor Enterprise Funds From:		
General Fund	$	20,732
Nonmajor Enterprise Funds		1,980
Total Transfers to Nonmajor Enterprise Funds From Other Funds	$	22,712

Component Units

Primary Government and Component Units
Receivables and Payables
As of December 31, 2018, or June 30, 2019, as applicable
(In Thousands)

Component Units		Due from Primary Government		Due to Primary Government
Major Component Units:				
Housing Finance Agency	$	570	$	—
Metropolitan Council		104,727		423
University of Minnesota		83,485		6,142
Total Major Component Units	$	188,782	$	6,565
Nonmajor Component Units		140,353		90,830
Total Component Units	$	329,135	$	97,395

Primary Government		Due from Component Units		Due to Component Units
Major Governmental Funds:				
General Fund	$	279	$	37,502
Federal Fund		24		139,871
Total Major Governmental Funds	$	303	$	177,373
Nonmajor Governmental Funds		94,478		80,053
Nonmajor Enterprise Funds		—		6
Total Primary Government	$	94,781	$	257,432 [1]

[1] Due to Component Units on the Government-wide Statement of Net Position totals $261.656 million and includes $4.224 million of loans payable to the Public Facilities Authority (component unit) that are not fund level liabilities.

The Due to Primary Government balance exceeds the Due from Component Units balance by $2,614,000 because the Metropolitan Council, the Workers' Compensation Assigned Risk Plan, and the National Sports Center Foundation use a different fiscal year end than the primary government. The $71,703,000 difference between the Due from Primary Government balance and the Due to Component Units balance is also due to these different fiscal year ends as well as the $4,224,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government
Capital Asset Activity
Government-wide Governmental Activities
Year Ended June 30, 2019
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Governmental Activities:				
Capital Assets not Depreciated:				
Land	$ 2,662,339	$ 69,544	$ (4,284)	$ 2,727,599
Buildings, Structures, Improvements	333,754	80	—	333,834
Construction in Progress	197,848	158,930	(73,664)	283,114
Development in Progress	172,082	139,555	(124,210)	187,427
Infrastructure	10,879,482	403,002	(18,018)	11,264,466
Easements	417,028	24,263	(360)	440,931
Art and Historical Treasures	7,559	165	—	7,724
Total Capital Assets not Depreciated	$ 14,670,092	$ 795,539	$ (220,536)	$ 15,245,095
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 3,334,404	$ 55,265	$ (4,813)	$ 3,384,856
Infrastructure	387,010	18,861	—	405,871
Internally Generated Computer Software	277,777	123,552	—	401,329
Easements	4,720	—	(593)	4,127
Equipment, Furniture, Fixtures	823,791	96,077	(47,076)	872,792
Total Capital Assets Depreciated	$ 4,827,702	$ 293,755	$ (52,482)	$ 5,068,975
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,414,892)	$ (92,444)	$ 3,545	$ (1,503,791)
Infrastructure	(112,108)	(12,808)	—	(124,916)
Internally Generated Computer Software	(114,258)	(50,660)	—	(164,918)
Easements	(1,593)	(199)	427	(1,365)
Equipment, Furniture, Fixtures	(485,119)	(62,379)	38,207	(509,291)
Total Accumulated Depreciation	$ (2,127,970)	$ (218,490)	$ 42,179	$ (2,304,281)
Total Capital Assets Depreciated, Net	$ 2,699,732	$ 75,265	$ (10,303)	$ 2,764,694
Governmental Act. Capital Assets, Net	$ 17,369,824	$ 870,804	$ (230,839)	$ 18,009,789

Capital outlay expenditures in the governmental funds totaled $840,378,000 for fiscal year 2019. Donations of general capital assets received were valued at $27,042,000. Transfers of $196,313,000 were primarily from construction in progress for completed projects. Transfers of accumulated depreciation totaling $476,000 primarily related to transfers from equipment to depreciable infrastructure and internally generated computer software. Internal service funds had additions of $25,561,000.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2019, consisted of buildings with a cost of $180,005,000.

Primary Government
Capital Asset Activity
Government-wide Business-type Activities and Fiduciary Funds
Year Ended June 30, 2019
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Business-type Activities:				
Capital Assets not Depreciated:				
Land	$ 93,012	$ 516	$ (302)	$ 93,226
Construction in Progress	89,553	98,655	(63,487)	124,721
Total Capital Assets not Depreciated	$ 182,565	$ 99,171	$ (63,789)	$ 217,947
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 3,706,537	$ 60,015	$ (1,093)	$ 3,765,459
Infrastructure	28,153	—	—	28,153
Library Collections	38,666	4,533	(5,969)	37,230
Internally Generated Computer Software	57,948	8,995	(2,336)	64,607
Equipment, Furniture, Fixtures	337,895	13,626	(9,525)	341,996
Total Capital Assets Depreciated	$ 4,169,199	$ 87,169	$ (18,923)	$ 4,237,445
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,833,094)	$ (117,614)	$ 1,081	$ (1,949,627)
Infrastructure	(15,079)	(1,528)	—	(16,607)
Library Collections	(22,956)	(5,317)	5,969	(22,304)
Internally Generated Computer Software	(19,033)	(6,215)	2,336	(22,912)
Equipment, Furniture, Fixtures	(248,681)	(19,950)	9,285	(259,346)
Total Accumulated Depreciation	$ (2,138,843)	$ (150,624)	$ 18,671	$ (2,270,796)
Total Capital Assets Depreciated, Net	$ 2,030,356	$ (63,455)	$ (252)	$ 1,966,649
Business-type Act. Capital Assets, Net	$ 2,212,921	$ 35,716	$ (64,041)	$ 2,184,596
Fiduciary Funds:				
Capital Assets not Depreciated:				
Land	$ 429	$ —	$ —	$ 429
Total Capital Assets not Depreciated	$ 429	$ —	$ —	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,763	$ —	$ —	$ 29,763
Internally Generated Computer Software	36,020	—	—	36,020
Equipment, Furniture, Fixtures	6,714	153	—	6,867
Total Capital Assets Depreciated	$ 72,497	$ 153	$ —	$ 72,650
Accumulated Depreciation for:				
Buildings	$ (12,695)	$ (738)	$ —	$ (13,433)
Internally Generated Computer Software	(9,641)	(3,070)	—	(12,711)
Equipment, Furniture, Fixtures	(5,319)	(396)	—	(5,715)
Total Accumulated Depreciation	$ (27,655)	$ (4,204)	$ —	$ (31,859)
Total Capital Assets Depreciated, Net	$ 44,842	$ (4,051)	$ —	$ 40,791
Fiduciary Funds, Capital Assets, Net	$ 45,271	$ (4,051)	$ —	$ 41,220

Transfers-in for Business-type Activities totaling $62,589,000 primarily related to construction in progress for completed projects and donations were valued at $10,440,000.

Primary Government
Depreciation Expense
Government-wide
Year Ended June 30, 2019
(In Thousands)

Function	Depreciation Expense
Governmental Activities:	
Agricultural, Environmental & Energy Resources	$ 14,897
Economic and Workforce Development	2,769
General Education	5,179
General Government	50,871
Health and Human Services	37,454
Public Safety and Corrections	44,793
Transportation	42,757
Internal Service Funds	19,294
Total Governmental Activities	$ 218,014
Business-type Activities:	
State Colleges and Universities	$ 133,129
Lottery	576
Other	16,919
Total Business-type Activities	$ 150,624

Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2019
(In Thousands)

Description	Administration	Transportation
Authorization	$ 770,447	$ 1,722,030
Less: Expended (through June 30)	(560,035)	(1,321,843)
Less: Unexpended Commitment	(81,161)	(360,988)
Remaining Available Authorization	$ 129,251	$ 39,199

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation. Total acres on June 30, 2019, were 2,513,701.

Component Units

Component Units
Capital Assets
As of December 31, 2018, or June 30, 2019, as applicable
(In Thousands)

Asset Category	Major Component Units: Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	Total
Capital Assets not Depreciated:					
Land	$ —	$ 263,363	$ 187,316	$ 35,178	$ 485,857
Construction in Progress	—	808,263	174,429	861	983,553
Leased Buildings	—	—	155,272	—	155,272
Museums and Collections	—	—	91,534	—	91,534
Easements	—	—	5	—	5
Total Capital Assets not Depreciated	$ —	$ 1,071,626	$ 608,556	$ 36,039	$ 1,716,221
Capital Assets Depreciated:					
Buildings, Structures, Improvements	$ —	$ 4,866,511	$ 4,532,395	$ 863,524	$10,262,430
Infrastructure	—	—	464,994	32,917	497,911
Library	—	—	171,102	—	171,102
Internally Generated Computer Software	12,202	—	184,576	—	196,778
Equipment, Furniture, Fixtures	3,079	1,327,844	805,476	238,179	2,374,578
Other Intangibles	—	—	6,903	—	6,903
Total Capital Assets Depreciated	$ 15,281	$ 6,194,355	$ 6,165,446	$ 1,134,620	$13,509,702
Total Accumulated Depreciation	$ (9,199)	$ (2,677,086)	$ (3,539,508)	$ (159,113)	$ (6,384,906)
Total Capital Assets Depreciated, Net[1]	$ 6,082	$ 3,517,269	$ 2,625,938	$ 975,507	$ 7,124,796
Component Units Capital Assets, Net	$ 6,082	$ 4,588,895	$ 3,234,494	$ 1,011,546	$ 8,841,017

[1] In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of $88.936 million as of June 30, 2019.

Note 7 – Disaggregation of Payables

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2019
(In Thousands)

Description	Governmental Activities General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
School Aid Programs	$ 1,045,128	$ 166,600	$ 1,982	$ 1,213,710
Tax Refunds	536,232	—	—	536,232
Medical Care Programs	885,059	1,360,749	45,137	2,290,945
Grants	304,079	201,252	295,741	801,072
Salaries and Benefits	119,011	13,942	56,789	189,742
Vendors/Service Providers	301,783	71,830	244,364	617,977
Net Payables	$ 3,191,292	$ 1,814,373	$ 644,013	$ 5,649,678

Description	Business-type Activities State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 131,241	$ —	$ 6,502	$ 137,743
Vendors/Service Providers	63,713	15,142	50,773	129,628
Net Payables	$ 194,954	$ 15,142	$ 57,275	$ 267,371
Total Government-wide Net Payables				$ 5,917,049

[1] Includes $42.416 million for Internal Service Funds, less Internal Service Fund eliminations of $72.249 million among Governmental Activities.

Note 8 – Pension and Investment Trust Funds

Primary Government Administered Plans

The state performs a fiduciary role for several pension and investment trust funds. For some of these funds, the state contributes as an employer and/or a non-employer contributing entity, and performs only a fiduciary role for other funds. These trust funds are categorized as either defined benefit or defined contribution (pension trust funds) or investment trust funds.

Three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary information, and Minnesota State Colleges and Universities (MnSCU), which publishes a stand-alone pension statement, provide the pension fund information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below.

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund Correctional Employees Retirement Fund Judges Retirement Fund Legislators Retirement Fund State Patrol Retirement Fund Hennepin County Supplemental Retirement Fund Health Care Savings Fund Unclassified Employees Retirement Fund Minnesota Deferred Compensation Fund
Public Employees Retirement Association (PERA)	General Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Volunteer Firefighter Retirement Fund Defined Contribution Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Minnesota State Colleges and Universities (MnSCU)	State Colleges and Universities Retirement Fund

See Note 1 – Summary of Significant Accounting and Reporting Policies for addresses of MSRS, PERA, and TRA. The address of the administrative agent (TIAA-CREF), for MnSCU is included in the “Defined Contribution Funds” section of this note.

Basis of Accounting and Valuation of Investments

The plan administrators prepare financial statements using the accrual basis of accounting which is the basis used to determine the fiduciary net position used by the plans. Member and employer contributions are recognized in the period in which they are earned and become due. Expenses are recognized when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the statutory terms of each plan.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing "units" in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in security trade receivables and payables. These unsettled security trades are an essential element in determining the fair value of each pension trust fund's pooled investment balance; therefore, the trades are reported in the Combining Statement of Net Position of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2019, this presentation resulted in a negative asset within the total investment pool participation.

Non-Primary Government Administered Plan

The state contributes as a non-employer contributing entity into the St. Paul Teachers' Retirement Fund, but does not perform any other fiduciary responsibilities. Separately-issued financial statements for the St. Paul Teachers' Retirement Fund Association may be obtained at St. Paul Teachers' Retirement Association, 1619 Dayton Avenue, Room 309, St. Paul, MN 55104.

Defined Benefit Plans

Primary Government Administered Multiple-Employer Cost Sharing Plans

The State Employees Retirement Fund (SERF) covers most state employees, the University of Minnesota (component unit) non-faculty employees, and selected metropolitan agency employees. Fourteen employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	Members hired before July 1, 1989: Step or Level formula, whichever is greater. Members hired on or after July 1, 1989: Level formula. Step formula: 1.2 percent of the high-five average salary for each of the first 10 years of allowable service, and 1.7 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater). Level formula: 1.7 percent of the high-five average salary for all years of allowable service, with full benefits at normal retirement age. Not eligible for benefits under the Rule of 90.
Annual Benefit Increase	2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, and 1.5 percent thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age. Prior measurement period was 2.0 percent, increasing to 2.5 percent if the plan was funded at least 90 percent for two consecutive years.

The Correctional Employees Retirement Fund (CERF) primarily covers state employees who have direct contact with inmates or patients in Minnesota correctional facilities, the state operated forensic service program, or the Minnesota sex offenders program. Two employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	Members hired before July 1, 2010: 2.4 percent of the high-five average salary for each year of allowable service. Members hired on or after July 1, 2010: 2.2 percent of the high-five average salary for each year of allowable service.
Annual Benefit Increase	2.0 percent through December 31, 2018, and 1.5 percent thereafter. Prior measurement period was 2.0 percent, increasing to 2.5 percent if the plan was funded at least 90 percent for two consecutive years.

The General Employees Retirement Fund (GERF) covers employees of various governmental units and subdivisions, including counties, cities, school districts, and related organizations. Approximately 2,000 employers participate in this plan. The plan provides retirement, survivor, and disability benefits. Minneapolis Employees Retirement Fund (MERF) merged into GERF on January 1, 2015.

Membership Types	Basic membership: Participants who are not covered by the Social Security Act. Coordinated membership: Participants who are covered by the Social Security Act.
Benefit Formula	Members hired before July 1, 1989: Step or Level formula, whichever is greater. Members hired on or after July 1, 1989: Level formula. Step Formula: 1.2 percent of the high-five average salary for each of the first 10 years of allowable service, then 1.7 percent for each year thereafter for Coordinated members. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater). Level Formula: 1.7 percent of the high-five average salary for all years of allowable service for Coordinated members, and 2.7 percent for Basic members. Full benefits at normal retirement age. Not eligible for benefits under the Rule of 90. Former MERF members: 2.0 percent of the high-five average salary for each of the first 10 years of allowable service and 2.5 percent for each year thereafter.
Annual Benefit Increase	1.0 percent through December 31, 2018. 50 percent of the Social Security Administration increase, but not less than 1.0 percent or more than 1.5 percent thereafter. The benefit increase of 1.25 percent is projected for all years. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age. For the prior measurement period the benefit increase of 1.0 percent was projected through 2044 and 2.5 percent thereafter.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental units and subdivisions. Approximately 500 employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	3.0 percent of the high-five average salary for each year of allowable service. Members hired after June 30, 2014 limited to 33 years of allowable service.
Annual Benefit Increase	1.0 percent fixed rate.

The Public Employees Correctional Fund (PECF) covers employees in county and regional correctional facilities who are responsible for the security, custody, and control of the facilities and inmates. Eighty employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula 1.9 percent of the high-five average salary for each year of allowable service.

Annual Benefit Increase: 2.5 percent through December 31, 2018, thereafter it is 100 percent of the Social Security Administration increase, but not less than 1.0 percent or more than 2.5 percent. If the plan's funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will change to 1.5 percent maximum permanently.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state except those teachers employed by the City of St Paul and the University of Minnesota. Approximately 600 employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Membership Types: Basic membership: Participants who are not covered by the Social Security Act.
Coordinated membership: Participants who are covered by the Social Security Act.

Benefit Formula Members hired before July 1, 1989: Step or Level formula, whichever is greater.
Members hired on or after July 1, 1989: Level formula.

Step Formula: Coordinated members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service prior to July 1, 2006, and 1.4 percent for any of the first 10 years after that date. For allowable years of service after the first ten years, Coordinated members receive 1.7 percent for each year prior to July 1, 2006 and 1.9 percent for years after that date.

Basic members receive 2.2 percent of the high-five average salary for each of the first 10 years of allowable service, and 2.7 percent for each year thereafter.

The Step formula also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater).

Level Formula: Coordinated members receive 1.7 percent of the high-five average salary for all years of allowable service prior to July 1, 2006 and 1.9 percent for years thereafter.

Basic members receive 2.7 percent of the high-five average salary for all years of allowable service.

The Level formula provides full benefits at normal retirement age. Not eligible for benefits under the Rule of 90.

Annual Benefit Increase: 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, then increase by 0.1 percent each year over five years, and 1.5 percent thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

For the prior measurement period the benefit increase of 2.0 percent was projected through 2044, and 2.5 percent thereafter.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Statutory Contribution Rates
(In Thousands)

Description	SERF[1]	CERF[2]	GERF	P&FF[3]	TRF[4]
Minnesota Statutory Authority	352.04	352.92	353.27 353.505	353.65	354.42 354.435,436
Required Contribution Rate:					
Active Members	5.75%	9.6%	6.5-9.75%	11.3%	7.5-11.0%
Employer(s)	5.875%	14.4%	7.5-11.78%	16.95%	7.71-11.71%
Non-Employer Contributing Entity	$ —	$ —	$ 16,000	$ 4,500	$ 31,087
Primary Government Contributions – Reporting Period	$ 136,157	$ 38,141	$ 18,138	$ 4,500	$ 46,534

(1) Member and Employer contribution rates increase by 0.25 and 0.375 percent of pay respectively in fiscal year 2020.

(2) Additional supplemental employer contributions of 1.45, 2.95, and 4.45 percent of salary annually are effective for fiscal years 2020, 2021, and 2022 respectively. The 4.45 percent will remain in effect until the plan is 100 percent funded.

(3) Member and Employer contribution rates increase by 0.5 and 0.75 percent of pay respectively in fiscal year 2020.

(4) An additional contribution of 3.64 percent of salary from Special School District No.1 brings the top of the Employer contribution range to 15.35 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2024. Employer contribution rate increases by 1.04 percent over the next five years.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Summary of Pension Amounts
As of June 30, 2019
(In Thousands)

Description	SERF[1]	CERF[1]	GERF[1]	P&FF[1]	TRF[1]	Total
Primary Government's Proportionate Share of the Net Pension Liability as an:						
Employer	$ 1,031,909	$ 375,232	$ 25,408	$ —	$ 221,190	$ 1,653,739
Non-Employer Contributing Entity	—	—	176,191	56,187	471,220	703,598
Total	$ 1,031,909	$ 375,232	$ 201,599	$ 56,187	$ 692,410	$ 2,357,337
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:						
Current Year Measurement Date	74.45%	99.89%	3.64%	5.27%	11.02%	
Prior Year Measurement Date	74.15%	99.91%	1.75%	N/A[2]	11.41%	
Deferred Outflows of Resources	$ 3,141,270	$ 315,184	$ 133,880	$ 160,133	$ 996,592	$ 4,747,059
Deferred Inflows of Resources	$ 4,947,838	$ 678,659	$ 87,056	$ 108,266	$ 1,365,767	$ 7,187,586
Net Pension Expense	$(1,225,752)	$ (137,170)	$ 25,165	$ 18,297	$ (250,094)	$ (1,569,554)

(1) Proportionate share was determined based on the primary government's percentage of employer and non-employer contributing entity contributions into the plan.

(2) Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Actuarial Assumptions

Description	SERF[1]	CERF[1]	GERF[1]	P&FF[1]	TRF[1]
Actuarial Valuation/ Measurement Date	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018
Long-Term Expected Rate	7.50%	7.50%	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate[2]	3.62%	3.62%	3.62%	3.62%	3.89%
Experience Study Dates	2008-2014	2011-2015	2008-2014	2011-2015	2008-2014
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	Service Related Rates	2.85-9.25%
Payroll Growth	3.25%	3.25%	3.25%	3.25%	3.00%

(1) For SERF, CERF, GERF, P&FF, and TRF mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015 for SERF, CERF, and TRF, and Scale MP-2017 for GERF and P&FF. There are various adjustments in each plan to match experience.

(2) Source: Fidelity Index for SERF, CERF, GERF, and P&FF and Bond Buyers for TRF.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Outflows of Resources
As of June 30, 2019
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
Difference Between Expected and Actual Experience	$ 28,497	$ 6,986	$ 5,336	$ 2,281	$ 7,385	$ 50,485
Changes in Assumption	2,951,534	269,799	19,258	72,700	894,030	4,207,321
Change in Proportionate Difference Between Actual Contributions and Proportionate Share of Contributions	25,082	258	91,148	80,652	48,643	245,783
Contributions Subsequent to the Measurement Date	136,157	38,141	18,138	4,500	46,534	243,470
Total	$ 3,141,270	$ 315,184	$ 133,880	$ 160,133	$ 996,592	$ 4,747,059

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Inflows of Resources
As of June 30, 2019
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
Difference Between Expected and Actual Experience	$ 78,280	$ 3,101	$ 5,880	$ 13,784	$ 13,963	$ 115,008
Changes in Assumption	4,608,355	645,985	22,652	82,714	1,180,646	6,540,352
Net Difference Between Projected and Actual Earnings on Investment	258,322	29,422	20,600	11,768	53,696	373,808
Change in Proportionate Share of Contributions	2,881	151	37,924	—	117,462	158,418
Total	$ 4,947,838	$ 678,659	$ 87,056	$ 108,266	$ 1,365,767	$ 7,187,586

Primary Government Administered Multiple-Employer Cost Sharing Plans
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense
or a Reduction in Net Pension Liability
As of June 30, 2019
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
2020	$ 106,919	$ (52,271)	$ 3,893	$ 8,884	$ 59,556	$ 126,981
2021	123,486	(34,506)	18,200	8,884	28,509	144,573
2022	(1,491,561)	(184,886)	14,360	8,884	(34,517)	(1,687,720)
2023	(681,569)	(129,953)	(7,767)	8,884	(276,172)	(1,086,577)
2024	—	—	—	11,831	(193,085)	(181,254)
Net Pension Expense	$ (1,942,725)	$ (401,616)	$ 28,686	$ 47,367	$ (415,709)	$ (2,683,997)
Deferred Outflow of Resources as a Reduction to Net Pension Liability	136,157	38,141	18,138	4,500	46,534	243,470
Net Deferred Outflows (Inflows) of Resources	$ (1,806,568)	$ (363,475)	$ 46,824	$ 51,867	$ (369,175)	$ (2,440,527)

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan

The St. Paul Teachers' Retirement Fund (SPTRF) covers teachers and other related professionals employed by St. Paul Public Schools, St. Paul College, charter schools within the City of St. Paul, and SPTRF staff. The plan provides retirement, survivor, and disability benefits.

Membership Types
Basic membership: Participants who are not covered by the Social Security Act.
Coordinated membership: Participants who are covered by the Social Security Act.

Benefit Formula
Members hired before July 1, 1989: Tier 1 or Tier 2 formula, whichever is greater.
Members hired on or after July 1, 1989: Tier 2 formula.

Tier 1 Formula: Coordinated members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service prior to July 1, 2015, and 1.4 percent for any of the first 10 years after that date. For allowable years of service after the first ten years, Coordinated members receive 1.7 percent for each year prior to July 1, 2015 and 1.9 percent for years after that date.

Basic members receive 2.0 percent of the high-five average salary for all years of allowable service.

The Tier 1 formula also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater).

Tier 2 Formula: Coordinated members receive 1.7 percent of the high-five average salary for all years of allowable service prior to July 1, 2015 and 1.9 percent for years thereafter.

Basic members receive 2.5 percent of the high-five average salary for all years of allowable service.

The Tier 2 formula provides full benefits at normal retirement age. Not eligible for benefits under the Rule of 90.

Annual Benefit Increase
1.0 percent through December 31, 2018, no benefit increases through December 31, 2020, and 1.0 percent thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

Prior measurement period was 1.0 percent through 2041, 2.0 percent through 2051 and 2.5 percent thereafter.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Statutory Contribution Rates
(In Thousands)

Description	SPTRF[1]
Minnesota Statutory Authority	354A.12
Required Contribution Rate:	
Active Members	7.5-10.0%
Employer(s)	7.335-10.835%
Primary Government as Non-Employer Contributing Entity - Statutory Requirement	$ 15,666
Primary Government Contributions - Reporting Period	$ 15,713

(1) An additional contribution of 3.64 and 3.84 percent of salary for basic and coordinated members, respectively, of St. Paul Teachers Retirement Fund Association brings the top of the Employer contribution to 14.475 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2023 and Employer contribution rates increase by 1.665 percent over the next five years.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Summary of Pension Amounts
As of June 30, 2019
(In Thousands)

Description	SPTRF[1]
Primary Government's Proportionate Share of the Net Pension Liability as an:	
Employer	$ 630
Non-Employer Contributing Entity	166,431
Total	$ 167,061
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:	
Current Measurement Date	27.58%
Prior Measurement Date	28.15%
Deferred Outflows of Resources	$ 41,222
Deferred Inflows of Resources	$ 17,865
Net Pension Expense	$ (9,049)

(1) Proportionate share was determined based on the Primary Government's percentage of employer and non-employer contributing entity contributions into the plan.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Actuarial Assumptions

Description	SPTRF[1]
Actuarial Valuation/Measurement Date	June 30, 2018
Long-Term Expected Rate	7.50%
20 Year Municipal Bond Rate[2]	3.62%
Experience Study Dates	2011-2016
Inflation	2.50%
Salary Increases	3.00-9.00%
Payroll Growth	3.00%

(1) For mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2017. There are various adjustments to match experience.

(2) Source: Fidelity Index 20-Year Municipal GO AA Index.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Outflows of Resources
As of June 30, 2019
(In Thousands)

Description	SPTRF
Difference Between Expected and Actual Experience	$ 980
Changes in Assumption	24,529
Contributions Subsequent to the Measurement Date	15,713
Total	$ 41,222

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Inflows of Resources
As of June 30, 2019
(In Thousands)

Description	SPTRF
Difference Between Expected and Actual Experience	$ 6,643
Changes in Assumption	3,123
Net Difference Between Projected and Actual Earnings on Investment	799
Change in Proportionate Share of Contributions	7,300
Total	$ 17,865

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense
or a Reduction in Net Pension Liability
As of June 30, 2019
(In Thousands)

Description	SPTRF
2020	$ 1,552
2021	4,391
2022	2,546
2023	(845)
Net Pension Expense	$ 7,644
Deferred Outflow of Resources as a Reduction to Net Pension Liability	15,713
Net Deferred Outflows (Inflows) of Resources	$ 23,357

Primary Government Administered Multiple-Employer Agent Plan

The Volunteer Firefighter Retirement Fund (VFRF) was established on January 1, 2010, as a lump-sum defined benefit plan largely funded by fire state aid and covers volunteer firefighters. Members do not contribute to the plan. Employer contributions are determined annually. There are 159 employers participating in this plan. The plan provides retirement and survivor benefits only. If fire state aid plus investment income are not expected to cover the normal cost of benefits during the next calendar year, an employer contribution is calculated and payable by the end of the next calendar year. Benefits are determined by employee years of service multiplied by a benefit level chosen by the entity sponsoring the fire department from possible levels ranging from $500 to $10,000 per year of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent. The plan is established and administered in accordance with Minnesota Statutes 353G. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

Primary Government Administered Single-Employer Plans

The Judges Retirement Fund (JRF) covers judges of the Supreme Court, appellate, and district courts. The plan provides retirement, survivor, and disability benefits.

Benefit Formula Judges appointed or elected before July 1, 2013: 2.7 percent of the high-five average salary for each year of allowable service prior to July 1, 1980, and 3.2 percent for each year thereafter, up to 76.8 percent.

Judges appointed or elected on or after July 1, 2013: 2.5 percent of the high-five average salary for each year of allowable service. There is no maximum benefit.

Annual Benefit Increase 1.75 percent, if the plan is funded at least 70 percent for two consecutive years, the increase changes to 2.0 percent, and if the plan is funded at least 90 percent for two consecutive years, the increase changes to 2.5 percent. The benefit increase of 1.75 percent is projected through 2037, 2.0 percent through 2051, and 2.5 percent thereafter.

For the prior measurement period the benefit increase of 1.75 percent was projected through 2038, 2.0 percent through 2053, and 2.5 percent thereafter.

The Legislators Retirement Fund (LRF) covers constitutional officers and certain members of the state's House of Representatives and Senate who were first elected prior to July 1, 1997, and chose to retain coverage under this plan. The plan provides retirement and survivor benefits. This plan is closed to new entrants.

Benefit Formula	5.0 percent of high-five average salary for the first eight years of service prior to January 1, 1979, then 2.5 percent for subsequent years.
Annual Benefit Increase	2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, and 1.5 percent thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age. Prior measurement period was 2.0 percent, increasing to 2.5 percent if the plan was funded at least 90 percent for two consecutive years.

The State Patrol Retirement Fund (SPRF) covers state troopers, conservation officers, and certain crime bureau and gambling enforcement agents. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	3.0 percent of the high-five average salary for each year of allowable service up to 33 years. Members with at least 28 years of service as of July 1, 2013 are not subject to this limit.
Annual Benefit Increase	1.0 percent fixed rate. Prior measurement period was 1.0 percent, increasing to 1.5 percent if the plan was funded at least 85 percent for two consecutive years, and 2.5 percent if the plan is funded at least 90 percent for two consecutive years.

Primary Government Administered Single-Employer Plans
Statutory Contribution Rates
(In Thousands)

Description	JRF	LRF	SPRF
Minnesota Statutory Authority	490.123	3A.03	352B.02
Required Contribution Rate:			
Active Members	7.0-9.0%	9.0%	14.9% [2]
Employer	22.5% [3]	N/A [1]	22.35% [2]
Primary Government Contributions – Reporting Period	$ 17,287	$ 8,798	$ 19,479

(1) Employer contributions are funded on a pay-as-you-go basis.

(2) Member and Employer contribution rates increase by 0.5 and 0.75 percent in fiscal years 2021 and 2020 respectively. Additional supplemental employer contributions of 1.75 percent brings the top of the Employer contribution range to 24.1 percent. Additional supplemental employer contributions increase to 3.0, 5.0, and 7.0 percent of salary annually effective for fiscal years 2020, 2021, and 2022 respectively. The 7.0 percent will remain in effect until plan is 100 percent funded.

(3) Employer contributions include an additional $6 million each year until the earlier of the plan is fully funded or July 1,2048.

Primary Government Administered Single-Employer Plans
Membership Statistics

Description	JRF	LRF	SPRF
Members (or their beneficiaries) Currently Receiving Benefits	369	372	1,071
Members Entitled To, But Not Receiving Benefits	15	39	56
Active Members	317	19	921

Primary Government Administered Single-Employer Plans
Summary of Pension Amounts
As of June 30, 2019
(In Thousands)

Description	JRF	LRF	SPRF	Total
Net Pension Liability	$ 176,170	$ 139,367	$ 200,609	$ 516,146
Deferred Outflows of Resources	32,612	8,916	166,279	207,807
Deferred Inflows of Resources	43,381	—	224,579	267,960
Net Pension Expense	4,723	767	19,262	24,752

Primary Government Administered Single-Employer Plans
Actuarial Assumptions

Description	JRF[1]	LRF[1]	SPRF[1]
Actuarial Valuation / Measurement Date	June 30, 2018	June 30, 2018	June 30, 2018
Long-Term Expected Rate	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate[2]	3.62%	3.62%	3.62%
Experience Study Dates	2011-2015	N/A	2011-2015
Inflation	2.50%	2.50%	2.50%
Salary Increases	2.50%	4.50%	Service Related Rates
Payroll Growth	2.50%	N/A	3.25%

(1) For mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015. There are various adjustments in each plan to match experience.

(2) Source: Fidelity Index 20-Year Municipal GO AA Index.

Primary Government Administered Single-Employer Plans
Schedule of Net Pension Liability
As of June 30, 2019
(In Thousands)

Description	JRF	LRF	SPRF	Total
Total Pension Liability (TPL):				
Service Cost	$ 9,857	$ 437	$ 24,935	$ 35,229
Interest on the Total Pension Liability	26,747	5,094	65,110	96,951
Benefit Changes	—	(9,839)	(2,604)	(12,443)
Difference Between Expected and Actual Experience of the Total Pension Liability	1,424	6,119	(8,369)	(826)
Changes in Assumptions	—	(856)	(126,888)	(127,744)
Benefit Payments, Including Refunds of Member Contributions	(23,585)	(8,912)	(59,692)	(92,189)
Net Change in Total Pension Liability	$ 14,443	$ (7,957)	$ (107,508)	$ (101,022)
Total Pension Liability, Beginning	$ 363,482	$ 147,324	$ 1,037,916	$ 1,548,722
Total Pension Liability, Ending	$ 377,925	$ 139,367	$ 930,408	$ 1,447,700
Fiduciary Net Position (FNP):				
Contributions – Employer	$ 17,027	$ 8,856	$ 16,952	$ 42,835
Contributions – Member	3,973	93	10,657	14,723
Net Investment Income	19,265	—	70,474	89,739
Benefit Payments, Including Refunds of Member Contributions	(23,585)	(8,912)	(59,692)	(92,189)
Pension Plan Administrative Expenses	(65)	(37)	(184)	(286)
Other Changes	—	—	(7)	(7)
Net Change in Plan Fiduciary Net Position	$ 16,615	$ —	$ 38,200	$ 54,815
Plan Fiduciary Net Position, Beginning	$ 185,140	$ —	$ 691,599	$ 876,739
Plan Fiduciary Net Position, Ending	$ 201,755	$ —	$ 729,799	$ 931,554
Net Pension Liability (NPL)	$ 176,170	$ 139,367	$ 200,609	$ 516,146

Primary Government Administered Single-Employer Plans
Deferred Outflows of Resources
As of June 30, 2019
(In Thousands)

Description	JRF	LRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 3,993	$ —	$ —	$ 3,993
Changes in Assumption	11,332	—	146,800	158,132
Net Difference Between Projected and Actual Earnings on Investment	—	118	—	118
Contributions Subsequent to the Measurement Date	17,287	8,798	19,479	45,564
Total	$ 32,612	$ 8,916	$ 166,279	$ 207,807

Primary Government Administered Single-Employer Plans
Deferred Inflows of Resources
As of June 30, 2019
(In Thousands)

Description	JRF	LRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 3,848	$ —	$ 24,940	$ 28,788
Changes in Assumption	34,303	—	180,870	215,173
Net Difference Between Projected and Actual Earnings on Investment	5,230	—	18,769	23,999
Total	$ 43,381	$ —	$ 224,579	$ 267,960

Primary Government Administered Single-Employer Plans
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense
or a Reduction in Net Pension Liability
As of June 30, 2019
(In Thousands)

Description	JRF	LRF	SPRF	Total
2020	$ (10,309)	$ 76	$ 5,274	$ (4,959)
2021	(14,967)	42	(3,289)	(18,214)
2022	(1,968)	—	(11,531)	(13,499)
2023	(812)	—	(45,689)	(46,501)
2024	—	—	(22,544)	(22,544)
Net Pension Expense	$ (28,056)	$ 118	$ (77,779)	$ (105,717)
Deferred Outflow of Resources as a Reduction to Net Pension Liability	17,287	8,798	19,479	45,564
Net Deferred Outflows (Inflows) of Resources	$ (10,769)	$ 8,916	$ (58,300)	$ (60,153)

Summary of Defined Benefit Plans

Summary of Defined Benefit Plans
As of June 30, 2019
(In Thousands)

Description	Primary Government Administered Multiple-Employer Cost Sharing Plans	Non-Primary Government Administered Multiple-Employer Cost Sharing Plan	Primary Government Administered Single-Employer Plans	Total
Net Pension Liabilities	$ 2,357,337	$ 167,061	$ 516,146	$ 3,040,544
Deferred Outflows of Resources	4,747,059	41,222	207,807	4,996,088
Deferred Inflows of Resources	7,187,586	17,865	267,960	7,473,411
Net Pension Expense	(1,569,554)	(9,049)	24,752	(1,553,851)

The State Board of Investment, which manages the investments of MSRS, PERA, and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method using both long-term historical returns and long-term capital market expectations from a number of investments management and consulting organizations. Best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Primary Government Administered Plans
Asset Class Target Allocation and Expected Return
As of June 30, 2019

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Geometric Mean)
Domestic Stocks	36.00%	5.10%
International Stocks	17.00%	5.30%
Bonds	20.00%	0.75%
Alternative Assets	25.00%	5.90%
Unallocated Cash	2.00%	0.00%
Total	100.00%	

The following table presents the net pension liability for each defined benefit plan with a primary government proportionate share of the net pension liability, calculated using the corresponding discount rate as well as what the net pension liability would be if the rate were one percentage point higher or lower.

Primary Government Proportionate Share
Sensitivity of the Net Pension Liability to Changes in the Discount Rate
As of June 30, 2019
(In Thousands)

	With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Plan	Rate	NPL[1]	Rate	NPL[1]	Rate	NPL[1]
SERF[3]	6.50%	$ 2,385,150	7.50%	$ 1,031,909	8.50%	$ (91,356)
CERF[3]	6.50%	586,041	7.50%	375,232	8.50%	203,289
GERF	6.50%	327,624	7.50%	201,599	8.50%	97,569
P&FF	6.50%	120,468	7.50%	56,187	8.50%	3,029
TRF[3]	6.50%	1,098,853	7.50%	692,410	8.50%	357,099
SPTRF	6.50%	222,091	7.50%	167,061	8.50%	121,479
JRF	6.50%	214,820	7.50%	176,170	8.50%	143,079
LRF[3][4]	2.62%	154,902	3.62% [2]	139,367	4.62%	126,340
SPRF[3]	6.50%	312,538	7.50%	200,609	8.50%	107,826

(1) Net Pension Liability (Asset).

(2) LRF: The municipal bond rate was used for all years.

(3) The discount rate changed from 5.42, 5.02, 5.12, 8.0, 3.56, and 6.38 percent for SERF, CERF, TRF, SPTRF, LRF, and SPRF, respectively.

(4) The discount rate for fiscal year 2020 will change to 3.13 percent for LRF.

Defined Contribution Plans

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds. The benefits received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer or solely with employee contributions, depending on the fund. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial accrued benefit liability or actuarially required contribution.

Plan Descriptions and Contribution Information

The Hennepin County Supplemental Retirement Fund (HCSRF), authorized by Minnesota Statutes 383B subdivision 46-52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employer (Hennepin County and Hennepin Healthcare System) and employee contribution rate is 1.0 percent of the employee's salary. Benefits are the participant's account balance, which includes investment earnings/losses.

Health Care Savings Fund (HCSF), authorized by Minnesota Statutes 352.98, creates a post-retirement health care savings plan by which public employees may save to cover post-retirement health care costs. Contributions to the plan are defined in a personnel policy or in a collective bargaining agreement. Contributions to the plan, by or on behalf of an employee, are held in trust for reimbursement of employee and dependent health-related expenses following termination of public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted. Benefits are the participant's account balance, which includes investment gains/losses and must be used for qualifying health-related expenses. The employee contributions were $153,595,000 for the fiscal year ended June 30, 2019.

The Unclassified Employees Retirement Fund (UERF), authorized by Minnesota Statutes 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state, specified employees of various statutorily designated entities, or judges who exceed the maximum benefit cap under the Judges Retirement Fund (pension trust fund). Statutory contribution rates are 5.75 percent of employee's salary for employee and 6.0 percent for the employer. However, contribution rates for participating judges are 8.0 percent of employee's salary with no state contribution. Benefits are either an annuity based on age, value of the participant's account, and the effective actuarial assumptions, or the participant's account balance withdrawals. Beginning in fiscal year 2020, the employer contributions will increase 0.25 percent.

The Minnesota Deferred Compensation Fund (DCPF) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes 352.965. The plan is primarily composed of employee contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. The employee contributions were $295,457,000 for the fiscal year ended June 30, 2019.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. The statutory contribution rate is 5.0 percent of employee's salary for both the employee and employer (local units of government, elected officials, and physicians). For other participants, the contribution rate is determined by the employer with a fixed percentage for the employee. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes 354B and 354C, covers unclassified teachers, librarians, administrators, and certain other staff members. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and administrators, participate in the IRAP. The employer and employee statutory contribution rates are 6.0 and 4.5 percent, respectively. Member contribution rates increase by 3.25 percent over the next five years. For the SRP, the statutorily required contribution rate is 5.0 percent of salary for both the employer and employees with contribution maximums between $1,700 and $2,700 depending on the member group. Minnesota Statutes allow additional employer and employee contributions under specific circumstances.

Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) is the administrative agent for the State Colleges and Universities Retirement Fund. Separately-issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

Primary Government
Defined Contribution Plans Contributions
As of June 30, 2019
(In Thousands)

Description	HCSRF	UERF	DCF	CURF
Member Contributions	$ 106	$ 6,918	$ 1,957	$ 38,006
Employer Contributions:				
Primary Government Contributions	$ —	$ 6,995	$ —	$ 45,542
Other Employer Contributions	107	547	2,084	—
Total Employer Contributions	$ 107	$ 7,542	$ 2,084	$ 45,542

Investment Trust Funds

The Supplemental Retirement and the Investment Trust funds (investment trust funds) are administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). These funds are investment pools for external participants.

Component Units

The following component units are participants in the State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF), and the Unclassified Employees Retirement Funds (UERF):

- Housing Finance Agency (HFA)
- Metropolitan Council (MC)
- University of Minnesota (U of M)
- Minnesota Sports Facilities Authority (MSFA)
- Office of Higher Education (OHE)
- Public Facilities Authority (PFA)

Component Units
Summary of Pension Amounts
State Employee Retirement Fund
As of December 31, 2018 or June 30, 2019, as applicable
(In Thousands)

	Major Component Units			Non-Major Component Units			
Description	HFA	MC	U of M	MSFA	OHE	PFA	Total
Proportionate Share of the Net Pension Liability	$ 8,725	$ 129,774	$ 203,026	$ 162	$ 1,771	$ 820	$ 344,278
Deferred Outflows of Resources	26,561	390,021	594,712	242	5,391	2,496	1,019,423
Deferred Inflows of Resources	41,836	628,123	980,605	977	8,490	3,931	1,663,962
Net Pension Expense (Income)	(10,364)	(150,069)	(264,079)	(542)	(2,104)	(1,439)	(428,597)

Major Component Units
Summary of Pension Amounts
Police and Fire Fund
As of December 31, 2018 or June 30, 2019, as applicable
(In Thousands)

Description	MC	U of M	Total
Proportionate Share of the Net Pension Liability	$ 11,737	$ 6,367	$ 18,104
Deferred Outflows of Resources	17,425	18,207	35,632
Deferred Inflows of Resources	21,682	20,934	42,616
Net Pension Expense	904	223	1,127

Note 9 – Termination and Postemployment Benefits

Primary Government – Termination Benefits

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. A liability and expense for voluntary termination benefits are recognized when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits are recognized when a plan of termination has been approved, the plan has been communicated to the employees, and the amount can be estimated.

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Faculty members who meet a combination of age and years of service plus certain eligibility requirements are eligible to receive an early retirement incentive cash payment based on base salary plus health insurance paid for one year after separation or up to age 65, depending on the contract. Approximately 50 former faculty members and staff currently receive this benefit. The cost of the benefits was $1,038,000 during fiscal year ended June 30, 2019, with a remaining liability as of June 30, 2019, of $1,652,000.

Primary Government Single Employer – Postemployment Benefits Other Than Pensions

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit healthcare plan, as allowed by Minnesota Statutes 43A.27, Subdivision 3, and Minnesota Statutes 471.61, Subdivision 2a, and required under the terms of selected employment contracts. All pre-age-65 state retirees with at least 5 years of allowable pension service who are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state's health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100 percent of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy.

The state also subsidizes the healthcare and dental premium rates for certain employees, primarily conservation officers, correctional officers at state correctional facilities, and state troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer's premium contribution rate is frozen at the date of the employee's retirement and is payable by the state until the retiree is age 65. The retiree is responsible for any other portion of the premiums. If the retiree terminates employment at age 55 or later, the employer contributes the active employee's premium rate each year until the retiree is age 65. Coverage ends at the retiree's attainment of age 65.

The state does not issue a separate financial report for its OPEB as the state does not fund an OPEB plan and operates on a pay-as-you-go basis. The amount paid for OPEB benefits during fiscal year 2019 was $34,910,000**.**

Primary Government Single-Employer Plan
Employee Statistics

Description	Employees
Inactive Employees (or their beneficiaries) Currently Receiving Benefits	3,477
Active Employees	47,911

Primary Government Single-Employer Plan
Summary of OPEB Amounts
As of June 30, 2019
(In Thousands)

Description	Amount[(1)]
Total OPEB Liability	$ 612,799
Deferred Outflows of Resources	41,002
Deferred Inflows of Resources	64,894
Total OPEB Expense	60,875

(1) Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents a discretely presented component unit's proportionate share.

Single-Employer Plan
Actuarial Assumptions

Description	OPEB Plan
Actuarial Valuation[(1)]	July 1, 2018
Measurement Date[(1)]	June 30, 2018
Discount Rate: 20 Year Municipal Bond Rate[(2)]	3.87%
Healthcare Cost Trend Rate	6.5% reduced to 3.8% by 2070
Experience Study Dates	2008 - 2015
Inflation	2.50%
Salary Increases	3.25%

(1) No significant events or material changes in benefit provisions occurred between the actuarial valuation date and the measurement date that required an adjustment to roll-forward of the Total OPEB Liability.

(2) Source: Bond Buyer 20-year General Obligation Index.

The mortality rate assumptions use the RP-2014 employee generational mortality table projected with mortality improvement Scale MP-2018 as applicable to the employee group covered.

Single-Employer Plan
Schedule of Total OPEB Liability
As of June 30, 2019
(In Thousands)

Description	Primary Government's Share[(1)]	Component Unit's Share[(1)]	Plan Total
Total OPEB Liability:			
Service Cost	$ 47,486	$ 570	$ 48,056
Interest	23,297	81	23,378
Differences Between Expected and Actual Experience	(42,394)	(147)	(42,541)
Changes in Assumptions or Other Inputs	(594)	(2)	(596)
Benefit Payments	(36,233)	(125)	(36,358)
Net Changes in Total OPEB Liability	$ (8,438)	$ 377	$ (8,061)
Total OPEB Liability, Beginning	621,237	1,742	622,979
Total OPEB Liability, Ending	$ 612,799	$ 2,119	$ 614,918

(1) The primary government's total proportionate share is 99.7 percent and the component unit's proportionate share is 0.3 percent of the state's single employer defined benefit OPEB plan.

Primary Government Single-Employer Plan
Deferred Outflows and Deferred Inflows of Resources
Related to OPEB
As of June 30, 2019
(In Thousands)

Description	Deferred Outflows of Resources[(1)]	Deferred Inflows of Resources[(1)]
Difference between Expected and Actual Experience	$ —	$ 36,600
Changes of Assumption	6,092	28,294
Transactions Subsequent to the Measurement Date	34,910	NA
Total	$ 41,002	$ 64,894

(1) Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents a discretely presented component unit's proportionate share.

Primary Government Single-Employer Plan
Net Deferred Outflows (Inflows) of Resources
Recognized as OPEB Expense or a Reduction to the Total OPEB Liability
As of June 30, 2019
(In Thousands)

Description	Amount[1]
2020	$ (9,890)
2021	(9,890)
2022	(9,890)
2023	(9,890)
2024	(10,271)
Thereafter	(8,971)
Net OPEB Expense	$ (58,802)
Deferred Outflow of Resources as a Reduction of the Total OPEB Liability	34,910
Net Deferred Outflows (Inflows) of Resources	$ (23,892)

(1) Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents a discretely presented component unit's proportionate share.

The following tables present the total OPEB liability (TOPEBL) for the defined benefit plan for the primary government's proportionate share of the TOPEBL, calculated using the corresponding discount rate and healthcare trend rate as well as what the TOPEBL would be if the rates were one percentage point higher or lower.

Primary Government
Sensitivity of the Total OPEB liability to Changes in the Discount Rate
As of June 30, 2019
(In Thousands)

With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Rate	TOPEBL	Rate[1]	TOPEBL	Rate	TOPEBL
2.87%	$ 656,350	3.87%	$ 612,799	4.87%	$ 571,940

(1) The discount rate changed from 3.58 percent.

Sensitivity of the Total OPEB liability to Changes in the Healthcare Trend Rates
As of June 30, 2019
(In Thousands)

With a 1% Decrease		Current Healthcare Trend Rate		With a 1% Increase	
Rate	TOPEBL	Rate	TOPEBL	Rate	TOPEBL
2.8%	$ 555,945	3.8%	$ 612,799	4.8%	$ 679,140

Component Units – Postemployment Benefits Other Than Pensions

Housing Finance Agency (HFA) and the Office of Higher Education (OHE) participate in the primary government's single-employer defined benefit OPEB plan.

The Metropolitan Council (MC) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. The funding for MC does not meet the requirements of GASB statement 75, for OPEB. However, MC separately invested $255 million as of December 31, 2018 for this purpose.

The University of Minnesota (U of M) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible employees, retirees, their spouses, and dependents, and an academic disability plan for faculty and academic professional and administrative employees. The U of M does not fund an OPEB plan and operates on a pay-as-you-go basis.

Component Units
Summary of OPEB Amounts
State OPEB Plan
As of June 30, 2019
(In Thousands)

	Major Component Unit	Non-Major Component Unit	
Description	HFA	OHE	Total
Proportionate Share Total OPEB Liability	$ 1,716	$ 403	$ 2,119
Deferred Outflows of Resources	97	23	120
Deferred Inflows of Resources	192	45	237
Total OPEB Expense	171	39	210

Major Component Units
Summary of OPEB Amounts
Other Plans
As of December 31, 2018 or June 30, 2019, as applicable
(In Thousands)

Description	MC	U of M	Total
Proportionate Share Total OPEB Liability	$ 275,287	$ 40,283	$ 315,570
Deferred Outflows of Resources	8,376	5,315	13,691
Deferred Inflows of Resources	25,205	487	25,692
Total OPEB Expense	10,832	7,214	18,046

Note 10 – Long-Term Commitments

Primary Government

Governmental Funds

Long-term commitments consist of grant agreements, construction projects, and other contracts. A portion of these commitments will be funded by current reserves, and these amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance amounts. Resources provided by future bond proceeds, gas taxes, motor vehicle registration taxes, and federal grants will fund the remaining commitments. Governmental funds' encumbrances, both current and long-term, as of June 30, 2019, were as follows:

Primary Government
Encumbrances
As of June 30, 2019
(In Thousands)

Description	Amount
Major Fund: General Fund	$ 438,303
Non-Major Governmental Funds	1,999,688
Total Encumbrances	$ 2,437,991

Enterprise Fund - Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of $158,171,000 for construction and renovation of college and university facilities as of June 30, 2019.

Component Units

As of June 30, 2019, the Housing Finance Agency had committed approximately $539,583,000 for the purchase or origination of future loans or other housing assistance.

The Metropolitan Council entered into contracts for various purposes such as transit services and construction projects. As of December 31, 2018, unpaid commitments for Metro Transit Bus services were approximately $462,236,000. Future commitments for Metro Transit Light Rail were approximately $151,367,000, while future commitments for Metro Transit Commuter Rail were approximately $11,414,000. Future commitments for Regional Transit and Environmental Services were approximately $19,372,000 and $71,668,000, respectively. Finally, amounts authorized and initiated in the calendar year 2018 budget but not completely expended in calendar year 2018 were $2,281,000.

The University of Minnesota had construction projects in progress with an estimated completion cost of $138,860,000 as of June 30, 2019. These costs will be funded from plant account assets and state appropriations.

As of June 30, 2019, the Public Facilities Authority (PFA) had committed approximately $130,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $72,000,000 for grants.

As of June 30, 2019, the Minnesota Sports Facilities Authority had committed approximately $11,684,000 for stadium and stadium infrastructure construction projects.

Note 11 – Operating Lease Agreements

Operating Leases

The state and its component units are committed under various leases primarily for building and office space. For accounting purposes, these leases are considered to be operating leases.

Lease expenditures/expenses for the fiscal year ended June 30, 2019, totaled approximately $89,202,000 and $28,659,000 for the primary government and component units, respectively. Lease expenses for the year ended December 31, 2018, totaled approximately $2,303,000 for component units.

Primary Government and Component Units
Future Minimum Lease Payments
(In Thousands)

Primary Government		Component Units			
Year Ended June 30	Amount	Year Ended June 30	Amount	Year Ended December 31	Amount
2020	$ 81,077	2020	$ 16,477	2019	$ 1,437
2021	72,074	2021	16,206	2020	696
2022	60,533	2022	15,045	2021	571
2023	48,095	2023	6,966	2022	376
2024	40,284	2024	5,966	2023	343
2025-2029	112,155	2025-2029	24,109	2024-2028	606
2030-2034	665	2030-2034	14,638	2029-2033	282
2035-2039	265	2035-2039	2,806	2034-2038	120
2040-2044	280	2040-2044	1,713	2039-2043	47
2045-2049	300	2045-2049	470	2044-2048	23
2050-2054	315	2050-2054	—	2049-2053	—
2055-2059	34	2055-2059	—	2054-2058	—
Total	$ 416,077	Total	$ 104,396	Total	$ 4,501

Note 12 – Long-Term Liabilities - Primary Government

Primary Government
Long-Term Liabilities
Year Ended June 30, 2019
(In Thousands)

Liability Type	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 6,867,284	$ 682,576	$ 625,358	$ 6,924,502	$ 554,874
Revenue Bonds	36,795	—	2,645	34,150	2,740
State Appropriation Bonds	1,048,439	—	50,951	997,488	43,710
Loans	36,906	23,661	13,609	46,958	15,095
Due to Component Units	4,864	—	640	4,224	654
Capital Leases	71,576	—	9,712	61,864	10,162
Certificates of Participation	93,425	—	11,716	81,709	2,180
Claims	840,848	1,151,983	1,071,205	921,626	203,516
Compensated Absences	325,030	337,400	329,519	332,911	46,195
Other Postemployment Benefits	535,148	67,152	74,347	527,953	—
Net Pension Liability	8,382,949	197,477	5,900,303	2,680,123	—
Total	$ 18,243,264	$ 2,460,249	$ 8,090,005	$12,613,508	$ 879,126
Business-type Activities:					
General Obligation Bonds	$ 227,901	$ 18,943	$ 23,654	$ 223,190	$ 21,156
Revenue Bonds	351,871	—	42,068	309,803	40,665
Loans	11,030	—	672	10,358	588
Capital Leases	13,741	—	4,247	9,494	4,141
Claims	18,358	198,758	194,696	22,420	20,318
Compensated Absences	156,264	36,264	32,947	159,581	19,723
Other Postemployment Benefits	86,089	14,332	15,575	84,846	—
Net Pension Liability	1,468,967	—	1,108,546	360,421	—
Total	$ 2,334,221	$ 268,297	$ 1,422,405	$ 1,180,113	$ 106,591

Primary Government
Resources for Repayment of Long-Term Liabilities
Year Ended June 30, 2019
(In Thousands)

	Governmental Activities				
Liability Type	General Fund	Special Revenue Funds	Internal Service Funds	Business-type Activities	Total
General Obligation Bonds	$ 4,909,557	$ 2,014,945	$ —	$ 223,190	$ 7,147,692
Revenue Bonds	11,977	22,173	—	309,803	343,953
State Appropriation Bonds	997,488	—	—	—	997,488
Loans	—	3,633	43,325	10,358	57,316
Due to Component Units	—	4,224	—	—	4,224
Capital Leases	61,864	—	—	9,494	71,358
Certificates of Participation	81,709	—	—	—	81,709
Claims	198,906	633,582	89,138	22,420	944,046
Compensated Absences	185,522	136,742	10,647	159,581	492,492
Other Postemployment Benefits	521,652	—	6,301	84,846	612,799
Net Pension Liability	2,573,621	—	106,502	360,421	3,040,544
Total	$ 9,542,296	$ 2,815,299	$ 255,913	$ 1,180,113	$ 13,793,621

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, state appropriation bonds, loans, due to component unit, capital leases, and certificates of participation. There are no payment schedules for claims, compensated absences, other postemployment benefits, and net pension liability.

Primary Government
General Obligation Bonds
Principal and Interest Payments
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 554,874	$ 262,352	$ 21,156	$ 9,619	$ 576,030	$ 271,971
2021	518,444	236,847	20,291	8,205	538,735	245,052
2022	512,145	211,882	19,715	7,227	531,860	219,109
2023	507,345	187,479	18,210	6,294	525,555	193,773
2024	455,924	164,433	17,021	5,428	472,945	169,861
2025-2029	1,913,185	537,259	66,095	16,777	1,979,280	554,036
2030-2034	1,218,369	201,552	34,026	6,072	1,252,395	207,624
2035-2039	398,371	31,568	10,279	977	408,650	32,545
Total	$ 6,078,657	$ 1,833,372	$ 206,793	$ 60,599	$ 6,285,450	$ 1,893,971
Bond Premium	845,845	—	16,397	—	862,242	—
Total	$ 6,924,502	$ 1,833,372	$ 223,190	$ 60,599	$ 7,147,692	$ 1,893,971

Primary Government
Revenue Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2020	$ 2,740	$ 1,205	$ 40,665	$ 11,536	$ 43,405	$ 12,741
2021	2,830	1,109	29,370	9,837	32,200	10,946
2022	2,935	1,014	19,835	8,642	22,770	9,656
2023	1,760	944	20,120	7,870	21,880	8,814
2024	1,815	891	18,480	7,112	20,295	8,003
2025-2029	9,990	3,495	94,570	23,709	104,560	27,204
2030-2034	12,080	1,328	64,005	6,506	76,085	7,834
2035-2039	—	—	8,305	400	8,305	400
Total	$ 34,150	$ 9,986	$ 295,350	$ 75,612	$ 329,500	$ 85,598
Bond Premium	—	—	14,453	—	14,453	—
Total	$ 34,150	$ 9,986	$ 309,803	$ 75,612	$ 343,953	$ 85,598

Primary Government
State Appropriation Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest
2020	$ 43,710	$ 42,635
2021	45,555	40,560
2022	47,710	38,334
2023	49,235	36,012
2024	51,795	33,598
2025-2029	306,335	128,442
2030-2034	135,015	68,588
2035-2039	110,240	43,551
2040-2044	106,895	13,720
Total	$ 896,490	$ 445,440
Bond Premium	100,998	—
Total	$ 997,488	$ 445,440

Primary Government
Loans Payable and Due to Component Units
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2020	$ 15,749	$ 1,219	$ 588	$ 290	$ 16,337	$ 1,509
2021	13,845	777	633	270	14,478	1,047
2022	9,873	494	681	248	10,554	742
2023	5,433	292	640	224	6,073	516
2024	1,434	181	594	205	2,028	386
2025-2029	2,478	616	3,128	746	5,606	1,362
2030-2034	1,186	316	3,056	339	4,242	655
2035-2039	1,184	89	1,038	25	2,222	114
Total	$ 51,182	$ 3,984	$ 10,358	$ 2,347	$ 61,540	$ 6,331

Primary Government
Capital Leases
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2020	$ 10,162	$ 3,078	$ 4,141	$ 1,512	$ 14,303	$ 4,590
2021	10,655	2,570	1,754	430	12,409	3,000
2022	11,171	2,037	1,316	168	12,487	2,205
2023	11,717	1,477	308	87	12,025	1,564
2024	12,291	892	308	47	12,599	939
2025-2029	5,868	283	1,132	185	7,000	468
2030-2034	—	—	535	7	535	7
Total	$ 61,864	$ 10,337	$ 9,494	$ 2,436	$ 71,358	$ 12,773

Primary Government
Certificates of Participation
Principal and Interest Payments
(In Thousands)

	Governmental Activities	
Year Ended June 30	Principal	Interest
2020	$ 2,180	$ 3,607
2021	2,290	3,498
2022	2,405	3,384
2023	2,525	3,264
2024	2,650	3,137
2025-2029	15,390	13,560
2030-2034	19,640	9,308
2035-2039	25,065	3,882
Total	$ 72,145	$ 43,640
Premium on Certificates of Participation	9,564	—
Total	$ 81,709	$ 43,640

Debt Service Fund

For state general obligation bonds, Minnesota Statutes 16A.641, provides for an annual appropriation for transfer to the Debt Service Fund. The amount of the appropriation is to be such that, when combined with the balance on hand in the Debt Service Fund on December 1 of each year for state bonds, it will be sufficient to pay all general obligation bond principal and interest due and to become due through July 1 in the second ensuing year. If the amount appropriated is insufficient when combined with the balance on hand in the Debt Service Fund, the state constitution requires the state auditor to levy a statewide property tax to cover the deficiency. No such property tax has been levied since 1969 when the law requiring the appropriation was enacted.

For other annual appropriation debt, the amounts needed to pay principal and interest payment are appropriated each fiscal year for transfer to the Debt Service Fund. The state has no legal obligation to continue appropriating funds to make debt service payments. The annual appropriation debt is canceled on the earlier of the fiscal year for which the legislature does not appropriate sufficient amounts for debt service, an executive unallotment regarding continuing appropriations for debt service, or the date of the final principal and interest payment. The Minnesota Statutes governing outstanding annual appropriation debt are provided in the applicable sections in this note.

During fiscal year 2019, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government
Transfers to Debt Service Fund
Year Ended June 30, 2019
(In Thousands)

Fund Type	Amount
General Fund	$ 645,397
Special Revenue Funds:	
Trunk Highway Fund	$ 214,903
Miscellaneous Special Revenue Fund	1,203
Total Special Revenue Funds	$ 216,106
Internal Service Fund – Plant Management Fund	$ 5,791
Total Transfers to Debt Service Fund	$ 867,294

General Obligation Bond Issues

In August 2018, the state issued $619,720,000 general obligation bonds, Series 2018A through Series 2018C:

- Series 2018A for $397,720,000 in state various purpose bonds were issued at a true interest rate of 3.10 percent.
- Series 2018B for $206,000,000 in state trunk highway bonds were issued at a true interest rate of 3.00 percent.
- Series 2018C for $16,000,000 in taxable state bonds were issued at a true interest rate of 3.39 percent.

The state remains contingently liable to pay its advance refunded general obligation bonds as shown in the following table.

Primary Government
Outstanding Defeased Debt
General Obligation Bonds
(In Thousands)

Refunding Date	Original Refunding Amount	Refunded Amount	June 30, 2019 Outstanding Amount	Refunded Bond Call/Maturity Date
August 21, 2014	$ 5,449	$ 5,705	$ 4,130	October 1, 2021
August 21, 2014	9,727	10,185	7,925	August 1, 2022
August 11, 2016	126,762	139,860	139,860	December 1, 2019
August 11, 2016	85,514	94,350	94,350	August 1, 2019
August 11, 2016	98,289	108,445	108,445	November 1, 2019
October 11, 2017	31,201	33,620	33,620	November 1, 2019
October 11, 2017	292,569	315,250	315,250	August 1, 2020
October 11, 2017	29,556	28,665	28,665	December 1, 2019
October 11, 2017	41,243	40,000	40,000	August 1, 2019
October 11, 2017	10,311	10,000	10,000	November 1, 2019
March 14, 2018	NA	1,860	1,395	August 1, 2021
March 14, 2018	NA	3,815	3,270	August 1, 2020
March 14, 2018	NA	480	480	October 1, 2023
Total	$ 730,621	$ 792,235	$ 787,390	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2019. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Colleges and Universities Fund (enterprise fund).

Primary Government
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2019
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates for Outstanding
Maximum Effort School Loan	$ 9,500	$ 3,875	5.00%
Rural Finance Authority	19,500	70,902	1.40-5.00%
State Transportation	208,337	214,868	2.50-5.00%
Trunk Highway	1,385,409	1,751,185	2.00-5.00%
Trunk Highway Refunding Bonds	—	263,760	2.00-5.00%
Various Purpose	1,199,587	2,387,350	1.75-5.00%
Various Purpose Refunding Bonds	—	1,593,510	1.66-5.00%
Total	$ 2,822,333	$ 6,285,450	

State Appropriation Bonds

On October 31, 2012, the Minnesota Supreme Court concluded that the Appropriation Refunding Bonds do not constitute public debt for which the state has pledged its full faith, credit, and taxing powers. The Minnesota Supreme Court held that, accordingly, the bonds are not subject to the Minnesota Constitution's Article XI, Section 5, restrictions on the use of the proceeds of "public debt." Resulting from the decision of this court case, on November 21, 2012, the state sold state General Fund appropriation refunding bonds as authorized by Minnesota Statutes 16A.99. The bonds were issued for the purpose of refunding tobacco settlement revenue bonds Series 2011A and Series 2011B of the Tobacco Securitization Authority. These appropriation bonds are payable only from amounts appropriated by the Minnesota Legislature.

Minnesota Statutes 16A.965, authorize the state to issue state General Fund appropriation bonds for the purpose of financing up to $498,000,000 for the state and City of Minneapolis' share of the costs of a professional football stadium project of the Minnesota Sports Facilities Authority (component unit) . The state has commenced the financing process. In addition, the Minnesota Pay-for-Performance Act of 2011 authorized issuance of up to $10,000,000 bond proceeds as incentive payments to service providers for certain financial outcomes that will result in decreased costs or increased revenues to the state.

Minnesota Statutes 16A.967, as amended by the Laws of Minnesota Special Session 2017, Chapter 8, Article 2, Section 2, authorizes the state to issue state General Fund appropriation bonds not to exceed $22,500,000 for financing land acquisition, design, engineering, and construction of facilities and infrastructure necessary to complete the next phase of the Lewis and Clark Regional Water System project, including completion of the pipeline to Magnolia, extension of the project to the Lincoln-Pipestone Rural Water System connection near Adrian, and engineering, design, and easement acquisition for the final phase of the project to Worthington. No bonds shall be sold until the commissioner of Minnesota Management and Budget determines that a nonstate match of at least $9,000,000 is committed to this project phase. Grant agreements entered into under this section must provide for reimbursement to the state from any federal money provided for the project, consistent with the Lewis and Clark Regional Water System Incorporated Agreement. The nonstate match was met and in fiscal year 2017, state General Fund appropriation bonds of $11,790,000 were issued at a true interest rate of 2.83 percent. On November 9, 2017, state General Fund appropriation bonds of $7,570,000 were issued at a true interest rate of 3.23 percent.

The following table is a schedule of state appropriation bonds authorized, but unissued, and bonds outstanding as of June 30, 2019.

Primary Government
State Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2019
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates
Professional Football Stadium	$ —	$ 418,410	2.67-5.08%
Pay-for-Performance	10,000	—	N/A
Refund Tobacco Securitization Authority	—	461,285	3.00-5.00%
Lewis and Clark Regional Water System	3,140	16,795	1.30-4.00%
Total	$ 13,140	$ 896,490	

Loans Payable and Due to Component Unit

Governmental activities loans and due to component units are loans/due to component units for transportation projects, energy efficiencies improvements, and equipment purchase loans for internal service funds. The capital assets purchased for energy efficiencies improvements and equipment purchases are pledged as collateral on the loans incurred to finance the purchase. On June 30, 2019, the state has an unused line of credit of $24,703,000 to finance additional equipment purchases.

Business-type activities loans are loans to purchase energy efficiencies improvements and equipment. The capital assets purchased for energy efficiencies improvements and equipment purchases are pledged as collateral on the loans incurred to finance the purchases.

Capital Leases

In fiscal year 2006, the state entered into capital lease agreements, amended in fiscal year 2013, with St. Paul Port Authority (SPPA - not part of the state's reporting entity) to purchase two newly constructed buildings on state-owned land for $180,005,000. Lease payments are scheduled over 20 years and approximate the debt service payments of SPPA. The leases meet the criteria of a capital lease as defined by GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The terms of each agreement provide options to purchase the buildings under a bargain purchase option. In May 2013, SPPA issued refunding bonds of $115,760,000. The proceeds of the bonds were applied to refund SPPA's outstanding revenue bonds. The lease agreement was amended to approximate the debt service payments of SPPA refunding bonds.

The state has other capital lease agreements to purchase equipment that meets the above criteria. The equipment is pledged as collateral on these lease agreements. In addition, Minnesota State Universities Fund (enterprise fund) entered into capital lease agreements for campus facilities. Minnesota State Colleges and Universities (MnSCU) guaranteed the revenue bonds issued by Clay County and the city of Saint Cloud Housing and Redevelopment Authority. As of June 30, 2019, MnSCU has not been required to make any payments on these guarantees. In the event MnSCU is called upon to make any lease payments, default provisions in each lease agreement provide options to terminate the agreement and possession of the buildings can be pursued legally by MnSCU. As of June 30, 2019, there is $6,385,000 principal outstanding on these guarantees.

Certificates of Participation

In August 2014, the state issued $80,100,000 of certificates of participation (COPs) at a true interest rate of 3.70 percent to finance the predesign, design, and construction and equipping of offices, hearing rooms, and parking facilities for a legislative office facility as authorized by Laws of Minnesota Regular Session 2013, Chapter 143, Article 12, Section 21. The COPs are not general or moral obligations of the state and no revenues are pledged to repay them. If the state defaults on the debt, the trustee has the right to terminate the lease terms of the project and to take whatever legal action may appear necessary to collect rental payment(s).

Revenue Bonds Payable

In October 2013, Iron Range Resources and Rehabilitation issued $37,830,000 of education facilities revenue bonds at a true interest rate of 3.76 percent. Minnesota Laws of 2013, Chapter 143, Article 11, Section 11; Minnesota Statutes 298.22 through 298.32; and an order of the commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. The bonds will be used to make grants to certain school districts located in the taconite relief areas, as defined in Minnesota Statutes 273.134. The interest rates for the bonds range from 3.00 percent to 4.30 percent over a 20 year term.

In September 2014, the Iron Range Resources and Rehabilitation issued $7,860,000 of education facilities refunding revenue bonds at a true interest rate of 1.32 percent. The proceeds of the bonds will be used to effect a current refunding of the commissioner of Iron Range Resources and Rehabilitation's Educational Facilities Revenue Bonds Series 2006. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes 298.2211; and an order of the commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. The interest rates on the bonds are 3.00 percent for the remaining four years of the bonds.

To repay the bonds, Iron Range Resources and Rehabilitation has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund). These tax distributions, totaling $3,990,000 for fiscal year 2019, have averaged less than ten percent of the state's total annual taconite production tax revenues over the last five years. The debt service on the bonds is payable solely from these taconite production tax distributions. For fiscal year 2019, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was $3,943,000. The total principal and interest remaining to be paid as of June 30, 2019, is $44,136,000 payable through October 2033.

The state is authorized by Minnesota Statutes 403.275, and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, $35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. On November 13, 2008, $42,205,000 in revenue bonds were issued at a true interest rate of 4.60 percent. On October 22, 2009, $60,510,000 in revenue bonds were issued at a true interest rate of 3.17 percent. On August 16, 2011, $60,380,000 in revenue bonds were issued at a true interest rate of 2.96 percent. On November 1, 2016, $91,715,000 in revenue refunding bonds were issued at a true interest rate of 1.06 percent. The proceeds of the bonds were used to defease and refund, on an advance refunding basis, the outstanding maturities of the state's 911 Revenue Bonds Series 2008, Series 2009, Series 2011, and pay the costs associated with the issuance of the bonds. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 30 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2019, is $33,650,000 payable through June 2021. Principal and interest paid during fiscal year 2019 and total 911 fee revenues were $22,998,000 and $81,354,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund).

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 1.65 percent to 5.00 percent. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 25 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $335,933,000. Principal and interest paid for the current year and total customer net revenues were $29,194,000 and $118,060,000, respectively. The bonds are accounted for in the State Colleges and Universities Fund (enterprise fund).

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2038. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 36 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $1,379,000. Principal and interest paid and total customer net revenues during fiscal year 2019 were $170,000 and $487,000, respectively. These revenue bonds have a variable interest rate of 2.30 percent to 3.65 percent. The bonds are accounted for in the State Colleges and Universities Fund (enterprise fund).

Claims

The state has assumed responsibility for the long-term care of certain closed municipal solid waste facilities. Minnesota Statutes 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. The state is responsible, in perpetuity, for performing cleanup and final closure work, as well as all postclosure maintenance and monitoring, at qualifying sites. Municipal solid waste landfill liabilities of $305,257,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. There are currently 110 landfills in the program and four more landfills that are qualified, but not yet enrolled. One of the qualified sites, Freeway Landfill, has a liability of $133,290,000; approximately 40 percent of the total landfill liability. Estimated landfill closure and postclosure liabilities include planned response actions, future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Additionally, funds may be spent for corrective actions to address incidents involving agricultural chemicals, including related administrative costs, enforcement, and cost recovery actions. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites, or changes in regulations, and future unanticipated response actions.

Funding for the state’s ongoing claims at these landfills has historically come from the Environmental and Remediation Fund (special revenue fund). Currently, the majority of funds appropriated for spending from the Environmental and Remediation Fund are budgeted and expended annually on activities not associated with closure and postclosure care of landfills. Further, the recovery of financial assurance monies from previous landfill owners and operators is no longer a source of revenue to the Environmental and Remediation Fund. The closed landfill investment account, established under Minnesota Statutes 115B.421, within the Environmental and Remediation Fund was created to address a portion of these required long-term postclosure costs through minimal withdrawals from a fund managed through the State Board of Investment to ensure long-term availability of resources and may be spent after fiscal year 2020. The Metropolitan Landfill Contingency Action Account is an account in the Environmental and Remediation

Fund consisting of revenues from 25 percent of the metropolitan solid waste landfill fee, cost recovery of response actions expenses, and interest earned on investment of money in the account. The account appropriated for closure and post-closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a thirty year period after closure if determine that the operator/owner cannot take the necessary actions as directed by the commissioner of the Minnesota Pollution Control Agency. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, are now a significant source of funding for design and construction work at the publicly-owned landfills in the program.

The state of Minnesota is financially responsible to remediate certain known pollution present on either state-owned or non-state-owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2019, were $211,299,000. Of this total, $154,890,000 was the liability for remediation on sites designated pursuant to state or federal superfund laws. The pollution remediation amounts are estimated through an analysis of existing polluted sites. The liabilities are based on the weighted average of the pollution remediation outlays expected to be incurred to settle those liabilities. Because the liabilities are measured at their current value, they are subject to change due to inflation, technology improvements, or changes to applicable laws and regulations.

Funding for the state’s pollution remediation primarily comes from the Environmental and Remediation Fund (special revenue fund), which was established under Minnesota Statutes 116.155, and the Petroleum Tank Cleanup Fund (special revenue fund), which was established under Minnesota Statutes 115C.08. These statutes require the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Cleanup Fund. As of July 2019, the Petroleum Tank Cleanup Fund has approved $455,000,000 in reimbursements for eligible applicants since program inception in 1987. Future expenditures from the Petroleum Tank Cleanup Fund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites. The estimated total payments from the program, which is scheduled to sunset on June 30, 2022, are between $460,000,000 and $480,000,000 for investigative and cleanup costs.

The governmental activities’ and business-type activities’ liability for workers' compensation of $70,432,000 and $4,799,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2019, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of $29,300,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

Claims of $216,200,000 are for reimbursements of supplementary and second injury benefits for old workers’ compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00 percent) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately 2058 for supplementary benefits and 2046 for second injuries.

The remaining claims represent $11,891,000 in the Risk Management Fund (internal service fund), $77,247,000 in the Employee Insurance Fund (internal service fund), and $17,621,000 in the Public Employees Insurance Fund (enterprise fund).

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $332,911,000 and $159,581,000 respectively, are primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Arbitrage Liabilities

An arbitrage rebate payable to the federal government is required by the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties if there are excess earnings on tax-exempt bond proceeds and debt service reserves. For fiscal year 2019, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable – Fiduciary Funds

On June 1, 2000, the state of Minnesota issued revenue bonds totaling $29,000,000 on behalf of the state's three retirement systems. Minnesota Statutes 356.89, authorized the issuance of the revenue bonds for the construction of an administrative office building. On August 9, 2012, the state of Minnesota issued revenue refunding bonds totaling $21,880,000 on behalf of the state's three retirement systems at a true rate of 1.63 percent. Minnesota Statute 356B.10, authorized the issuance of the revenue bonds for a current refunding of the $29,000,000 Retirement System Building Revenue Bonds, Series 2000, which were issued for the construction of an administrative office building. The revenue refunding bonds have an interest rate of 1.63 percent and are not general obligations of the state. The bonds are backed by the assets of the three retirement systems, excluding assets segregated for retired employees and assets of the systems' defined contribution funds.

The debt service payments are allocated to each system based on the percentage interest each has in the facility. For fiscal year 2019, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and General Employees Retirement Fund (GERF) was $2,096,000. The total principal and interest remaining to be paid as of June 30, 2019, is $11,392,000, payable through fiscal year 2025.

Long-Term Debt Repayment Schedule
Fiduciary Funds
Revenue Bonds – SERF, TRF, and GERF
(In Thousands)

Year Ended June 30	Principal	Interest
2020	$ 1,785	$ 300
2021	1,835	265
2022	1,875	228
2023	1,915	190
2024	1,845	114
2025-2029	1,000	40
Total	$ 10,255	$ 1,137
Bond Premium	584	—
Total	$ 10,839	$ 1,137

Note 13 – Long-Term Liabilities - Component Units

General Obligation and Revenue Bonds

The Metropolitan Council (MC) issued general obligation bonds for parks, solid waste disposal systems, sewers, and transportation projects, backed by the full faith and credit and taxing powers of MC. MC had $1,629,598,000 in general obligation bonds and general obligation grant anticipation notes outstanding on December 31, 2018, including unamortized discounts/premiums. During calendar year 2018, MC issued general obligation transit, and wastewater bonds for a total of $154,975,000.

The University of Minnesota (U of M) issued general obligation bonds and revenue bonds for capital projects. On June 30, 2019, the principal amount of general obligation bonds and revenue bonds outstanding, including unamortized discounts/premiums, was $1,046,869,000 and $313,405,000, respectively.

Component Units
General Obligation Bonds
Major Component Units
(In Thousands)

	MC			U of M	
Year Ended December 31	Principal	Interest[1]	Year Ended June 30	Principal	Interest
2019	$ 143,632	$ 47,353	2020	$ 41,745	$ 42,056
2020	138,708	42,791	2021	42,595	40,120
2021	141,248	38,323	2022	45,015	34,744
2022	136,068	33,742	2023	35,935	36,280
2023	125,186	29,262	2024	37,500	34,589
2024-2028	481,941	90,058	2025-2029	216,110	144,114
2029-2033	261,896	35,639	2030-2034	203,245	93,032
2034-2038	116,438	7,081	2035-2039	171,860	50,105
2039-2043	—	—	2040-2044	120,690	14,562
Total	$ 1,545,117	$ 324,249	Total	$ 914,695	$ 489,602
Unamortized Discounts / Premiums and Issuance Costs	84,481	—	Unamortized Discounts / Premiums and Issuance Costs	132,174	—
Total	$ 1,629,598	$ 324,249	Total	$ 1,046,869	$ 489,602

(1) MC interest is net of Build America Bonds federal subsidy.

The Housing Finance Agency (HFA) is authorized by Minnesota Statutes 462A.06, to issue revenue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed $5,000,000,000, according to Minnesota Statutes 462A.22. The principal amount of revenue bonds outstanding on June 30, 2019, including unamortized discounts/premiums, was $3,104,008,000.

The Office of Higher Education (OHE) is authorized by Minnesota Statutes 136A.171-136A.175, to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount outstanding on these bonds at any one time, not including refunded bonds or otherwise defeased or discharged bonds, shall not exceed $850,000,000, according to Minnesota Statutes 136A.171. On June 30, 2019, the outstanding principal of revenue bonds was $501,316,000, including unamortized discounts/premiums.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes 446A.04, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities, drinking water systems, and transportation. The amount outstanding on these bonds at any time shall not exceed $2,000,000,000, according to Minnesota Statutes 446A.12. The principal amount of bonds outstanding on June 30, 2019, including unamortized discounts/premiums, was $786,910,000.

Component Units
Revenue Bonds
Major Component Units
(In Thousands)

	HFA		U of M	
Year Ended June 30	Principal	Interest	Principal	Interest[1]
2020	$ 52,430	$ 95,347	$ 12,160	$ 11,870
2021	72,008	95,942	12,755	11,283
2022	44,705	94,269	13,375	10,666
2023	46,470	93,031	14,045	9,989
2024	47,635	91,646	14,755	9,278
2025-2029	258,500	434,136	100,330	34,819
2030-2034	312,150	385,341	74,320	16,469
2035-2039	315,885	335,701	35,925	2,944
2040-2044	395,590	283,996	10,500	—
2045-2049	1,489,835	153,737	—	—
2050-2054	50,824	251	—	—
Total	$ 3,086,032	$ 2,063,397	$ 288,165	$ 107,318
Unamortized Discount / Premiums and Issuance Costs	17,976	—	25,240	—
Total	$ 3,104,008	$ 2,063,397	$ 313,405	$ 107,318

(1) Excludes interest on variable rate bonds with an outstanding principal balance of $32.850 million.

Component Units
Revenue Bonds
Nonmajor Component Units
(In Thousands)

Year Ended June 30	OHE Principal	OHE Interest	PFA Principal	PFA Interest
2020	$ —	$ 14,687	$ 86,190	$ 34,467
2021	—	14,687	86,605	30,196
2022	—	14,687	74,510	26,324
2023	1,335	14,676	55,975	22,761
2024	1,290	14,611	54,375	20,278
2025-2029	16,515	71,360	226,990	67,375
2030-2034	15,900	67,719	105,040	23,036
2035-2039	56,895	62,497	36,920	2,792
2040-2044	157,300	46,958	—	—
2045-2049	251,700	24,316	—	—
Total	$ 500,935	$ 346,198	$ 726,605	$ 227,229
Unamortized Discount / Premiums and Issuance Costs	381	—	60,305	—
Total	$ 501,316	$ 346,198	$ 786,910	$ 227,229

HFA has two indentures of trust that permit capital funding for loans for permanent supportive housing for long-term homeless households, preservation of federally assisted housing, and other purposes. These bonds are payable solely from the appropriations of the primary government's General Fund authorized by Minnesota Statues 462A.36 and 462.37. On June 30, 2019, $160,835,000 in bonds were outstanding.

Component Units
State Appropriation-Backed Bonds
Major Component Units
(In Thousands)

Year Ended June 30	HFA Principal	HFA Interest
2020	$ 7,765	$ 6,633
2021	6,480	6,371
2022	6,730	6,119
2023	7,005	5,841
2024	7,270	5,575
2025-2029	41,140	23,096
2030-2034	45,990	13,461
2035-2039	36,065	3,714
2040-2044	2,390	97
Total	$ 160,835	$ 70,907

Loans and Notes Payable

Metropolitan Council

The Metropolitan Council received loans from the Housing Finance Agency (component unit) in calendar years 2002 and 2004 for $400,000, and $730,000, respectively. In 2004, MC received a $275,000 loan from Hennepin County Housing and Redevelopment Authority for a total of $1,405,000 of loans outstanding on December 31, 2018. The terms of the loan agreements are 30 years, although they may be extended indefinitely if all the terms of the loan agreement are met.

In calendar year 2015, MC entered into an interest-free loan agreement with the Counties Transit Improvement Board, which was assumed by Hennepin County in October 2017. The loan was on a reimbursement basis and will fund the purchase of five light rail vehicles. The outstanding balance of the loan was $3,971,000 on December 31, 2018.

University of Minnesota

The University of Minnesota issued taxable commercial paper notes of $51,620,000 in fiscal years 2015 and $16,000,000 in 2019. U of M also issued tax-exempt commercial paper notes which are backed by U of M's self-liquidity. On June 30, 2019, the outstanding taxable commercial paper notes were $50,020,000 and tax-exempt notes were $199,900,000. Commercial paper is short-term in nature and is classified as current liabilities on the financial statements.

National Sports Center Foundation

On December 31, 2018, the National Sports Center Foundation's total outstanding loans and notes payable was $4,103,000.

Capital Leases

Metropolitan Council

On December 1, 2004, the Metropolitan Council entered into an annual appropriation lease purchase agreement for land and facilities. The lease is subject to non-appropriation by MC, in which event the lease is terminated and there is no obligation of MC for future lease payments. MC intends to continue the lease through its entire term. On December 31, 2018, the present value of the minimum lease payments was $5,410,000.

University of Minnesota

The University of Minnesota has five distinct capital leases. One is financed through third-party financing for the purchase of fleet vehicles. The remaining four capital leases have payments being paid directly to the lessor and represent leases for buildings. On June 30, 2019, the net present value of the minimum lease payments was $32,967,000.

National Sports Center Foundation

In calendar year 2016, the National Sports Center Foundation entered into a capital lease agreement. On December 31, 2018, the total minimum lease payment was $179,000.

Variable Rate Debt

Housing Finance Agency

As of June 30, 2019, all of the HFA interest rate swap agreements have been determined to be effective hedges, as defined by GASB Statement No. 53 “Accounting and Financial Reporting for Derivative Instruments.” The fair value was reported as a liability called “Interest Rate Swap Agreements.” The inception-to-date change in fair value as of June 30, 2019, was reported in “Accumulated Decrease in Fair Value of Hedging Derivatives” deferred outflows of resources. Fair values were determined pursuant to GASB Statement No. 72 “Fair Value Measurement and Application,” and the fair value hierarchy of interest rate swap agreements is determined to be Level 2. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

Office of Higher Education

The rate on the tax-exempt Series 2012B, taxable Series 2017A, and tax-exempt Series 2017C is a percentage of the one-month London Inter-Bank Offered Rate (LIBOR) plus a set margin and the rate changes monthly. The bonds have mandatory redemption dates at various years throughout the life of the bonds with a balloon payment due at final maturity.

Bond Defeasances

University of Minnesota

In prior years, U of M defeased general obligation bonds from various bond series by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt-service payments on the old bonds. The amount defeased was $497,695,000 with $285,105,000 outstanding as of June 30, 2019. Neither the outstanding indebtedness nor the related trust account assets for this bond is included in U of M’s financial statements as of June 30, 2019.

Office of Higher Education

In July 2018, OHE used existing funds to advance refund $17,315,000 of the revenue bonds series 2010. The funds were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from OHE's financial statements as of June 30, 2019.

Note 14 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2019
(In Thousands)

Description	State Colleges and Universities (MnSCU)		
	Revenue Fund	Itasca Residence Halls	911 Services
Condensed Statement of Net Position			
Assets:			
Current Assets	$ 97,615	$ 640	$ 70,446
Noncurrent Assets			
Restricted Assets	61,565	299	—
Capital Assets	400,940	2,478	102,177
Total Assets	$ 560,120	$ 3,417	$ 172,623
Deferred Outflows of Resources	$ 13,490	$ 77	$ 5,579
Liabilities:			
Current Liabilities	$ 40,930	$ 152	$ 24,924
Noncurrent Liabilities	266,316	1,137	16,301
Total Liabilities	$ 307,246	$ 1,289	$ 41,225
Deferred Inflows of Resources	$ 17,762	$ 116	$ 8,802
Net Position:			
Net Investment in Capital Assets	$ 152,801	$ 1,268	$ 67,230
Restricted	95,801	299	60,945
Unrestricted	—	522	—
Total Net Position	$ 248,602	$ 2,089	$ 128,175
Condensed Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues - Customer Charges	$ 118,060	$ 487	$ 81,354
Depreciation Expense	(23,957)	(119)	(8,282)
Other Operating Expenses	(76,509)	(207)	(19,561)
Operating Income (Loss)	$ 17,594	$ 161	$ 53,511
Nonoperating Revenues (Expenses):			
Interest Income	$ 3,508	$ 8	$ 21
Capital Contributions	2,230	—	—
Interest Expense	(9,535)	(40)	(822)
Other	(10)	—	(17,151)
Transfers-In (Out)	—	—	(582)
Change in Net Position	$ 13,787	$ 129	$ 34,977
Beginning Net Position	234,815	1,960	93,198
Ending Net Position	$ 248,602	$ 2,089	$ 128,175
Condensed Statement of Cash Flows			
Net Cash Provided (Used) By:			
Operating Activities	$ 34,368	$ 235	$ 56,406
Noncapital Financing Activities	—	—	(16,736)
Capital and Related Financing Activities	(37,633)	(172)	(23,828)
Investing Activities	3,498	8	21
Net Increase (Decrease)	$ 233	$ 71	$ 15,863
Beginning Cash and Cash Equivalents	$ 154,719	$ 506	$ 50,860
Ending Cash and Cash Equivalents	$ 154,952	$ 577	$ 66,723

The types of goods or services provided by each segment are as follows:

- MnSCU Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, parking, and wellness purposes.
- MnSCU Itasca Residence Halls account for the construction of student housing at Itasca Community College.
- 911 Services Fund (enterprise fund) accounts for activities related to the enhancement of the state's 911 emergency response system.

Each segment has a revenue stream pledged to secure revenue bonds and provisions in the bond documents which require the separate reporting of each segment's financial operations and position.

Note 15 – Contingent Liabilities

University of Minnesota

The University of Minnesota (U of M), a component unit, issued state-secured revenue bonds to finance a football stadium on campus. In fiscal year 2006, the Minnesota Legislature appropriated from the General Fund $10,250,000 per year not to exceed 25 years starting in fiscal year 2008 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. As of August 2019, there was $70,505,000 outstanding on these bonds.

U of M issued state-secured revenue bonds to finance Biomedical Science Research facilities. In fiscal year 2008, the Minnesota Legislature appropriated from the General Fund amounts ranging from $850,000 to $15,550,000 per year not to exceed 25 years starting in fiscal year 2010 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. As of August 2019, $159,770,000 was outstanding on these bonds.

Housing Finance Agency

The Housing Finance Agency (HFA), a component unit, issued state-secured appropriation bonds to provide funds for rehabilitation, construction, and mortgage loans or to refund bonds to sponsors of residential housing for families of low and moderate income. In fiscal year 2008, the Minnesota Legislature appropriated from the General Fund up to $2,400,000 per year for 22 years starting in fiscal year 2011 to pay a portion of the bonds. As of August 2019, there was $21,985,000 outstanding on these bonds.

HFA issued state-secured appropriation bonds to finance housing infrastructure. In fiscal year 2012, the Minnesota Legislature appropriated from the General Fund up to $2,200,000 per year starting in fiscal year 2014 through 2036 to pay a portion of the bonds. In fiscal year 2014, the Minnesota Legislature appropriated from the General Fund an additional $6,400,000 per year beginning in fiscal year 2016 through 2038 to pay a portion of the bonds. In fiscal year 2015, the Minnesota Legislature appropriated from the General Fund an additional $800,000 per year beginning in fiscal year 2018 through 2039 to pay a portion of the bonds. In fiscal year 2017, and as amended in 2018, the Minnesota Legislature appropriated from the General Fund up to an additional $2,800,000 per year beginning in fiscal year 2020 through 2041. In fiscal year 2018, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2021 through 2042 an amount sufficient to pay debt service on bonds. In fiscal year 2019, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2023 through 2044 an amount sufficient to pay debt service on bonds. As of August 2019, $131,085,000 was outstanding on these bonds. HFA issued state-secured appropriation bonds of $26,775,000 in late August 2019. See Note 22 – Subsequent Events.

School District Credit Enhancement Program

Minnesota Statutes 126C.55, established a school district credit enhancement program. If a school district is unable to pay its debt service due on school district and intermediate school district certificates of indebtedness, capital notes, certificate of participation, or general obligation bonds enrolled in the program, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the school district or intermediate school district, or the levy of an ad valorem tax which may be made with the approval of the commissioner of Education. The total amount of debt enrolled in the program as of November 2019, was $15.9 billion. The state has not had to make any debt service payments on behalf of school districts or intermediate school districts under this program.

City and County Credit Enhancement Program

Minnesota Statutes 446A.086, established a city and county credit enhancement program. If a city or county is unable to pay its debt service due on general obligation bonds enrolled in the program issued for the construction, improvement, or rehabilitation of certain projects, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the city or county, or the levy of an ad valorem tax which may be made with the approval of the Public Facilities Authority (component unit). As of November 2019, the total general obligation bonds guaranteed by the state through 2049, was $583 million.

Note 16 – Equity

Restricted Net Position – Government-wide Statement of Net Position

The following table identifies the primary government's restricted net position in greater detail than is presented on the face of the financial statements:

Primary Government
Restricted Net Position Balances
As of June 30, 2019
(In Thousands)

Purpose of Restriction	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Improve Agricultural, Environmental, and Energy Resources	$ 1,839,935	$ 247,340	$ 749,815	$ 2,837,090
Enhance Arts and Culture	27,394	—	—	27,394
Acquire, Maintain, and Improve Land and Buildings	—	—	863	863
Retire Indebtedness	485,539	—	122,515	608,054
Develop Economy and Workforce	—	180,373	2,983	183,356
Enhance E-12 Education	—	10,850	3,765	14,615
Enhance State Government	—	10,023	14,020	24,043
Enhance Health and Human Services	—	91,648	3,561	95,209
Enhance Higher Education	—	28	18,157	18,185
Enhance 911 Services and Increase Safety	—	9,049	68,382	77,431
School Aid - Expendable	9,838	—	—	9,838
School Aid - Nonexpendable	1,534,199	—	1,000	1,535,199
Construct Highways and Improve Infrastructure	1,599,308	68,916	1,890	1,670,114
Unemployment Benefits	—	—	1,797,462	1,797,462
Other Purposes	—	—	75,375	75,375
Total Restricted Net Position	$ 5,496,213	$ 618,227	$ 2,859,788	$ 8,974,228

Fund Balances – Primary Government

The following table identifies governmental fund balances of the primary government in greater detail than is presented on the face of the financial statements:

Governmental Funds
Fund Balances
As of June 30, 2019
(In Thousands)

Fund Balances	General Fund	Major Special Revenue Fund Federal Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	$ —	$ —	$ 32,879	$ 32,879
Trust or Permanent Fund Principal	1,229,393	—	1,535,199	2,764,592
Total Nonspendable Fund Balances	$ 1,229,393	$ —	$ 1,568,078	$ 2,797,471
Purpose of Restriction:				
Improve Agricultural, Environmental, and Energy Resources	$ —	$ 1,711	$ 1,625,273	$ 1,626,984
Enhance Arts and Culture	—	—	27,394	27,394
Acquire, Maintain, and Improve Land and Buildings	—	—	126,147	126,147
Retire Indebtedness	—	—	940,956	940,956
Develop Economy and Workforce	88,351	—	150,949	239,300
Enhance E-12 Education	5,219	—	18,624	23,843
Enhance State Government	—	11,298	12,409	23,707
Enhance Health and Human Services	—	1,086	91,047	92,133
Enhance Higher Education	—	—	35	35
Enhance 911 Services and Increase Safety	—	6,195	9,089	15,284
Construct Highways and Improve Infrastructure	—	263	1,696,529	1,696,792
Total Restricted Fund Balances	$ 93,570	$ 20,553	$ 4,698,452	$ 4,812,575

Continued

Governmental Funds
Fund Balances (continued)
As of June 30, 2019
(In Thousands)

Fund Balances	General Fund	Major Special Revenue Fund Federal Fund	Nonmajor Governmental Funds	Total
Purpose of Commitment:				
Improve Agricultural, Environmental and Energy Resources	$ —	$ —	$ 157,466	$ 157,466
Develop Economy and Workforce	—	—	311,699	311,699
Enhance E-12 Education	—	—	7,595	7,595
Enhance State Government	—	—	58,714	58,714
Enhance Health and Human Services	—	—	9,616	9,616
Enhance Higher Education	—	—	2,668	2,668
Enhance 911 Services and Increase Safety	—	—	54,095	54,095
Construct Highways and Improve Infrastructure	62,221	—	61,876	124,097
Total Committed Fund Balances	$ 62,221	$ —	$ 663,729	$ 725,950
Purpose of Assignment:				
Improve Agricultural, Environmental, and Energy Resources	$ 470,699	$ —	$ —	$ 470,699
Acquire, Maintain, and Improve Land and Buildings	—	—	53,513	53,513
Develop Economy and Workforce	267,969	—	—	267,969
Enhance E-12 Education	42,952	—	—	42,952
Enhance State Government	210,345	—	—	210,345
Enhance Health and Human Services	991,719	—	—	991,719
Enhance Higher Education	22,187	—	—	22,187
Enhance 911 Services and Increase Safety	115,863	—	—	115,863
Construct Highways and Improve Infrastructure	3,188	—	—	3,188
Total Assigned Fund Balances	$ 2,124,922	$ —	$ 53,513	$ 2,178,435
Unassigned	$ 2,081,460	$ —	$ —	$ 2,081,460
Total Fund Balances	$ 5,591,566	$ 20,553	$ 6,983,772	$ 12,595,891

Net Position Deficits

The following funds have net position deficits for the fiscal year ended June 30, 2019:

Net Position Deficits
As of June 30, 2019
(In Thousands)

Fund Type		Net Position
Nonmajor Enterprise Funds:		
Behavioral Services	$	(3,640)
State Lottery		(12,737)
State Operated Community Services		(40,504)
Internal Service Funds:		
MN.IT Services	$	(240,681)

The fiscal year 2015 implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions. The fiscal year 2018 implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" (OPEB) required recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB. These caused the nonmajor enterprise and internal services funds noted in the table above to end fiscal year 2019 in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and the Minnesota Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include these related liabilities or deferred inflows and outflows of resources in the rate-setting process for managing these funds as long as the funds are contributing the statutory required contributions. The amounts will continue to be monitored by the retirement systems administering these plans and the Minnesota Legislature.

Note 17 – Risk Management

Primary Government

The state is exposed to various risks of loss related to torts; to theft of, damage to, or destruction of assets; to errors and omissions; and to employer obligations. The state manages these risks through the Risk Management Fund (internal service fund), a self-insurance fund, and other insurance and self-funding mechanisms. All health plans are self-insured.

Risk Management Fund

State agencies may elect to participate in the Risk Management Fund (internal service fund), which offers auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All agencies that own state vehicles are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a range of deductibles from $1,000 through $250,000 per loss. The fund covers the balance of the claim up to $1,000,000. The reinsurance program provides coverage up to $1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach $2,500,000 in any one fiscal year, the reinsurer will provide coverage in excess of a $25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the Minnesota Legislature.

The liability coverage is up to the statutory limit (tort claims cap) of $500,000 bodily injury and property damage per person, and $1,500,000 bodily injury and property damage per occurrence. The casualty reinsurance program provides $10,000,000 excess of a $1,000,000 retention to protect the state from auto and general liability claims that are extra-territorial, as well as for suits brought in federal court which would be outside the state's jurisdiction.

The Risk Management Fund purchases insurance policies for state agencies seeking insurance for specialized insurance needs for which the state does not self-insure. These coverages include aviation, medical malpractice, and travel accident insurance. The premiums for these policies are billed back to the agencies at cost.

Minnesota Statutes 15.38, Subdivision 8, permits the purchase of insurance on state-owned buildings and contents.

All losses of state property are covered by programs of the Risk Management Fund, by insurance policies purchased in the commercial market, or are uninsured and become the liability of the state.

Tort Claims

State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The Minnesota Legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the Minnesota Legislature. Tort claims brought outside Minnesota state jurisdiction and in federal court have unlimited liability exposure.

Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers' compensation-related claims and provides workers' compensation insurance coverage for state employees. The program provides a full-service workers' compensation insurance program, including workplace safety and loss control, rehabilitative and return to work services, claim services, and legal services.

The program is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of $2,000,000.

The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. State agencies may participate in either a 'pay-as-you-go' revolving fund or a premium pool cost allocation fund. These costs are paid from each agency's operating budget.

The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits related to the reported claim.

State Employee Group Insurance Program (SEGIP)

The Minnesota Legislature created the Employee Insurance Fund, an internal service fund dedicated solely for the purpose of this program. The fund is administered by SEGIP, to provide eligible employees and other eligible persons with life insurance and hospital, medical, and dental coverage through provider organizations. The Employee Insurance Fund is not associated with any other public risk pools. A contingency reserve is maintained to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund.

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP had settlements of $1,789,000 less than coverage during the fiscal year ended June 30, 2019.

In January 2000, the fund became fully self-insured for medical coverage and assumed all liability for medical claims. The self-funded programs within the fund establish claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not paid and of claims that have been incurred but not reported. These estimates are agreed to by the insurance carriers and the state and are reviewed for accuracy and reasonableness. The estimates are based on claim experience and claim lag timetables provided by the carriers and do not include additional estimates for subrogation, salvage, or unallocated claim adjustments.

Public Employees Insurance Program

The Public Employees Insurance Program (PEIP) is a public entity risk pool currently operating as an insurance program in the Public Employee Insurance Fund (enterprise fund). The risk pool was created by the Minnesota Legislature to provide public employees and other eligible persons with life insurance and hospital, medical, and dental coverage to result in a greater utilization of government resources and advance the health and welfare of the citizens of the state. The enabling legislation for PEIP is Minnesota Laws of 1987, codified as Minnesota Statutes 43A.316. Beginning in fiscal year 1998, medical benefits provided through PEIP became a self-insured program.

PEIP's membership as of June 30, 2019, was 19,581 members and their dependents. The members of the pool include 130 school districts, 120 cities/townships, 20 counties, and 70 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums. Stop-loss coverage was discontinued effective January 1, 2015.

The pool establishes claims liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported.

Primary Government
Self-Insured Claim Liabilities
(In Thousands)

Description	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund:				
Fiscal Year Ended 6/30/2018	$ 8,816	$ 2,672	$ 2,799	$ 8,689
Fiscal Year Ended 6/30/2019	$ 8,689	$ 4,839	$ 1,637	$ 11,891
Tort Claims:				
Fiscal Year Ended 6/30/2018	$ —	$ 421	$ 421	$ —
Fiscal Year Ended 6/30/2019	$ —	$ 600	$ 600	$ —
Workers' Compensation:				
Fiscal Year Ended 6/30/2018	$ 85,453	$ 11,911	$ 21,888	$ 75,476
Fiscal Year Ended 6/30/2019	$ 75,476	$ 17,098	$ 17,343	$ 75,231
State Employee Group Insurance:				
Fiscal Year Ended 6/30/2018	$ 80,876	$ 844,550	$ 848,322	$ 77,104
Fiscal Year Ended 6/30/2019	$ 77,104	$ 910,069	$ 909,926	$ 77,247

Primary Government
Public Employee Insurance Program
Medical Claims
(In Thousands)

Description	Year Ended June 30 2019	2018
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 14,017	$ 10,261
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 196,311	$ 148,773
Increases (Decreases) in Provision for Insured Events of Prior Years	121	(751)
Total Incurred Claims and Claim Adjustment Expenses	$ 196,432	$ 148,022
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 180,716	$ 135,199
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	12,112	9,067
Total Payments	$ 192,828	$ 144,266
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 17,621	$ 14,017

Component Units

Housing Finance Agency

The Housing Finance Agency (HFA) is exposed to various insurable risks of loss related to tort; theft of, damage to, or destruction of assets; to errors or omissions; and to employer obligations. HFA manages these risks through the primary government's insurance plans including the primary government's Risk Management Fund (internal service fund) and through purchased insurance coverage. HFA retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three years. HFA participates in SEGIP, which is administered by the Employee Insurance Fund (internal service fund). This program provides life insurance and hospital, medical, and dental coverage through provider organizations. HFA also participates in the primary government's Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims.

Metropolitan Council

The Metropolitan Council (MC) is exposed to various risks of loss related to torts; to theft of, damage to, and destruction of assets; to errors and omissions; and to employer obligations. MC both purchases commercial insurance and self-insures for these risks of loss. MC has not experienced any significant reductions in insurance coverage from the prior year. MC has not had any settlements in excess of commercial coverage for the past three years.

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes 466.04, generally limits MC's tort exposure to $500,000 per claim and $1,500,000 per occurrence for a claim arising on or after July 1, 2009. For claims arising earlier, the limits are $400,000 per claim and $1,200,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 3.05 percent. The self-insurance retention limit for workers' compensation is $5,000,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

MC claims include both workers' compensation claims and $57,000 for the Family Self Sufficiency Program escrow accounts.

University of Minnesota

The University of Minnesota (U of M) is self-insured for medical malpractice, general liability, directors' and officers' liability, and automobile liability through RUMINCO, Ltd., a wholly-owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and estimates claim liabilities. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims using a discount rate of 1.84 percent.

U of M is also self-insured for workers' compensation through an internally maintained fund. The internal fund for workers' compensation is maintained only to fund current year expected payouts. Excess insurance is maintained through the Workers' Compensation Reinsurance Association. Each year, an actuarial estimate of U of M's liability for workers' compensation is compiled and recorded, however the liability is not funded in a separate reserve.

U of M's medical (health) and dental coverage for faculty and staff is a self-insured program. Under the plan, U of M pays claims, while the administration of the program is handled by two independent administrators. U of M's graduate assistant medical plan and student health plan are also self-insured. Each year, an actuarial estimate of U of M's liability for medical claims, including incurred but not reported claims, is recorded.

Component Units
Claims Liabilities
(In Thousands)

Description	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council - Workers' Compensation:				
Fiscal Year Ended 12/31/2017	$ 16,834	$ 10,408	$ 8,150	$ 19,092
Fiscal Year Ended 12/31/2018	$ 19,092	$ 8,721	$ 7,486	$ 20,327
University of Minnesota - RUMINCO, Ltd:				
Fiscal Year Ended 6/30/2018	$ 9,255	$ 2,979	$ 2,860	$ 9,374
Fiscal Year Ended 6/30/2019	$ 9,374	$ 814	$ 2,942	$ 7,246
University of Minnesota - Workers' Compensation:				
Fiscal Year Ended 6/30/2018	$ 13,718	$ 4,136	$ 5,505	$ 12,349
Fiscal Year Ended 6/30/2019	$ 12,349	$ 2,325	$ 2,624	$ 12,050
University of Minnesota - Medical/ Dental:				
Fiscal Year Ended 6/30/2018	$ 29,028	$ 283,780	$ 279,195	$ 33,613
Fiscal Year Ended 6/30/2019	$ 33,613	$ 303,906	$ 297,258	$ 40,261

Note 18 – Budgetary Basis vs. GAAP

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, intrafund, and loan transactions. In addition, encumbrances are recognized as expenditures in the year encumbered on a budgetary basis. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. The GAAP General Fund also includes several funds that are not included in the budgetary General Fund. A reconciliation of the fund balances under the two basis of accounting for the General Fund is provided in the following table.

General Fund
Reconciliation of GAAP Basis Fund Balance
to Budgetary Fund Balance
As of June 30, 2019
(In Thousands)

Description		Amount
GAAP Basis Fund Balance	$	5,591,566
Less: Encumbrances[(1)]		297,999
Unassigned Fund Balance	$	5,293,567
Basis of Accounting Differences:		
Revenue Accruals/Adjustments:		
Taxes Receivable	$	(663,733)
Tax Refunds Payable		475,525
Human Services Receivable		(126,383)
Unearned Revenue		128,551
Escheat Asset		(21,637)
Other Receivables		(9,845)
Permanent School Fund Reimbursement		(1,679)
Investments at Market		8,759
Expenditure Accruals/Adjustments:		
Medical Care Programs		885,059
Human Services Grants Payable		106,348
Education Aids		955,183
Police and Fire Aid		111,710
Other Payables		37,297
Other Financial Sources (Uses):		
Transfers-In		(14,860)
Perspective Differences:		
Account with no Legally Adopted Budget		(2,470,267)
Appropriation Carryover		(83,339)
Long-Term Receivables		(37,663)
Budgetary Reserve		(2,479,808)
Budgetary Basis:		
Unassigned Fund Balance	$	2,092,785

(1) Encumbrances related to funds included in the budgetary General Fund.

Note 19 – Litigation

Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for each of the fiscal years ending June 30, 2018 and 2019 are $761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is $1,000,000. The maximum limited liability for any one claim is $300,000 for claims arising before August 1, 2007, and $400,000 for claims arising on or after August 1, 2007, and before July 1, 2009, for any one claim and the maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, is $1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are $500,000 for any one claim and $1,500,000 for any number of claims arising out of a single occurrence.

Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over $15 million in excess of current levels.

- At any one time, there are hundreds of Minnesota Department of Transportation (MnDOT) eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the state may impact the state's Trunk Highway Fund (special revenue fund).

- *General Mills, Inc. v. Commissioner of Revenue; International Business Machines Corporation and Subsidiaries v. Commissioner of Revenue*; and other similar matters (Minnesota Tax Court and Second Judicial District Court - Ramsey County) (formerly *H.B. Fuller Co. and Subsidiaries v. Commissioner of Revenue*, and other similar matters). This is a corporate franchise tax case filed in October 2016 involving computation of the research credit allowed by Minnesota Statutes 290.068. Several cases raising the same issue have been filed in the Minnesota Tax Court and in state district court, including a $33 million dollar claim by IBM. The Department of Revenue estimates that if similarly situated taxpayers make similar claims, the total refund exposure may exceed $140 million. On August 17, 2018, the Minnesota Tax Court granted in part and denied in part the motions for summary judgment of IBM and General Mills, and granted in part and denied in part the Commissioner's motion for summary judgment. Cross appeals were filed by both parties. The Minnesota Supreme Court issued a decision that affirmed the tax court resulting in refunds of $20,608,912.

- *The Jamar Company d/b/a Asdco v. State of Minnesota, et al.* (Itasca County District Court) and *Hammerlund Construction Inc., et al. v. State of Minnesota, et al.* (Itasca County District Court). These mechanics' lien suits involve similar claims but different tax-forfeited properties in Itasca County. The subject properties were leased by Itasca County to Magnetation LLC (Magnetation) for mining purposes, however, Magnetation filed for Chapter 11 bankruptcy in May 2015. The state is a named defendant in these suits because it owns the subject properties in trust for Itasca County, the taxing district, which has the authority to manage the properties. Jamar, Hammerlund, and approximately 20 other contractors and subcontractors, which supplied materials and/or labor to the properties for Magnetation, have filed claims and cross-claims against the state and the other defendants that total approximately $22.2 million exclusive of interest and attorneys' fees.

Magnetation disposed of substantially all of its assets in bankruptcy through a sale in December 2016 to an entity called ERP Iron Ore, LLC ("ERP"). The mechanic's liens asserted by the contractors and subcontractors, as described above, were deemed permitted encumbrances on the assets, which ERP agreed to assume as a condition of the sale to permit the suits to continue. Before any further resolution of the mechanic's lien cases, ERP itself became a Chapter 7 bankruptcy debtor in May 2018.

- *Murphy, et al. v. Minnesota Department of Human Services (DHS) et al.* (United States District Court, District of Minnesota). In Murphy, the plaintiffs receive Medicaid Home and Community Based Waiver Services (HCBS) programs and brought claims under the Medicaid Act, the Fourteenth Amendment, the Americans with Disabilities Act, and the Rehabilitation Act, seeking, among other things, access to "individualized housing services." The Defendant's motion to dismiss was denied, and the district court certified a class. Although the exact relief the class seeks is unclear, at a minimum they contend DHS over relies on Community Residential Settings and must facilitate individualized housing and other services for each waiver recipient. The Court recently granted Plaintiffs' partial motion for summary judgment on their notice claim under the Medicaid Act and procedural due process but declined to issue an injunction. The Court also recently denied the Defendant's motions for summary judgment and for class decertification. Absent a settlement, the case will proceed to trial.

- *South Country Health Alliance v. Minnesota Department of Human Services (DHS)* (Ramsey County District Court). Plaintiff is a county-based purchasing health plan that provides managed care to individuals receiving Medicaid or MinnesotaCare. Plaintiff alleges that DHS's prior procurement processes violated Minnesota's county-based purchasing statutes and seeks to compel DHS to comply with Plaintiff's interpretation of the laws in future procurements. While Plaintiff does not seek monetary relief (other than attorneys' fees and costs), DHS estimates that the injunctive relief Plaintiff seeks could increase DHS's procurement costs by over $15 million. The amended complaint was filed in October 2019, and a scheduling order has not yet been entered.

- *State of Texas et al. v. United States of America et al.* (United States District Court, Northern District of Texas). Plaintiffs are a group of nineteen states and two individuals that challenge the constitutionality of the Affordable Care Act's (ACA) individual mandate, and with it, the entire ACA. Minnesota is part of a different group of states that intervened to defend the ACA. The district court granted summary judgment in favor of the plaintiffs, holding the entire ACA invalid. This decision is currently pending on appeal before the Fifth Circuit. Federal funding of programs created by the ACA are at risk if Plaintiffs' suit is successful. MinnesotaCare is Minnesota's Basic Health Program, a program primarily funded by the ACA. In the first three quarters of 2018, MinnesotaCare received over $300 million in federal funding.

- *William Fielding, Trustee, of the Reid and Ann MacDonald Irrevocable GST Trust for Catherine Gray MacDonald v. Commissioner of Revenue; William Fielding, Trustee, et al for Laura Reid MacDonald v. Commissioner of Revenue; William Fielding, Trustee of the Reid and Ann MacDonald Irrevocable GST Trust for Maria V. MacDonald v. Commissioner of Revenue; William Fielding, Trustee of the Reid and Ann MacDonald Irrevocable GST Trust for Vandever R. MacDonald v. Commissioner of Revenue; and other similar matters* (Minnesota Tax Court). These consolidated matters involved as-applied constitutional challenges to Minnesota's definition of "resident trust" pursuant to Minnesota Statutes 290.01, Subdivision 7b. The Trusts paid taxes to the State under protest, contending that the Commissioner of Revenue's ("Commissioner") interpretation of the resident trust statute, to include the Trusts' worldwide income, violates the Due Process and Commerce Clauses because the Trusts lacked sufficient contacts with Minnesota. On May 31, 2017, the Tax Court granted the Trusts' motion for summary judgment and denying the Commissioner's motion, holding that the assessment violated the Due Process. The Minnesota Supreme Court subsequently affirmed the

grant of summary judgment to the taxpayers in *Fielding v. Commissioner*, A17-1177 (July 18, 2018). On June 29, 2019, the Commissioner's petition for writ of certiorari to the United States Supreme Court was denied. The refund claims in the consolidated Fielding cases total $1,032,132 plus interest. The denial of certiorari, however, allows other taxpayers similarly situated to the MacDonald trusts the ability to claim residence that is tied to the state where the trust is administered. These claims will be made on a case-by-case basis but would be based on other trusts seeking classification as non-resident trusts. Based on the decisions, the total estimated refund exposure with respect to cases similarly situated to the MacDonald trusts is anticipated to be $66.8 million, plus interest, of which the Commissioner anticipates receiving 30% of the refund requests, or $20.0 million, in fiscal year 2020, and the remaining 70 percent, or $46.8 million, in fiscal year 2021.

Note 20 – Tax Abatements

The state of Minnesota provides tax abatements through six programs operated by the Minnesota Department of Employment and Economic Development, Minnesota Department of Administration, and Minnesota Department of Revenue: the Greater MN Job Expansion Program, Job Opportunity Building Zones, Biopharmaceutical Manufacturing Facility, Border City Enterprise Zones, Angel Tax Credit, and Historic Structure Rehabilitation Credit. Minnesota Statutes 270B.02 classifies tax return information as private data. As the population of program participants is so small, reporting aggregate data may identify individual taxpayers, with the exception of Border City Enterprise Zones program and the Angel Tax Credit program.

The Greater MN Job Expansion Program provides sales tax abatements to expand employment within cities in greater Minnesota. Qualified businesses are eligible for a sales tax exemption up to $5 million annually and $40 million during the agreement period. The agreement period is seven years after a business is certified, except for businesses investing at least $200 million over a ten-year period, in which case the agreement period is ten years. A qualified business must have operated in greater Minnesota for at least one year prior to applying, agree to pay employees, including benefits, on an annualized basis equal to at least 120 percent of the federal poverty level for a family of four, increase the number of full time equivalent employees by two employees or ten percent, whichever is greater, and enter into a subsidy agreement with the state that pledges to satisfy the employment expansion within three years. The subsidy agreements include recapture provisions. The authority for the sales tax abatement is Minnesota Statutes 116J.8738.

The Job Opportunity Building Zones program provides tax abatements to expand employment in economically distressed regions of the state. Taxes abated include: individual income taxes, corporate franchise taxes, sales and use taxes, motor vehicle taxes, property taxes, and wind energy production taxes. A qualified business must be located within a job opportunity building zone, which is designated by the state. The business must enter into a business subsidy agreement with the state indicating it will meet employment expansion and wage level requirements. The program sunset date was December 31, 2015 so no new businesses may enroll in the program. However, three current businesses met the requirements under Minnesota Statutes 469.312 and were eligible to receive benefits through 2019. Individual income taxes are reduced through business income exemptions based on zone percentages, qualified net rents determined by formula, and capital gains exemption determined by formula. Corporate franchise tax exemptions are based on zone percentages. Sales and use tax, and motor vehicle sales tax are reduced for qualified property or services used in the job opportunity building zone. Property taxes are reduced through exemptions for improvements to real property. Wind energy production taxes are exempted for electricity produced by wind energy conversion systems within a job opportunity building zone. A business that relocates from outside the zone into a zone qualifies for the program only if it agrees to increase full-time employment during the first year by a minimum of five jobs or 20 percent of the employer's workforce after entering into the business subsidy agreement. Employers must repay all tax benefits received during the two years prior to the point in time that it ceased to be in compliance with the business subsidy agreement. The authority for Job Opportunity Building Zone tax abatements are Minnesota Statutes 469.310-469.320.

The Biopharmaceutical Manufacturing Facility program provides sales tax abatements to create new jobs in the biopharmaceutical industry. Qualified manufacturing facilities are eligible for a sales tax refund on materials and supplies used in construction, improvement, or expansion of biopharmaceutical manufacturing facilities, paid annually at 25 percent of the total allowable refund. To be eligible for the exemption, the biopharmaceutical manufacturing facility must have a total capital investment exceeding $50 million and the facility must create and maintain at least 190 new Minnesota full-time equivalent (FTE) employees at the facility. A qualified manufacturing facility must meet its minimum FTE requirements to remain eligible. The authority for the sales tax abatement is Minnesota Statutes 297A.71, Subdivision 45.

The Border City Enterprise Zones program provides tax abatements to partially mitigate the effects of disparate taxation of businesses in six cities located near neighboring states as incentives to attract and retain businesses in Minnesota. Taxes abated include: sales taxes, income taxes, or property taxes. Border cities establish eligibility criteria of recipient business, provided that business is not prohibited by Minnesota Statutes 469.171, Subdivision 4. Sales taxes are reduced through exemptions on construction materials and equipment. Income taxes are reduced as credits for additional workers employed within the zone, up to $3,000 per employee per year. Additionally income taxes are reduced as a credit for a percentage of cost of debt financing for construction. Property taxes are reduced as a credit for a portion of property tax paid by new facilities as determined by the border city based on its eligibility criteria. The total amount of tax abatements is determined through allocations to each border city defined in Minnesota Statutes. Prior to entering a tax abatement agreement with a business, the border city must submit the proposed tax reductions to the Department of Employment and Economic Development to evaluate the proposed investment the business will make in the border city, the number and quality of new jobs created, the overall positive economic impact within the border city, and the extent that economic benefits are dependent on the tax abatements to the business. Businesses must maintain operation within the border city. Businesses which receive tax abatements that cease to operate within the border city must repay the tax abatement received during the prior two years; other recapture provisions may exist between the border city and the business. The authority for Border City Enterprise Zone tax abatements are Minnesota Statutes 469.166-469.1735.

The Angel Tax Credit program provides income tax abatements as an incentive for investors to make investments in start-up businesses by helping to raise the equity financing needed to further business growth and the potential to create jobs. Qualified investors are eligible for up to 25 percent of the investment made and must receive an annual certification to make investments in a qualified small business. Qualified investors are required to hold investments in a qualified business for a period of at least three years. If it is determined that a qualified investor does not meet the three year holding requirement, the investor must repay the income tax credit. A qualified small business must satisfy all of the following conditions: be headquartered in Minnesota, have at least 51 percent of its employees and payroll in Minnesota, and be engaged in or committed to engage in innovation in Minnesota. The primary business activity must be in a qualified field of technology, agriculture, tourism, forestry, mining, manufacturing, or transportation. The business must have fewer than 25 employees, and must pay employees annual wages of at least 175 percent of federal poverty guidelines for a family of four. The business may not have previously received private equity investments of more than $4 million, be disqualified under Minnesota Statutes 80A.50, or issued securities traded on a public exchange. The business may not have been in operation for more than ten years, or more than twenty years if the business is engaged in the research, development, or production of medical devices or pharmaceuticals for which Food and Drug Administration approval is required. If it is determined that a qualified business did not maintain at least 51 percent of its employees and payroll in Minnesota during the first five years following its most recent qualified investment, the business must repay the income tax credit provided to its investors based on a fixed percentage scale. The program will sunset in 2021 except for some reporting requirements. The authority for the tax abatement is Minnesota Statutes 116J.8737.

The Historic Structure Rehabilitation Credit program incentivizes substantial reinvestment in the development of historic buildings listed on the National Register of Historic Places. This program parallels the Federal Rehabilitation Tax Credit and state tax credits are limited by the federal amount. A project is eligible for the program if the property is listed on the National Register of Historic Places or is certified as contributing to a National Register Historic District, or Certified Historic District. The owner must apply for the credit prior to the start of construction, plans must be approved by the National Park Service (NPS), and the work must meet the "substantial rehabilitation test." The completed work must be approved by the NPS and be allowed the federal tax credit. The qualified historic structure must be used as an income producing property for at least five years after the construction is complete. Investors will be eligible for a tax credit or the option of a grant in lieu of tax in the year the renovated building is placed in service. The program will sunset after fiscal year 2021. The authority for the tax abatement is Minnesota statutes 290.0681.

Tax Abatements
Year Ended June 30, 2019
(In Thousands)

Description		Amount
Border City Enterprise Zones:		
Corporate Taxes	$	179
Income Taxes		22
Property Taxes		111
Total Border City Enterprise Zones	$	312
Angel Tax Credit: Income Taxes	$	6470
Total	$	6,782

Note 21 – Change in Reporting Entity and Change in Fund Structure

Primary Government

Change in Reporting Entity

Minnesota Statutes 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2019, eleven firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. Investment balances of $10,272,000 were reported as a change in reporting entity in the Volunteer Firefighter Retirement Fund.

Change in Fund Structure

Minnesota Statutes 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2019, four firefighter groups moved from the volunteer fire accounts, part of the Supplemental Retirement Fund (investment trust fund), into the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. The transfer was reported as a change in fund structure of $665,000 in the Supplemental Retirement Fund and the Volunteer Firefighter Retirement Fund.

Note 22 – Subsequent Events

Primary Government

In August 2019, the state issued $406.9 million of general obligation state various purpose bonds Series 2019A at a true interest rate of 2.21 percent, $190.7 million of general obligation state trunk highway bonds Series 2019B at a true interest rate of 2.06 percent, $36.3 million general obligation taxable state various purpose bonds Series 2019C at a true interest rate of 2.08 percent, and $27.6 million of general obligation state various purpose refunding bonds Series 2019D at a true interest rate of 1.17 percent. These bonds are backed by the full faith and credit and taxing powers of the state.

In July 2019, the state issued $13.8 million of refunding revenue bonds Series 2019A at a true interest rate of 1.56 percent. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees in the State Colleges and Universities Fund (enterprise fund).

Component Units

In August 2019, the Housing Finance Agency (HFA) issued $14.5 million state appropriation bonds (Housing Infrastructure) Series 2019A at a true interest rate of 2.58 percent, $1.3 million Series 2019B at a true interest rate of 1.48 percent, $6.9 million Series 2019C at a true interest rate of 2.89 percent, and $4.1 million Series 2019D at a true interest rate of 1.52 percent. The proceeds of the bonds will be used to provide money to fund housing infrastructure loans and to pay the costs of issuance of the Series Bonds. For information on the state appropriation for these bonds, see Note 15 – Contingent Liabilities.

MINNESOTA

Modified Approach for Infrastructure

The state uses the modified approach for reporting selected infrastructure assets. Under this approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 29,000 lane miles of pavement and approximately 3,000 bridges and tunnels maintained by the state.

To utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Lane Miles of Pavement

Measurement Scale

The Minnesota Department of Transportation (MnDOT) uses three pavement condition indices to determine the condition of the trunk highway system: Present Serviceability Rating (PSR), Surface Rating (SR), and Pavement Quality Index (PQI). The PSR is a measure of pavement smoothness, the SR measures pavement distress (cracking), and the PQI is a composite index equal to the square root of the PSR multiplied by the SR.

The five qualitative categories used to describe pavement condition are shown in the table below:

Description	PQI Range	PSR Range	SR Range
Very Good	3.7 - 4.5	4.1 - 5.0	3.3 - 4.0
Good	2.8 - 3.6	3.1 - 4.0	2.5 - 3.2
Fair	1.9 - 2.7	2.1 - 3.0	1.7 - 2.4
Poor	1.0 - 1.8	1.1 - 2.0	0.9 - 1.6
Very Poor	0.0 - 0.9	0.0 - 1.0	0.0 - 0.8

The PQI is used as the index for determining whether the pavement infrastructure is being maintained in a serviceable level. The PQI is an overall index, combining both pavement smoothness (PSR) and cracking (SR).

Established Condition Level

Principal arterial pavements will be maintained at 3.0 PQI (good) or higher, and all other pavements will be maintained at 2.8 PQI (good) or higher.

Assessed Conditions

The state assesses condition on 100 percent of the pavement surfaces at least once every two years.

Description	2018	2017	2016
Principal Arterial Average PQI	3.5	3.6	3.5
Non-Principal Arterial Average PQI	3.3	3.5	3.3

Bridges and Tunnels

Measurement Scale

MnDOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating is used to determine if the bridge system is being maintained at a serviceable level for the condition of the bridges under MnDOT's jurisdiction.

The Structural Condition Rating is a broad measure of the structural condition of a bridge. Each bridge is rated as Good, Fair, or Poor by using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings to place each bridge in a category.

The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. Both the condition codes and the appraisal ratings use a scale of 0 (failed) through 9 (excellent).

Rating	Description
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound, but may have some minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service, beyond corrective action.

The criteria for placing a bridge in each of the three categories are as follows:

Rating	Description
Good	If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.
Fair	If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.
Poor	If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient.

Established Condition Level

Ninety-two percent of principal arterial system bridges will be maintained at fair to good, while 80 percent of all other system bridges will also be maintained at fair to good.

Assessed Conditions

Description	2018	2017	2016
Principal Arterial: Fair to Good	94.6%	94.3%	95.0%
All Other Systems: Fair to Good	94.1%	95.0%	95.0%

Budgeted and Estimated Costs to Maintain

The following table presents the state's estimate of spending necessary to preserve and maintain the pavement and bridges at, or above, the established condition levels cited above, and the actual amount spent (in thousands):

		Costs to be Capitalized			Maintenance of System			
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	Total Construction Program
Budget	2019	$ 97,000	$ 260,000	$ 357,000	$ 126,000	$ 719,000	$ 845,000	$ 1,202,000
	2018	100,000	210,000	310,000	100,000	600,000	700,000	1,010,000
	2017	149,000	376,000	525,000	100,000	500,000	600,000	1,125,000
	2016	234,366	400,943	635,309	112,444	462,387	574,831	1,210,140
	2015	255,033	230,075	485,108	55,789	403,213	459,002	944,110
Actual	2019	$ 108,876	$ 294,126	$ 403,002	$ 113,009	$ 717,340	$ 830,349	$ 1,233,351
	2018	64,253	200,064	264,317	121,831	615,727	737,558	1,001,875
	2017	114,106	337,294	451,400	84,046	526,975	611,021	1,062,421
	2016	232,087	403,563	635,650	79,748	652,665	732,413	1,368,063
	2015	197,844	384,351	582,195	71,852	606,939	678,791	1,260,986

Defined Benefit Plans – State Participating

The state of Minnesota currently contributes as an employer and/or non-employer contributing entity into five primary government administered multiple-employer cost sharing plans, one non-primary government administered multiple-employer cost sharing plan, and three primary government administered single-employer plans. During the fiscal year 2015 reporting period, the Minneapolis Employees Retirement Fund merged with the General Employees Retirement Fund and the Duluth Teachers' Retirement Fund merged with the Teachers Retirement Fund. See Note 8 – Pension and Investment Trust Funds for more information on each plan.

Most of the reporting data begins with fiscal year 2014, which is the measurement date used for the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions." Covered-Member Payroll is an estimate in the reporting year and is restated in the following year to reflect actual Covered-Member Payroll. Required supplementary information is provided for the following plans:

- State Employees Retirement Fund (SERF)
- Correctional Employees Retirement Fund (CERF)
- General Employees Retirement Fund (GERF)
- Police and Fire Fund (P&FF)
- Teachers Retirement Fund (TRF)
- Minneapolis Employees Retirement Fund (MERF)
- St. Paul Teachers' Retirement Fund (SPTRF)
- Duluth Teachers' Retirement Fund (DTRF)
- Judges Retirement Fund (JRF)
- Legislators Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

Required Supplementary Information
Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions
(In Thousands)

	State Employee Retirement fund					
Description	2014	2015	2016	2017	2018	2019 [3]
Statutorily Required Contribution as an Employer[1]	$ 93,957	$ 107,313	$ 110,804	$ 116,552	$ 121,322	$ 136,157
Covered-Member Payroll	$ 1,923,040	$ 2,006,862	$ 2,066,651	$ 2,179,626	$ 2,256,825	$ 2,315,982
Required Employer Contributions as a Percentage of Covered-Member Payroll	4.9%	5.3%	5.4%	5.3%	5.4%	5.9%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 5.0 percent to 5.5 percent.
(3) 2019: The required contribution rate for employers increased to 5.875 percent.

Required Supplementary Information
Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions (Continued)
(In Thousands)

Correctional Employees Retirement Fund

Description	2014	2015 (2)	2016	2017	2018	2019 (3)
Statutorily Required Contribution as an Employer(1)	$ 26,421	$ 29,378	$ 30,624	$ 31,663	$ 32,840	$ 38,141
Covered-Member Payroll	$ 218,860	$ 231,126	$ 241,020	$ 248,653	$ 257,055	$ 264,826
Required Employer Contributions as a Percentage of Covered-Member Payroll	12.1%	12.7%	12.7%	12.7%	12.8%	14.4%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 12.1 percent to 12.9 percent.
(3) 2019: The required contribution rate for employers increased to 14.4 percent.

General Employees Retirement Fund

Description	2014	2015 (2)	2016	2017	2018	2019
Statutorily Required Contribution as an:						
Employer(1)	$ 2,782	$ 2,655	$ 2,540	$ 3,155	$ 2,283	$ 2,138
Non-Employer Contributing Entity(1)	—	—	6,000	6,000	16,000	16,000
Total Statutorily Required Contribution	$ 2,782	$ 2,655	$ 8,540	$ 9,155	$ 18,283	$ 18,138
Covered-Member Payroll	$ 37,715	$ 34,289	$ 41,328	$ 31,105	$ 28,849	$ 28,656
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.4%	7.7%	6.1%	10.1%	7.9%	7.5%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rates for employers increased from 7.3-11.8 percent to 7.5-11.8 percent on January 1, 2015.

Police and Fire Fund(2)

Description	2019
Statutorily Required Contribution as a Non-Employer Contributing Entity(1)	$ 4,500
Covered-Member Payroll	N/A
Required Employer Contributions as a Percentage of Covered-Member Payroll	N/A

(1) Statutorily required contributions equal actual required contributions.
(2) Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.

Required Supplementary Information
Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions (Continued)
(In Thousands)

Teachers Retirement Fund

Description	2014	2015 (2)	2016	2017	2018	2019 (3)
Statutorily Required Contribution as an:						
Employer(1)	$ 13,206	$ 14,542	$ 14,514	$ 14,885	$ 14,678	$ 15,447
Non-Employer Contributing Entity(1)	16,501	29,831	31,088	31,087	30,886	31,087
Total Statutorily Required Contribution	$ 29,707	$ 44,373	$ 45,602	$ 45,972	$ 45,564	$ 46,534
Covered-Member Payroll	$ 167,667	$ 166,870	$ 168,264	$ 174,018	$ 170,196	$ 176,065
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.9%	8.7%	8.6%	8.6%	8.6%	8.8%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 7.0-11.0 percent to 7.5-11.5 percent.
(3) 2019: The required contribution rate for employers increased to 7.71-11.71 percent.

Minneapolis Employees Retirement Fund(2)

Description	2014	2015
Statutorily Required Contribution as a Non-Employer Contributing Entity(1)	$ 24,000	$ 24,000
Covered-Member Payroll	N/A	N/A
Required Employer Contributions as a Percentage of Covered-Member Payroll	N/A	N/A

(1) Statutorily required contributions equal actual required contributions.
(2) MERF merged with GERF in reporting fiscal year 2015.

Required Supplementary Information
Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions
(In Thousands)

St. Paul Teachers' Retirement Fund						
Description	2014	2015 [2]	2016 [3]	2017 [4]	2018 [5]	2019 [6]
Statutorily Required Contribution as an:						
Employer[1]	$ 109	$ 86	$ 64	$ 66	$ 41	$ 47
Non-Employer Contributing Entity[1]	10,665	9,827	10,665	10,665	10,665	15,666
Total Statutorily Required Contribution	$ 10,774	$ 9,913	$ 10,729	$ 10,731	$ 10,706	$ 15,713
Covered-Member Payroll	$ 1,749	$ 628	$ 443	$ 465	$ 274	$ 262
Required Employer Contributions as a Percentage of Covered-Member Payroll	6.2%	13.7%	14.4%	14.2%	15.0%	17.9%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 5.25-8.75 percent to 5.50-9.00 percent.
(3) 2016: The required contribution rate for employers increased to 6.00-9.50 percent.
(4) 2017: The required contribution rate for employers increased to 6.25-9.75 percent.
(5) 2018: The required contribution rate for employers increased to 6.50-10.00 percent.
(6) 2019: The required contribution rate for employers increased to 7.335-10.835 percent.

Duluth Teachers' Retirement Fund[2]		
Description	2014	2015
Statutorily Required Contribution as an:		
Employer[1]	$ 55	$ 56
Non-Employer Contributing Entity[1]	6,555	6,346
Total Statutorily Required Contribution	$ 6,610	$ 6,402
Covered-Member Payroll	$ 729	$ 760
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.5%	7.4%

(1) Statutorily required contributions equal actual required contributions.
(2) DTRF merged with TRF in reporting fiscal year 2015.

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability
(In Thousands)

State Employees Retirement Fund					
Description	2015	2016 [1]	2017 [2]	2018 [3]	2019 [4]
Primary Government's Proportion of the Net Pension Liability as an:					
Employer	73.38%	73.93%	73.88%	74.15%	74.45%
Primary Government's Proportionate Share of the Net Pension Liability as an:					
Employer	$ 1,189,902	$ 1,138,125	$ 9,160,172	$ 5,500,428	$ 1,031,909
Primary Government's Covered-Member Payroll – Measurement Period	$ 1,923,040	$ 2,006,862	$ 2,066,651	$ 2,179,626	$ 2,256,825
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	61.9%	56.7%	443.2%	252.4%	45.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.6%	88.3%	47.5%	62.7%	90.6%

(1) 2016: Benefit increase of 2.5 percent was projected to start in 2044 instead of 2016.
(2) 2017: Benefit increase was changed to 2.0 percent for all future years. The discount rate changed from 7.9 percent to 4.17 percent.
(3) 2018: The discount rate changed to 5.42 percent.
(4) 2019: Benefit increase was changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

Correctional Employees Retirement Fund					
Description	2015	2016 [1]	2017 [2]	2018 [3]	2019 [4]
Primary Government's Proportion of the Net Pension Liability as an:					
Employer	99.80%	99.86%	99.91%	99.91%	99.89%
Primary Government's Proportionate Share of the Net Pension Liability as an:					
Employer	$ 475,387	$ 653,352	$ 1,331,563	$ 1,127,087	$ 375,232
Primary Government's Covered-Member Payroll – Measurement Period	$ 218,860	$ 231,126	$ 241,020	$ 248,653	$ 257,055
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	217.2%	282.7%	552.5%	453.3%	146.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.8%	58.1%	40.3%	47.6%	74.8%

(1) 2016: Benefit increase was projected to remain at 2.0 percent instead of increasing to 2.5 percent in 2016.
(2) 2017: The discount rate changed from 6.25 percent to 4.24 percent.
(3) 2018: The discount rate changed to 5.02 percent.
(4) 2019: Benefit increase was changed to 2.0 percent through December 31, 2018, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

General Employees Retirement Fund

Description	2015	2016 [1]	2017 [2]	2018 [3]	2019 [4]
Primary Government's Proportion of the Net Pension Liability as an:					
Employer	0.70%	0.62%	0.72%	0.51%	0.46%
Non-Employer Contributing Entity	—%	3.56%	1.29%	1.24%	3.18%
Total Primary Government's Proportion of the Net Pension Liability	0.70%	4.18%	2.01%	1.75%	3.64%
Primary Government's Proportionate Share of the Net Pension Liability as an:					
Employer	$ 33,103	$ 32,022	$ 58,119	$ 32,252	$ 25,408
Non-Employer Contributing Entity	—	184,478	104,677	79,275	176,191
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 33,103	$ 216,500	$ 162,796	$ 111,527	$ 201,599
Primary Government's Covered-Member Payroll – Measurement Period	$ 37,715	$ 34,289	$ 41,328	$ 31,105	$ 28,849
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	87.8%	93.4%	140.6%	103.7%	88.1%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.7%	78.2%	68.9%	75.9%	79.5%

(1) 2016: Benefit increase of 2.5 percent was projected to start in 2036 instead of 2031.
(2) 2017: Benefit increase changed to 1.0 percent for all future years. The discount rate changed from 7.9 percent to 7.5 percent.
(3) 2018: Benefit increase changed to 1.0 percent through 2044 and 2.5 percent thereafter.
(4) 2019: Benefit increase changed to 1.25 percent for all future years.

Police and Fire Fund[1]

Description	2019
Primary Government's Proportion of the Net Pension Liability as a:	
Non-Employer Contributing Entity	5.27%
Primary Government's Proportionate Share of the Net Pension Liability as a:	
Non-Employer Contributing Entity	$ 56,187
Primary Government's Covered-Member Payroll – Measurement Period	N/A
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.8%

(1) Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

Teachers Retirement Fund

Description	2015	2016 [1]	2017 [2]	2018 [3]	2019 [4]
Primary Government's Proportion of the Net Pension Liability as an:					
Employer	4.13%	3.88%	3.72%	3.71%	3.52%
Non-Employer Contributing Entity	5.17%	9.74%	7.97%	7.70%	7.50%
Total Primary Government's Proportion of the Net Pension Liability	9.30%	13.62%	11.69%	11.41%	11.02%
Primary Government's Proportionate Share of the Net Pension Liability as an:					
Employer	$ 190,460	$ 239,701	$ 888,788	$ 740,843	$ 221,190
Non-Employer Contributing Entity	237,958	602,738	1,900,653	1,537,059	471,220
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 428,418	$ 842,439	$ 2,789,441	$ 2,277,902	$ 692,410
Primary Government's Covered-Member Payroll – Measurement Period	$ 167,667	$ 166,870	$ 168,264	$ 174,018	$ 170,196
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	113.6%	143.6%	528.2%	425.7%	130.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.5%	76.8%	44.9%	51.6%	78.1%

(1) 2016: The discount rate changed from 8.25 percent to 8.00 percent.
(2) 2017: A benefit increase was not projected to be attained instead of 2.5 percent in 2037. The discount rate changed to 4.66 percent.
(3) 2018: Benefit increase of 2.5 percent was projected to start in 2045. The discount rate changed to 5.12 percent.
(4) 2019: Benefit increase changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, then increase by 0.1 percent each year over five years, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

St. Paul Teachers' Retirement Fund					
Description	2015	2016 [(1)]	2017 [(2)]	2018 [(3)]	2019 [(4)]
Primary Government's Proportion of the Net Pension Liability as an:					
Employer	0.31%	0.24%	0.17%	0.18%	0.10%
Non-Employer Contributing Entity	30.34%	29.52%	28.79%	27.97%	27.48%
Total Primary Government's Proportion of the Net Pension Liability	30.65%	29.76%	28.96%	28.15%	27.58%
Primary Government's Proportionate Share of the Net Pension Liability as an:					
Employer	$ 1,666	$ 1,385	$ 1,082	$ 1,019	$ 630
Non-Employer Contributing Entity	162,576	171,776	182,226	161,970	166,431
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 164,242	$ 173,161	$ 183,308	$ 162,989	$ 167,061
Primary Government's Covered-Member Payroll – Measurement Period	$ 1,749	$ 628	$ 443	$ 465	$ 274
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	95.3%	220.5%	244.2%	219.1%	229.9%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.1%	63.6%	60.3%	64.1%	63.9%

(1) 2016: Benefit increase if the plan is at least 90 percent funded was up to 2.5 percent instead of up to 5.0 percent.
(2) 2017: Benefit increase of 2.0 percent was projected to start in 2055 and 2.5 percent in 2066 instead of 2041 and 2051, respectively.
(3) 2018: Benefit increase of 2.0 percent was projected to start in 2042 and 2.5 percent in 2052.
(4) 2019: Benefit increase changed to 1.0 percent through December 31, 2018, no benefit increases through December 31, 2020, and 1.0 percent thereafter. The discount rate changed from 8.0 percent to 7.5 percent.

	Minneapolis Employee Retirement Fund[(1)]	Duluth Teachers Retirement Fund[(2)]
Description	2015	2015
Primary Government's Proportion of the Net Pension Liability as an:		
Employer	—%	0.55%
Non-Employer Contributing Entity	43.35%	64.98%
Total Primary Government's Proportion of the Net Pension Liability	43.35%	65.53%
Primary Government's Proportionate Share of the Net Pension Liability as an:		
Employer	$ —	$ 1,401
Non-Employer Contributing Entity	95,900	166,948
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 95,900	$ 168,349
Primary Government's Covered-Member Payroll – Measurement Period	N/A	$ 729
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	N/A	192.2%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.9%	46.8%

(1) MERF merged with GERF in reporting fiscal year 2015.
(2) DTRF merged with TRF in reporting fiscal year 2015.

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Contributions
(In Thousands)

Judges Retirement Fund										
Description	2010	2011	2012	2013	2014 [(2)]	2015	2016	2017 [(3)]	2018 [(4)]	2019
Statutorily Required Contribution[(1)]	$ 8,283	$ 8,297	$ 7,922	$ 8,177	$ 9,426	$ 9,776	$ 10,219	$ 13,758	$ 17,027	$ 17,287
Covered-Member Payroll	$ 39,291	$ 40,473	$ 38,644	$ 39,888	$ 41,893	$ 43,449	$ 45,418	$ 47,813	$ 49,009	$ 48,987
Contributions as a Percentage of Covered-Member Payroll	21.1%	20.5%	20.5%	20.5%	22.5%	22.5%	22.5%	28.8%	34.7%	35.3%

(1) Statutorily required contributions equal actual required contributions.
(2) 2014: The required employer contribution rate changed from 20.5 percent to 22.5 percent.
(3) 2017: The required employer contribution rate included an additional $3 million over the percentage of covered payroll.
(4) 2018: The required employer contribution rate included an additional $3 million for a total of $6 million over the percentage of covered payroll.

Legislators Retirement Fund[(2)]										
Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Statutorily Required Contribution[(1)]	$ 1,975	$ 2,805	$ 3,935	$ 3,399	$ 3,436	$ 3,216	$ 5,087	$ 8,716	$ 8,856	$ 8,798
Covered-Member Payroll	$ 1,877	$ 1,774	$ 1,378	$ 1,233	$ 1,122	$ 1,700	$ 989	$ 889	$ 1,033	$ 983
Contributions as a Percentage of Covered-Member Payroll	105.2%	158.1%	285.6%	275.7%	306.2%	189.2%	514.4%	980.4%	857.3%	895.0%

(1) Statutorily required contributions equal actual required contributions.
(2) LRF employer contributions are on a pay-as-you-go basis.

State Patrol Retirement Fund										
Description	2010	2011	2012 [(2)]	2013	2014	2015 [(3)]	2016	2017 [(4)]	2018	2019 [(5)]
Statutorily Required Contribution[(1)]	$ 10,104	$ 9,873	$ 11,620	$ 11,482	$ 12,894	$ 13,763	$ 13,938	$ 15,783	$ 15,952	$ 19,479
Covered-Member Payroll	$ 63,250	$ 63,250	$ 62,524	$ 62,121	$ 63,952	$ 68,463	$ 69,343	$ 73,056	$ 74,007	$ 80,401
Contributions as a Percentage of Covered-Member Payroll	16.0%	15.6%	18.6%	18.5%	20.2%	20.1%	20.1%	21.6%	21.6%	24.2%

(1) Statutorily required contributions equal actual required contributions.
(2) 2012: The required employer contribution rate changed from 15.6 percent to 18.6 percent.
(3) 2015: The required employer contribution rate changed to 20.1 percent.
(4) 2017: The required employer contribution rate changed to 21.6 percent.
(5) 2019: The required employer contribution rate changed to 22.35 percent, plus an additional supplemental employer contribution of 1.75 percent.

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Changes in the Net Pension Liability
and Related Ratios
(In Thousands)

Description	Judges Retirement Fund 2015	2016 (1)	2017 (2)	2018 (3)	2019 (4)
Total Pension Liability					
Service Cost	$ 12,075	$ 12,251	$ 13,711	$ 9,483	$ 9,857
Interest on the Total Pension Liability	20,535	21,773	21,349	25,366	26,747
Difference Between Expected and Actual Experience of the Total Pension Liability	5,080	(4,366)	7,135	(4,958)	1,424
Changes in Assumptions	(8,416)	21,696	(85,756)	11,652	—
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(23,094)	(23,585)
Net Change in Total Pension Liability	$ 8,472	$ 29,461	$ (65,939)	$ 18,449	$ 14,443
Total Pension Liability, Beginning	$ 373,039	$ 381,511	$ 410,972	$ 345,033	$ 363,482
Total Pension Liability, Ending	$ 381,511	$ 410,972	$ 345,033	$ 363,482	$ 377,925
Fiduciary Net Position					
Contributions – Employer	$ 9,426	$ 9,776	$ 10,219	$ 13,758	$ 17,027
Contributions – Member	3,578	3,629	3,763	3,932	3,973
Net Investment Income	28,011	7,572	(186)	24,729	19,265
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(23,094)	(23,585)
Pension Plan Administrative Expenses	(55)	(60)	(94)	(89)	(65)
Net Change in Plan Fiduciary Net Position	$ 20,158	$ (976)	$ (8,676)	$ 19,236	$ 16,615
Plan Fiduciary Net Position, Beginning	$ 155,398	$ 175,556	$ 174,580	$ 165,904	$ 185,140
Plan Fiduciary Net Position, Ending	$ 175,556	$ 174,580	$ 165,904	$ 185,140	$ 201,755
Net Pension Liability	$ 205,955	$ 236,392	$ 179,129	$ 178,342	$ 176,170
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	46.0%	42.5%	48.1%	50.9%	53.4%
Covered-Member Payroll – Measurement Period	$ 41,893	$ 43,449	$ 45,418	$ 47,813	$ 49,009
Net Pension Liability as a Percentage of Covered-Member Payroll	491.6%	544.1%	394.4%	373.0%	359.5%

(1) 2016: The discount rate changed from 5.78 percent to 5.25 percent.
(2) 2017: Benefit increase of 1.75 percent was projected for all future years changed to 1.75 percent through 2041, 2.0 percent for 2042-2054, and 2.5 percent thereafter. The discount rate changed to 7.50 percent.
(3) 2018: Benefit increase rate changed to 1.75 percent through 2038, 2.0 percent for 2039-2053, and 2.5 percent thereafter.
(4) 2019: Benefit increase rate changed to 1.75 percent through 2037, 2.0 percent for 2038-2051, and 2.5 percent thereafter.

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Changes in the Net Pension Liability
and Related Ratios (Continued)
(In Thousands)

Description	Legislators Retirement Fund 2015	2016 (1)	2017 (2)	2018 (3)	2019 (4)
Total Pension Liability					
Service Cost	$ 398	$ 428	$ 495	$ 546	$ 437
Interest on the Total Pension Liability	6,177	6,113	5,332	4,293	5,094
Benefit Changes	—	—	—	—	(9,839)
Difference Between Expected and Actual Experience of the Total Pension Liability	(237)	(7,303)	(1,597)	1,518	6,119
Changes in Assumptions	11,201	7,057	14,653	(5,017)	(856)
Benefit Payments, Including Refunds of Member Contributions	(8,486)	(8,441)	(8,536)	(8,716)	(8,912)
Net Change in Total Pension Liability	$ 9,053	$ (2,146)	$ 10,347	$ (7,376)	$ (7,957)
Total Pension Liability, Beginning	$ 137,446	$ 146,499	$ 144,353	$ 154,700	$ 147,324
Total Pension Liability, Ending	$ 146,499	$ 144,353	$ 154,700	$ 147,324	$ 139,367
Fiduciary Net Position					
Contributions – Employer	$ 3,436	$ 3,216	$ 5,087	$ 8,716	$ 8,856
Contributions – Member	101	153	89	80	93
Net Investment Income	1,750	281	(69)	—	—
Benefit Payments, Including Refunds of Member Contributions	(8,486)	(8,441)	(8,536)	(8,716)	(8,912)
Pension Plan Administrative Expenses	(36)	(37)	(42)	(39)	(37)
Other Changes	—	—	41	(41)	—
Net Change in Plan Fiduciary Net Position	$ (3,235)	$ (4,828)	$ (3,430)	$ —	$ —
Plan Fiduciary Net Position, Beginning	$ 11,493	$ 8,258	$ 3,430	$ —	$ —
Plan Fiduciary Net Position, Ending	$ 8,258	$ 3,430	$ —	$ —	$ —
Net Pension Liability	$ 138,241	$ 140,923	$ 154,700	$ 147,324	$ 139,367
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	5.6%	2.4%	—%	—%	—%
Covered-Member Payroll – Measurement Period	$ 1,122	$ 1,700	$ 989	$ 889	$ 1,033
Net Pension Liability as a Percentage of Covered-Member Payroll	12,320.9%	8,289.6%	15,642.1%	16,571.9%	13,491.5%

(1) 2016: Benefit increase of 2.5 percent was projected to start in 2044 instead of 2015. The discount rate changed from 4.29 percent to 3.80 percent.
(2) 2017: Benefit increase changed to 2.0 percent for all future years. The discount rate changed to 2.85 percent.
(3) 2018: The discount rate changed to 3.56 percent.
(4) 2019: Benefit increase rate changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, and 1.5 percent thereafter. The discount rate changed to 3.62 percent.

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Changes in the Net Pension Liability
and Related Ratios (Continued)
(In Thousands)

Description	State Patrol Retirement Fund 2015	2016 (1)	2017 (2)	2018 (3)	2019 (4)
Total Pension Liability					
Service Cost	$ 14,514	$ 16,144	$ 16,555	$ 29,758	$ 24,935
Interest on the Total Pension Liability	60,183	63,753	64,592	58,865	65,110
Benefit Changes	—	—	—	—	(2,604)
Difference Between Expected and Actual Experience of the Total Pension Liability	(5,771)	(12,855)	(22,222)	(2,418)	(8,369)
Changes in Assumptions	30,058	—	283,584	(112,694)	(126,888)
Benefit Payments, Including Refunds of Member Contributions	(53,722)	(55,480)	(57,774)	(58,565)	(59,692)
Net Change in Total Pension Liability	$ 45,262	$ 11,562	$ 284,735	$ (85,054)	$ (107,508)
Total Pension Liability, Beginning	$ 781,411	$ 826,673	$ 838,235	$ 1,122,970	$ 1,037,916
Total Pension Liability, Ending	$ 826,673	$ 838,235	$ 1,122,970	$ 1,037,916	$ 930,408
Fiduciary Net Position					
Contributions – Employer	$ 12,894	$ 14,763	$ 14,938	$ 16,783	$ 16,952
Contributions – Member	7,930	9,174	9,292	10,520	10,657
Net Investment Income	107,187	28,903	(774)	93,077	70,474
Benefit Payments, Including Refunds of Member Contributions	(53,722)	(55,480)	(57,774)	(58,565)	(59,692)
Pension Plan Administrative Expenses	(150)	(170)	(220)	(208)	(184)
Other Changes	—	—	—	—	(7)
Net Change in Plan Fiduciary Net Position	$ 74,139	$ (2,810)	$ (34,538)	$ 61,607	$ 38,200
Plan Fiduciary Net Position, Beginning	$ 593,201	$ 667,340	$ 664,530	$ 629,992	$ 691,599
Plan Fiduciary Net Position, Ending	$ 667,340	$ 664,530	$ 629,992	$ 691,599	$ 729,799
Net Pension Liability	$ 159,333	$ 173,705	$ 492,978	$ 346,317	$ 200,609
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.7%	79.3%	56.1%	66.6%	78.4%
Covered-Member Payroll – Measurement Period	$ 63,952	$ 68,463	$ 69,343	$ 73,056	$ 74,007
Net Pension Liability as a Percentage of Covered-Member Payroll	249.1%	253.7%	710.9%	474.0%	271.1%

(1) 2016: Benefit increase of 1.0 percent was projected to start in 2031 instead of 2018, 1.5 percent through 2052 instead of 2045 and 2.5 percent thereafter.
(2) 2017: Benefit increase changed to 1.0 percent for all future years. The discount rate changed from 7.9 percent to 5.31 percent.
(3) 2018: Benefit increase changed to 1.0 percent through 2064, and 1.5 percent thereafter. The discount rate changed to 6.38 percent.
(4) 2019: Benefit increase changed to 1.0 percent for all future years. The discount rate changed to 7.5percent.

Defined Benefit Other Postemployment Benefits

The state of Minnesota offers other postemployment benefits (OPEB) to state employees and their dependents through a single-employer defined benefit health care plan. The state does not fund this plan and operates on a pay-as-you-go basis. The state implemented Governmental Accounting Standards Board Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" in fiscal year 2018, which is the first year the data is available.

Required Supplementary Information
Single Employer Defined Benefit OPEB Plan
Schedule of Changes in Total OPEB Liability
(In Thousands)

Description	2018	2019 (2)
Total OPEB Liability(1):		
Service Cost	$ 51,415	$ 48,056
Interest	18,612	23,378
Differences Between Expected and Actual Experience	—	(42,541)
Changes in Assumptions or Other Inputs	(32,277)	(596)
Benefit Payments	(32,627)	(36,358)
Net Changes in Total OPEB Liability	$ 5,123	$ (8,061)
Total OPEB Liability, Beginning	617,856	622,979
Total OPEB Liability, Ending	$ 622,979	$ 614,918
Covered-Employee Payroll	$ 3,545,697	$ 3,603,462
Total OPEB Liability as a Percentage of Covered-Employee Payroll	17.6%	17.1%

(1) Amounts represent the total of the primary government's proportionate share and its discretely presented component unit's proportionate share.

(2) 2019: The discount rate changed from 3.58 percent to 3.87 percent.

Public Employees Insurance Program Development Information

The Public Employees Insurance Program's medical claim is a self-funded program. The following table illustrates how the fund's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the past ten years (in thousands).

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Required Contribution and Investment Revenue:										
Earned	$ 25,031	$ 34,161	$ 45,413	$ 49,244	$ 90,110	$ 96,008	$109,484	$120,780	$169,172	$208,391
Ceded	(2,684)	(2,660)	(3,502)	(4,582)	(8,372)	(4,607)	—	—	—	—
Net Earned	$ 22,347	$ 31,501	$ 41,911	$ 44,662	$ 81,738	$ 91,401	$109,484	$120,780	$169,172	$208,391
2. Unallocated Expenses:										
	$ 2,037	$ 2,411	$ 3,018	$ 3,612	$ 6,390	$ 7,435	$ 7,846	$ 8,518	$ 10,891	$ 13,213
3. Estimated Claims and Expenses End of Policy Year:										
Incurred	$ 19,350	$ 24,134	$ 38,173	$ 41,959	$ 73,795	$ 86,276	$ 97,089	$ 99,399	$148,773	$196,311
Ceded	(562)	(1,491)	(2,149)	(4,909)	(5,767)	(7,571)	—	—	—	—
Net Incurred	$ 18,788	$ 22,643	$ 36,024	$ 37,050	$ 68,028	$ 78,705	$ 97,089	$ 99,399	$148,773	$196,311
4. Net Paid (Cumulative) as of:										
End of Policy Year	$ 16,848	$ 20,720	$ 32,176	$ 33,836	$ 60,813	$ 70,741	$ 87,378	$ 90,091	$135,199	$180,716
One Year Later	18,828	23,219	35,718	37,353	68,176	79,461	96,681	98,880	147,318	
Two Years Later	18,826	23,200	35,946	37,608	68,256	79,762	96,506	98,873		
Three Years Later	18,826	23,303	35,986	37,629	68,391	79,906	96,506			
Four Years Later	18,826	23,303	35,986	37,629	68,617	79,906				
Five Years Later	18,826	23,303	35,986	37,713	68,617					
Six Years Later	18,826	23,303	35,986	37,713						
Seven Years Later	18,826	23,303	35,986							
Eight Years Later	18,826	23,303								
Nine Years Later	18,826									
5. Reestimated Ceded Claims and Expenses:										
	$ 562	$ 1,491	$ 2,149	$ 4,825	$ 5,542	$ 7,374	$ —	$ —	$ —	$ —
6. Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	$ 18,788	$ 22,643	$ 36,024	$ 37,050	$ 68,028	$ 78,705	$ 97,089	$ 99,399	$148,773	$196,311
One Year Later	18,848	23,249	36,006	37,673	68,588	80,027	97,415	99,323	148,678	
Two Years Later	18,826	23,304	35,946	37,608	68,408	79,981	96,506	99,443		
Three Years Later	18,826	23,303	35,986	37,629	68,391	79,906	96,601			
Four Years Later	18,826	23,303	35,986	37,629	68,617	79,906				
Five Years Later	18,826	23,303	35,986	37,713	68,617					
Six Years Later	18,826	23,303	35,986	37,713						
Seven Years Later	18,826	23,303	35,986							
Eight Years Later	18,826	23,303								
Nine Years Later	18,826									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year:										
	$ 38	$ 660	$ (38)	$ 663	$ 589	$ 1,201	$ (488)	$ 44	$ (95)	$ —

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.
3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally estimated. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

APPENDIX G

CONTINUING DISCLOSURE UNDERTAKING

(This page has been intentionally left blank.)

CONTINUING DISCLOSURE UNDERTAKING

The Commissioner's Order authorizing the issuance of the Bonds will contain provisions enabling participating underwriters in the primary offering of the Bonds to comply with the requirements of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15C2-12, paragraph (b)(5), in substantially the following form:

3.01 **Official Statement.** The Official Statement dated August 11, 2020, relating to the Bonds (the "Official Statement"), is a final official statement within the meaning of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, as in effect and interpreted from time to time ("Rule 15c2-12"). The respective purchasers of the Bonds designated in Section 4 hereof (collectively, the "Initial Purchasers") are authorized and directed to distribute the Official Statement to all persons to whom the Bonds of a series are reoffered.

3.02 **Continuing Disclosure.**

(a) General Undertaking. On behalf of the State, the Commissioner covenants and agrees with the Registered Owners (as hereinafter defined) from time to time of the Bonds to comply with Rule 15c2-12, paragraph (b)(5); and, for this purpose, to provide to the Municipal Securities Rulemaking Board ("MSRB"), annual financial information of the type included in the Official Statement and notice of the occurrence of certain specified events which materially affect the terms, payment, security, rating or tax status of the Bonds, as set forth in this Section. The State is the only "obligated person" in respect of the Bonds within the meaning of Rule 15c2-12. As used in this Section 3.02, "Registered Owner" means, in respect of a Bond of a series, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Bond of a series, any person or entity which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The Commissioner will provide, in the manner set forth in paragraph (c) hereof, either directly or indirectly through an agent designated by the Commissioner, the following information (the "Disclosure Information") at the following times:

(i) On or before December 31 of each year, commencing in 2020 (each a "Reporting Date"):

(A) The Comprehensive Annual Financial Report of the State for the fiscal year ending on the previous June 30, prepared by the State's Department of Management and Budget in accordance with generally accepted accounting principles for governmental entities as prescribed by the Government Accounting Standards Board as in effect from time to time or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles, noting the variances therefrom and the effect thereof, together with an independent auditor's report prepared with respect thereto by the Office of the Legislative Auditor of the State or other auditing authority designated by State law; provided, however, that if audited financial statements are not available by such date, the financial statements to be delivered shall be unaudited, but the State undertakes and agrees to provide, within 10 days after the receipt thereof by the State, the audited general purpose financial statements of the State and the related audit report described above; and

(B) To the extent not included in the financial statements referred to in clause (A) hereof, the information for such fiscal year of the type contained in the Official Statement, which information may be unaudited.

Any or all of the information may be incorporated by reference from other documents, including official statements, which have been filed with the Securities and Exchange Commission (the "SEC") or have been made available to the public on the MSRB's Electronic Municipal Market Access ("EMMA") facility for municipal securities disclosure. The Commissioner shall clearly identify in the information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the State have materially changed or been discontinued, such Disclosure Information need no longer be provided if the State includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other State operations in respect of which data is not included in the Disclosure Information and the State determines that certain specified data regarding such replacement operations would be "Material" (as defined in subparagraph (ii) of this paragraph (b)), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Section 3.02 is amended as permitted by this subparagraph (i) or paragraph (d), then the State shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(ii) In a timely manner, not in excess of 10 business days after the occurrence of an event, notice of the occurrence of any of the following events:

(A) Principal and interest payment delinquencies;

(B) Non-payment related defaults, if material;

(C) Unscheduled draws on debt service reserves reflecting financial difficulties;

(D) Unscheduled draws on credit enhancements reflecting financial difficulties;

(E) Substitution of credit or liquidity providers, or their failure to perform;

(F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(G) Modifications to rights of security holders, if material;

(H) Bond calls, if material, and tender offers;

(I) Defeasances;

(J) Release, substitution or sale of property securing repayment of the securities, if material;

(K) Rating changes;

(L) Bankruptcy, insolvency, receivership or similar event of the State;

(M) The consummation of a merger, consolidation or acquisition involving the State or the sale of all or substantially all of the assets of the State or other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(N) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

(O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

With respect to (O) and (P) above, Rule 15c2-12 defines "financial obligation" as a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledge as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). However, "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

As used herein, an event is "material" if it would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of the occurrence of the event.

(iii) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the State to provide the information required under subparagraph (i) of this paragraph (b) at the time specified thereunder;

(B) the amendment or supplementing of this Section 3.02 pursuant to paragraph (d), together with a copy of such amendment or supplement and any explanation provided by the State under subparagraph (ii) of paragraph (d);

(C) the termination of the obligations of the State under this Section 3.02 pursuant to paragraph (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the information required under subparagraph (i) of this paragraph (b) are prepared; and

(E) any change in the fiscal year of the State.

(c) Manner of Disclosure.

(i) The Commissioner agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in paragraph (b).

(ii) The Commissioner further agrees to make available by electronic transmission, overnight delivery, mail or other means, as appropriate, the information described in paragraph (b) to any rating agency then maintaining a rating of the Bonds and, at the expense of any Registered Owner, to any Registered Owner who requests in writing such information at the time of transmission under subparagraph (i) of this paragraph (c), or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(iii) All documents provided to the MSRB pursuant to this paragraph (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(iv) The State shall determine in the manner it deems appropriate whether there has occurred a change in the MSRB's email address or filing procedures and requirement under the MSRB's EMMA facility each time the State is required to file information with the MSRB.

(d) Term; Amendments; Interpretation.

(i) The covenants of the State in this Section 3.02 shall remain in effect with respect to a series of Bonds so long as any Bonds of such series are outstanding. Notwithstanding the preceding sentence, however, the obligations of the State under this Section 3.02 shall terminate and be without further effect as of any date on which the State delivers to the Registrar an opinion of bond counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the State to comply with the requirements of this Section 3.02 will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule 15c2-12 or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(ii) This Section 3.02 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the State from time to time, without notice to (except as provided in subparagraph (ii) of paragraph (c)) or the consent of the Registered Owners of any Bonds, by an order of the Commissioner accompanied by an opinion of bond counsel, who may rely on certificates of the State and others and the opinion may be subject to customary qualifications, to the effect that: (A) such amendment or supplement (1) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the type of operations conducted by the State, or (2) is required by, or better complies with, the provisions of paragraph (b)(5) of Rule 15c2-12; (B) this Section 3.02 as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of Rule 15c2-12 at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (A)(1) and assuming that Rule 15c2-12 as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (C) such amendment or supplement does not materially impair the interests of the Registered Owners under Rule 15c2-12.

(iii) If the Disclosure Information is so amended, the Commissioner agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(iv) This Section 3.02 is entered into to comply with the continuing disclosure provisions of Rule 15c2-12 and should be construed so as to satisfy the requirements of Rule 15c2-12.

(e) Failure to Comply; Remedies. If the State fails to comply with any provision of this Section 3.02, any person aggrieved thereby, including the Registered Owner of any outstanding Bond of a series, may take whatever action at law or in equity as may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section 3.02. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 3.02 constitute a default with respect to the Bonds or under any other provision of this Order.

(f) Further Limitation of Liability of State. If and to the extent the limitations of liability contained in subparagraph (e) are not effective, anything contained in this Section 3.02 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 3.02, the State has not obligated itself to pay damages resulting from any violation thereof. None of the agreements or obligations of the State contained herein shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the full faith and credit or taxing powers of the State, a waiver of the State's sovereign immunity, or a waiver of any of the limitations contained in Minnesota Statutes, Section 3.736, except as provided under the laws of the State.

(The remainder of this page has been intentionally left blank.)

(This page has been intentionally left blank.)

APPENDIX H

FORMS OF LEGAL OPINION

(This page has been intentionally left blank.)

August 25, 2020

The Honorable Myron Frans
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $330,360,000 General Obligation State Various Purpose Bonds, Series 2020A
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $330,360,000 General Obligation State Various Purpose Bonds, Series 2020A, dated August 25, 2020 (the "Series 2020A Bonds"). The Series 2020A Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2020A Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

2. Interest on the Series 2020A Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts.

The opinions expressed in paragraph 2 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2020A Bonds in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Series 2020A Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2020A Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2020A Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2020A Bonds. No provision has been made for an increase in the interest payable on the Series 2020A Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Series 2020A Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

August 25, 2020

The Honorable Myron Frans
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $152,020,000 General Obligation State Trunk Highway Bonds, Series 2020B
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $152,020,000 General Obligation State Trunk Highway Bonds, Series 2020B, dated August 25, 2020 (the "Series 2020B Bonds"). The Series 2020B Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2020B Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State.

2. The principal of and interest on the Series 2020B Bonds are payable from revenues of the State Trunk Highway Fund; but, if necessary for the payment thereof, the full faith and credit of the State are pledged, and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

3. Interest on the Series 2020B Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts.

The opinions expressed in paragraph 3 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2020B Bonds in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Series 2020B Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2020B Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2020B Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2020B Bonds. No provision has been made for an increase in the interest payable on the Series 2020B Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Series 2020B Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

August 25, 2020

The Honorable Myron Frans
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $20,515,000 General Obligation Taxable State Various Purpose Bonds, Series 2020C
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $20,515,000 General Obligation Taxable State Various Purpose Bonds, Series 2020C, dated August 25, 2020 (the "Series 2020C Bonds"). The Series 2020C Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue.

From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that the Series 2020C Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

The interest on the Series 2020C Bonds is includable in gross income for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. We express no other opinion regarding federal, state or other tax consequences to holders of the Series 2020C Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

August 25, 2020

The Honorable Myron Frans
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $128,115,000 General Obligation State Various Purpose Refunding Bonds, Series 2020D State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $128,115,000 General Obligation State Various Purpose Refunding Bonds, Series 2020D, dated August 25, 2020 (the "Series 2020D Bonds"). The Series 2020D Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2020D Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

2. Interest on the Series 2020D Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts.

The opinions expressed in paragraph 2 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2020D Bonds in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Series 2020D Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2020D Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2020D Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2020D Bonds. No provision has been made for an increase in the interest payable on the Series 2020D Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Series 2020D Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

August 25, 2020

The Honorable Myron Frans
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $163,380,000 General Obligation State Trunk Highway Refunding Bonds, Series 2020E
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $163,380,000 General Obligation State Trunk Highway Refunding Bonds, Series 2020E, dated August 25, 2020 (the "Series 2020E Bonds"). The Series 2020E Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2020E Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State.

2. The principal of and interest on the Series 2020E Bonds are payable from revenues of the State Trunk Highway Fund; but, if necessary for the payment thereof, the full faith and credit of the State are pledged, and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

3. Interest on the Series 2020E Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts.

The opinions expressed in paragraph 3 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2020E Bonds in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Series 2020E Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2020E Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2020E Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2020E Bonds. No provision has been made for an increase in the interest payable on the Series 2020E Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Series 2020E Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

August 25, 2020

The Honorable Myron Frans
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $223,970,000 General Obligation Taxable State Various Purpose Refunding Bonds, Series 2020F
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $223,970,000 General Obligation Taxable State Various Purpose Refunding Bonds, Series 2020F, dated August 25, 2020 (the "Series 2020F Bonds"). The Series 2020F Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue.

From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that the Series 2020F Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

The interest on the Series 2020F Bonds is includable in gross income for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. We express no other opinion regarding federal, state or other tax consequences to holders of the Series 2020F Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

August 25, 2020

The Honorable Myron Frans
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $180,190,000 General Obligation Taxable State Trunk Highway Refunding Bonds, Series 2020G
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $180,190,000 General Obligation Taxable State Trunk Highway Refunding Bonds, Series 2020G, dated August 25, 2020 (the "Series 2020G Bonds"). The Series 2020G Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue.

From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that the Series 2020G Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

The interest on the Series 2020G Bonds is includable in gross income for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. We express no other opinion regarding federal, state or other tax consequences to holders of the Series 2020G Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

(This page has been intentionally left blank.)

STATE OF MINNESOTA • General Obligation State Bonds, Series 2020A, 2020B, 2020C, 2020D, 2020E, 2020F and 2020G

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com