OFFICIAL STATEMENT DATED AUGUST 3, 1999

NEW ISSUE

RATING: Moody's: Aaa
Standard & Poor's: AAA
Fitch's: AAA

In the opinion of Dorsey & Whitney LLP, bond counsel, according to present federal and Minnesota laws, regulations, rulings and decisions, the interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is subject to Minnesota franchise taxes imposed on corporations and financial institutions; is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes. For a discussion of related tax matters see ''Related Tax Matters'' and ''Certain State Tax Legislation'' herein.

$185,000,000
STATE OF MINNESOTA

General Obligation
State Various Purpose Bonds

Dated: August 1, 1999 **Due: August 1, as shown below**

Year	Amount	Interest Rate	Price or Yield	Year	Amount	Interest Rate	Price or Yield
2000	$12,250,000	4.50%	3.52%	2010	$7,500,000	5.25%	4.95%
2001	12,250,000	4.75	4.05	2011	7,500,000	5.25	5.05
2002	12,250,000	4.75	4.10	2012	7,500,000	5.25	5.10
2003	12,250,000	4.75	4.23	2013	7,500,000	5.25	5.16
2004	12,250,000	4.75	4.33	2014	7,500,000	5.25	5.20
2005	9,250,000	4.75	4.45	2015	7,500,000	5.25	@100
2006	9,250,000	4.75	4.55	2016	7,500,000	5.25	5.30
2007	9,250,000	4.875	4.65	2017	7,500,000	5.25	5.35
2008	9,250,000	5.00	4.75	2018	7,500,000	5.25	5.375
2009	11,750,000	5.25	4.85	2019	7,500,000	5.25	5.39

(Plus accrued interest from August 1, 1999)

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE ISSUED TO FINANCE THE COST OF CAPITAL IMPROVEMENTS, 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.

Bonds maturing after August 1, 2009 will be subject to redemption and prepayment by the State as provided herein.

Form and Payment:

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 Bonds are offered by the State subject to the legal opinions of Messrs. Dorsey & Whitney LLP, bond counsel, as to the validity of the Bonds and tax exemption, and of the State Attorney General as to the validity of the Bonds. Delivery will be made on or before August 25, 1999.

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

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 the Official Statement.

No dealer, broker, salesman or other person has been authorized by the State 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. 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.

The 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.

STATE OF MINNESOTA OFFICERS

GOVERNOR	Jesse Ventura
LIEUTENANT GOVERNOR	Mae Schunk
SECRETARY OF STATE	Mary Kiffmeyer
STATE TREASURER	Carol C. Johnson
STATE AUDITOR	Judith H. Dutcher
ATTORNEY GENERAL	Mike Hatch
LEGISLATIVE AUDITOR	James R. Nobles

COMMISSIONER OF FINANCE

Pamela Wheelock

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OFFICIAL STATEMENT

STATE OF MINNESOTA
$185,000,000

General Obligation

State Various Purpose Bonds

Dated August 1, 1999

INTRODUCTION

General

This Official Statement, including the cover page, the Official Statement Supplement contained on pages S-1 through S-38, and Appendices A through K (the "Official Statement"), has been prepared by the State of Minnesota Department of Finance to furnish information relating to $185,000,000 General Obligation State Various Purpose Bonds of the State to be dated August 1, 1999 (the "Bonds"), to prospective purchasers and purchasers of the Bonds. This Introduction contains only a brief description of or references to a portion of such information, and prospective purchasers and purchasers should read the entire Official Statement.

Purpose

The Bonds are being issued by the State of Minnesota (the "State"), acting by and through its Commissioner of Finance (the "Commissioner" or "Commissioner of Finance"), pursuant to the constitutional and statutory authority described under the section hereof entitled "The Bonds — Authorization and Purpose." Bonds are being issued for the purpose of financing all or a portion of the cost of the programs and capital projects described in the section hereof entitled "The Bonds — Authorization and Purpose" and Appendix C. The types of capital projects to be funded include educational facilities, parks, correctional facilities, pollution control facilities, transportation, natural resources, agricultural enterprises, and dam repairs. Pending use of the bond proceeds for these purposes, they will be invested for the State by the State Board of Investment in accordance with State and federal laws and federal tax regulations.

Security

The Bonds are general obligations of the State secured by the pledge of the full faith and credit and taxing powers of the State. (See the section hereof entitled "The Bonds — Security".) For information as to the credit ratings assigned to the Bonds by various rating agencies see the section hereof entitled "Ratings."

Bond Terms

The Bonds mature on the dates and in the principal amounts and bear interest at the annual rates shown on the cover page hereof. Such interest is computed on the basis of a 360-day year and twelve 30-day months, and is payable semiannually on each February 1 and August 1 to maturity or prior redemption, commencing February 1, 2000. If principal or interest is due on a date on which commercial banks are not open for business, then payment will be made on the first day thereafter when such banks are open for business. The Bonds are subject to redemption and prepayment at the option of the State on the terms and conditions stated in the section hereof entitled "Redemption and Prepayment."

The Bonds are issuable in fully registered form without interest coupons and in denominations of $5,000 or multiples thereof of a single maturity. However, the Bonds will be issued 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. 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."

Legal Opinions — Tax Exemption

The Bonds are approved as to validity by the State Attorney General and Messrs. Dorsey & Whitney LLP, bond counsel.

In the opinion of Dorsey & Whitney LLP, bond counsel, according to present federal and Minnesota laws, regulations, rulings and decisions, the interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is subject to Minnesota franchise taxes imposed on corporations and financial institutions; is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes.

The exemption for federal or State tax purposes of interest to be paid on the Bonds from income taxation is not mandated or guaranteed by the United States or Minnesota Constitutions. Accordingly, federal and State laws providing for tax-exemption of the interest may be subject to change. In the event that federal or State law is changed to provide that interest on the Bonds is subject to federal or State income taxation, or if federal or State income tax rates are reduced, the market value of the Bonds may be adversely affected.

For a discussion of related tax matters see "Related Tax Matters" herein.

Additional Bonds

The State does not expect to sell additional tax-exempt general obligation bonds within 30 days after the date of sale of the Bonds.

Revenue and Expenditure Forecasting

The State operates on a biennial budget basis with each biennium ending on June 30 of an odd numbered year and comprising two fiscal years. Legislative appropriations for each biennium are prepared and adopted by the State's legislature (the "Legislature") during the final legislative session prior to the beginning of the next biennium.

Revenue forecasts are prepared by the Department of Finance which uses for forecasting purposes data provided by Data Resources, Incorporated. Expenditure forecasts are prepared by the Department of Finance based upon current annual budgets and upon current cash expenditure estimates provided by State agencies responsible for significant expenditure items.

Budget — Current Biennium

Approved revenue and expenditure measures for the biennium ending June 30, 2001 (the "Current Biennium") are summarized as set forth below.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
END OF 1999 LEGISLATIVE SESSION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,518
Non-dedicated Revenues	$22,395
Dedicated Revenues, Transfers In and Other	$ 707
Total Resources	$24,620
Expenditures	23,384
Projected Unreserved Balance at June 30, 2001	$ 1,236
Cash Flow Account	$ 350
Budget Reserve Account	$ 622
Dedicated Reserves	$ 133
Projected Unrestricted Balance at June 30, 2001	$ 130

Bonds Outstanding

The total amount of State general obligation bonds outstanding on August 1, 1999, including this issue will be approximately $2.4 billion. The total amount of general obligation bonds authorized but unissued as of August 1, 1999, will be approximately $682 million. See Appendix B, pages B-1 and B-2.

Cash Flow Information

The May 1999, end of session cash flow analysis for the State's Statutory General Fund indicates that the State will have a positive cash flow balance throughout the Current Biennium. Therefore, the State does not expect to do any short-term borrowing for cash flow purposes during the Current Biennium. The State has not done any short-term borrowing since January 1985 and has no short-term debt outstanding. See Appendix D.

Continuing Disclosure

The Commissioner, in its order authorizing and ordering the issuance of the Bonds, will covenant and agree 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); and, for this purpose, to provide to nationally recognized securities repositories and any Minnesota state information depository, annual financial information of the type included in this Official Statement, including audited financial statements, and notice of the occurrence of 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 I.

Additional Information

Questions regarding the Official Statement should be directed to Peter Sausen, Assistant Commissioner, State Department of Finance, 400 Centennial Office Building, St. Paul, Minnesota 55155, telephone (651) 296-8372, or Susan Gurrola, Financial Bond Analyst, State Department of Finance, 400 Centennial Office Building, St. Paul, Minnesota 55155, telephone (651) 296-8373. Questions regarding legal matters should be directed to Leonard S. Rice, Dorsey & Whitney LLP, 220 South Sixth Street, Minneapolis, Minnesota 55402, telephone (612) 343-7971.

THE BONDS

Authorization and Purpose

Constitutional Provisions. Article XI, Section 5 of the Minnesota Constitution authorizes public debt to be incurred for 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 the House of Representatives and the Senate may direct, and to finance the development of the agricultural resources of the State by extending credit on real estate security, 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 amount or interest rate of bonds which may be authorized for these and certain other purposes.

Statutory Provisions. The $185,000,000 General Obligation State Various Purpose Bonds being issued comprise bonds authorized by several different laws.

Laws 1983, Chapter 323, authorizes the issuance of $30,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide funds appropriated to the Commissioner of Finance for the purpose of making loans to school districts and municipalities for capital expenditures for energy conservation investments in accordance with the provisions of Minnesota Statutes, Section 216C.37, of which $250,000 are included in this issue.

Laws 1984, Chapter 597, authorizes the issuance of $16,000,000 State General Obligation Bonds pursuant to the Minnesota Constitution, Article XI, Sections 4 through 7, the Minnesota Statutes 174.50 and 174.51, to finance the improvement and rehabilitation of railroad rights-of-way and other rail facilities whether public or private, and to finance costs of acquisition and betterment of public lands, buildings and capital improvements for the development of the State Transportation System, of which $2,000,000 are included in this issue.

Laws 1992, Chapter 558, authorizes the issuance of $17,500,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675 and 174.50 to 174.51, to finance grants to political subdivisions to pay costs of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the development of the State Transportation System, including key bridges and bridge approaches on county highway systems, municipal street systems, and township road systems, of which $800,000 are included in this issue.

Laws 1993, Chapter 373, as amended, authorizes the issuance of $39,615,000 bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $100,000 are included in this issue.

Laws 1994, Chapter 639, as amended, authorizes the issuance of $90,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, and 115B.42, to finance capital costs of environmental response actions at eligible mixed municipal solid waste disposal facilities, of which $3,190,000 are included in this issue.

Laws 1994, Chapter 643, as amended, authorizes the issuance of $529,989,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $11,170,000 are included in this issue.

Laws 1994, Chapter 643, authorizes the issuance of $4,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide funds appropriated to the Commissioner of Finance for the purpose of making loans to school districts and municipalities for capital expenditures for energy conservation investments in accordance with the provisions of Minnesota Statutes, Section 216C.37, of which $200,000 are included in this issue.

Laws 1996, Chapter 463, as amended, authorizes the issuance of $486,375,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $39,190,000 are included in this issue.

Laws 1996, Chapter 463, authorizes the issuance of $25,450,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 116.162 and 446A.07, to finance grants to be made to political subdivisions to pay a portion of the cost of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the prevention, control, and abatement of water pollution, in accordance with the long-range State plan and in accordance with standards adopted pursuant to law by the Minnesota Pollution Control Agency, of which $1,200,000 are included in this issue.

Laws 1996, Chapter 463, authorizes the issuance of $3,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, and 115A.54, to finance capital assistance grants to local government units for the development of projects which comprise feasible and prudent alternatives to conventional solid waste disposal facilities, of which $1,400,000 are included in this issue.

Laws 1996, Chapter 463, authorizes the issuance of $41,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, Section 5, paragraph (h), upon request by the Governor for the purpose of developing the State's agricultural resources by financing the RFA's programs, of which $2,500,000 are included in this issue.

Laws 1997, Chapter 246, authorizes the issuance of $3,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675 and 174.50 to 174.51, to provide money to the Commissioner of Transportation to pay costs of acquisition and betterment of public lands, buildings, and improvements of a capital nature needed for the development of the State transportation system, and to finance grants to political subdivisions for this purpose, including costs of key bridges and bridge approaches on county highway systems, municipal street systems, and township road systems, of which $760,000 are included in this issue.

Laws 1998, Chapter 404, authorizes the issuance of $101,495,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $5,175,000 are included in this issue.

Laws 1998, Chapter 404, authorizes the issuance of $3,650,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 116.162 and 446A.07, to finance grants to be made to political subdivisions to pay a portion of the cost of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the prevention, control, and abatement of water pollution, in accordance with the long-range State plan and in accordance with standards adopted pursuant to law by the Minnesota Pollution Control Agency, of which $1,100,000 are included in this issue.

Laws 1999, Chapter 240, authorizes the issuance of $448,805,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $105,215,000 are included in this issue.

Laws 1999, Chapter 240, authorizes the issuance of $28,440,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675 and 174.50 to 174.51, to provide money to the Commissioner of Transportation to pay costs of acquisition and betterment of public lands, buildings, and improvements of a capital nature needed for the development of the State transportation system, and to finance grants to political subdivisions for this purpose, including costs of key bridges and bridge approaches on county highway systems, municipal street systems, and township road systems, of which $5,300,000 are included in this issue.

Laws 1999, Chapter 240, authorizes the issuance of $39,500,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 116.162 and 446A.07, to finance grants to be made to political subdivisions to pay a portion of the cost of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the prevention, control, and abatement of water pollution, in accordance with the long-range State plan and in accordance with standards adopted pursuant to law by the Minnesota Pollution Control Agency, of which $5,450,000 are included in this issue.

Security

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 State Treasurer to maintain 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, 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 Accounting General Fund (as defined on page S-2) 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 under 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 Accounting General Fund an amount equal to the deficiency. Since 1966, as a result of transfer of moneys to the Debt Service Fund from the Accounting General Fund each December, no State property tax has been levied to pay debt service on State general obligation bonds.

Minnesota Statutes, Chapter 16A, makes an annual appropriation to the Debt Service Fund from the Accounting 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 Accounting 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 information on page B-4 with respect to Debt Service Fund transfer.)

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 at their date of maturity, a holder of a Bond on which principal or interest is past due is entitled, pursuant to Section 3.751, to commence an action in the District Court for Ramsey County, Minnesota to recover such principal and interest and to obtain a judgment for the full amount thereof.

BOOK ENTRY SYSTEM

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 ("DTC"), which will act as securities depository for the Bonds. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

DTC will record on its books and records the names and addresses of the DTC Participants for which it holds the Bonds of the various maturities at the written direction of the successful bidder. So long as DTC or its nominee is the registered owner of the Bonds, principal and interest payments will be made to DTC for redistribution and disbursement by it to the DTC Participants, who in turn will distribute or credit payments to the beneficial owners of the Bonds as reflected on their records (the "Beneficial Owners"). The State will not be responsible for the performance by DTC of its duties as securities depository.

Initially, and so long as DTC or another qualified entity continues to act as securities depository, the Bonds shall be issued in typewritten form, one for each maturity in a principal amount equal to the aggregate principal amount of each maturity, and shall be registered in the name of the securities depository or its nominee. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds.

With respect to Bonds registered in the name of a securities depository or its nominee, the State and the registrar shall have no responsibility or obligation to any DTC Participant or any Beneficial Owner with respect to the following: (i) the accuracy of the records of any securities depository or its nominee with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person other than the securities depository of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than the securities depository, of any amount with respect to the principal of or premium, if any, or interest on the Bonds. The registrar shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the securities depository, and all such payments shall be valid and effective to fully satisfy and discharge the State's obligations with respect to the principal and interest on the Bonds to the extent of the sum or sums so paid. So long as the Book-Entry Only System is in effect, no person other than the securities depository shall receive an authenticated Bond.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the State and discharging its responsibilities with respect thereto under applicable law. Upon receipt by the State and the registrar of written notice from DTC or a successor to the effect that it is unable or unwilling to discharge its responsibilities under the Book-Entry Only System, the registrar shall issue, transfer and exchange Bonds of the initial series as requested by the securities depository in appropriate amounts, and whenever the securities depository requests the State and the registrar to do so, the State and the registrar shall cooperate with DTC or a successor in taking appropriate action after reasonable notice (i) to arrange for a substitute depository willing and able, upon reasonable and customary terms, to maintain custody of the Bonds, or (ii) to make available Bonds registered in whatever name or names the DTC Participant registering ownership, transferring or exchanging such Bonds shall designate.

In the event the State determines that it is in the best interests of the Beneficial Owners that they be able to obtain printed Bonds, the State may so notify the securities depository and the registrar, whereupon the securities depository shall notify the DTC Participants of the availability through the securities depository of such printed Bonds. In such event, the State shall cause to be prepared and the registrar shall issue, transfer and exchange the printed Bonds fully executed and authenticated, as requested by the securities depository in appropriate amounts and, whenever the securities depository requests, the State and the registrar shall cooperate with the securities depository in taking appropriate action after reasonable notice to make available printed Bonds registered on the bond register maintained by the registrar in whatever name or names the DTC Participants for which the Bonds are held shall designate.

Notwithstanding the foregoing, so long as any Bond is registered in the name of a securities depository or its nominee, all payments of principal and interest on the bond and all notices with respect to the Bond shall be made and given, respectively, to the securities depository as provided in the representation letter given to it by the State and the registrar.

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed DTC Participants and other members of the financial community (the "Industry") that is has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to security holders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC's Year 2000 efforts has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

The above information contained in "Book-Entry System" is based solely on information provided by DTC. No representation is made as to the completeness or the accuracy of such information 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 DTC 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 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis, or that DTC, or the DTC Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The State will have no responsibility or obligation to any DTC Participant, or any Beneficial Owner or any other person with respect to: (1) the Bonds; (2) the accuracy of any records maintained by DTC or any DTC Participant; (3) the payment by DTC 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; (4) the delivery by DTC or any DTC Participant of any notice to any Beneficial Owner which is required or permitted to be given to owners of Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

REDEMPTION AND PREPAYMENT

Bonds maturing on or before August 1, 2009 will not be subject to redemption prior to their stated maturity dates, but Bonds maturing on or after August 1, 2010 will be subject to redemption and prepayment by the State at its option on August 1, 2009 and any interest payment date 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.

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. During the period when the book entry system is in effect, the Bonds will be 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," and thus notice of redemption 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 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.

Notice of redemption having been so published and mailed, 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.

TAX EXEMPTION

In the opinion of Dorsey & Whitney LLP, bond counsel, according to present federal and Minnesota laws, regulations, rulings and decisions, the interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is subject to Minnesota franchise taxes imposed on corporations and financial institutions; is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes. For a discussion of related tax matters see "Related Tax Matters" herein.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, which require periodic payments of arbitrage profits to the United States, and which apply to the timely and proper use of Bond proceeds and the facilities and activities financed therewith and certain other matters. The Commissioner's order authorizing the issuance of the Bonds and other documents executed in connection with the issuance of the Bonds include provisions which, if complied with by the State, meet the requirements of the Code. Failure to comply with certain of such provisions may cause interest on the Bonds to become subject to federal and State of Minnesota income taxation retroactive to the date of issuance of the Bonds. No provision is made for redemption of the Bonds or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes subject to federal or Minnesota income taxation.

The form of legal opinion to be issued by Dorsey & Whitney LLP with respect to the Bonds is set forth in Appendix K.

The exemption for federal or State tax purposes of interest to be paid on the Bonds from income taxation is not mandated or guaranteed by the United States or Minnesota Constitutions. Accordingly, federal and State laws providing for tax-exemption of the interest may be subject to change. In the event federal or State law is changed to provide that interest on the Bonds is subject to federal or State income taxation, or if federal or State income tax rates are reduced, the market value of the Bonds may be adversely affected. For a discussion of tax matters see "Related Tax Matters" and "Recent State Tax Legislation", herein.

RELATED TAX MATTERS

The following Code provisions also may apply: (i) 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 Bonds in determining the taxability of such benefits; (ii) passive investment income, including interest on the Bonds, may be subject to taxation under Section 1375 of the Code and corresponding provisions of Minnesota law for a S corporation that has accumulated earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income; (iii) interest on the 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; (iv) 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 fifteen percent of the interest on the Bonds that is received or accrued during the taxable year; (v) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest expense in the case of individuals, estates and trusts; and indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds; (vi) federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Bonds; and (vii) 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 Bonds within the meaning of Section 265(b) of the Code.

Bonds having a stated maturity in the years 2016 through 2019 (the "Discount Bonds") are being sold at a discount from the municipal amount payable on such bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is 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 excluded 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 Bond 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).

Interest on 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 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 on such Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such 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 to be apportioned in equal amounts among the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of (1) the Issue Price plus (2) 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 Bond.

Except for the Minnesota rules described above, no opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law. Holders of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning such Discount Bonds.

The Bonds maturing in the years 2000 through 2014 (the "Premium Bonds") are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, who are subject to special rules, bondholders must from time to time reduce their federal income tax bases for the Premium Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. This might result in taxable gain upon sale of the Premium Bonds, even if they are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes. Similar rules apply for Minnesota income tax purposes. Bondholders should consult their tax advisors concerning the timing and rate of premium amortization.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the 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.

CERTAIN STATE TAX LEGISLATION

The Minnesota Legislature enacted a statement of intent, in Minnesota Statutes, Section 289A.50, subdivision 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, trusts and estates for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest unlawfully discriminates against interstate commerce because interest on obligations of governmental issuers in other states is so included. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued. The Commissioner is not aware of any judicial decision holding that a state's exemption of interest on its own bonds or those of its political subdivisions or Indian tribes, but not of interest on the bonds of other states or their political subdivisions or Indian tribes, unlawfully discriminates against interstate commerce or otherwise contravenes the United States Constitution. Nevertheless, the Commissioner cannot predict the likelihood that interest on the Bonds would become taxable (for Minnesota income tax purposes) under this Minnesota statutory provision.

LEGAL OPINIONS

Legal matters incident to the authorization, issuance and sale of the Bonds will be passed upon by Messrs. Dorsey & Whitney LLP, bond counsel, and the State Attorney General. Only Dorsey & Whitney LLP will offer an opinion as to tax-exemption. The form of legal opinion to be issued by Dorsey & Whitney LLP with respect to the Bonds is set forth in Appendix K.

FINANCIAL INFORMATION

General financial information relating to the State is set forth in the Official Statement Supplement attached hereto, which comprises pages S-1 through S-38 and Appendices A through K, and is a part of this Official Statement.

LITIGATION

There is not now pending or threatened any litigation 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 which 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 11 to the State Financial Statements for the Fiscal Year Ended June 30, 1998 set forth in Appendix A and further discussed in the paragraphs below, no pending actions are likely to have a material adverse effect, in excess of $10 million on the State's expenditures or revenues during the Current Biennium. The following developments and actions regarding to the matters described in Note 11 have occurred since the date thereof and are material for purposes of this Official Statement.

1. *Tort Claims.* The Tort Claims appropriations for the fiscal years ending June 30, 2000, and June 30, 2001 are $875,000.

2. *Jessee Lee Brown and Ronald Bergeron v. State of Minnesota.* The District Court granted the State's motion to dismiss on December 15, 1998. Plaintiffs have appealed the District Court's dismissal to the Circuit Court.

3. *Eveleth Taconite Company and Eveleth Mines LLC v. Commissioner.* Tax Court. The Tax Court ruled that the repair and replacement parts were exempt as capital equipment and that the Commissioner must pay refunds in this case. The Commissioner did not appeal the Tax Court's decision. The aggregate amount of refunds in all these cases, as well as in administrative claims and appeals pending before the Commissioner, is estimated to approximate $21 million.

4. *Rural American Bank — Ada f/k/a First Bank of Ada, et. al. v. Commissioner of Revenue.* The State's liability from this case is estimated to approximate $40 million.

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); and, for this purpose, to provide to nationally recognized securities repositories and any Minnesota state information depository, annual financial information of the type included in this Official Statement, including audited financial statements, and notice of the occurrence of 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 I.

UNDERWRITING

The Commissioner acting on behalf of the State has sold the Bonds at public sale to U.S. Bancorp Piper Jaffray Inc. as Underwriters, for a price of $186,360,670 and accrued interest, with the Bonds to bear interest at the rates set forth on the cover page of this Official Statement.

The Underwriters have advised the Commissioner that they will offer the Bonds to the public at the initial public offering prices set forth on the cover page of this Official Statement, and that after the Bonds are released for sale to the public, the offering prices and other selling terms may from time to time be varied by the Underwriters.

RATINGS

The Bonds described herein have been rated "Aaa" by Moody's Investors Service, Inc., "AAA" by Standard and Poor's Ratings Group, and "AAA" by Fitch Investors Service, L.P. The ratings reflect only the views of these services. For an explanation of the ratings as described by those services see Appendix J. 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.

YEAR 2000 COMPLIANCE

The State records receipts and makes payments from the State's accounting system. This system is managed by the Commissioner.

The Department of Finance acknowledged in 1995 that the State's accounting system was not Year 2000 (Y2K) compliant and that the systems vendor, American Management Systems, Inc. ("AMS"), would deliver a compliant version upgrade in the future. In mid-1997, State technical staff, along with AMS, began a $6.5 million project to install the new compliant version of the accounting software. The State implemented the new software version on November 30, 1998. The testing of the new compliant version to date has been very positive.

The Y2K problem may also affect other organizations directly or indirectly related to the State's activities, including those involved in the timely payment of principal and interest on the Bonds. The registrar and paying agent for the Bonds is in the process of upgrading and testing its systems for the Y2K problem. However, if such system modifications are not adequately made, or are not timely completed, the Y2K problem could have a material adverse effect on the State's ability to make timely payment of principal and interest on the Bonds. DTC and its participants involved in the disbursement of debt service payments to Bond investors also may be affected by the Y2K problem. For a discussion of Y2K compliance with respect to DTC, see "Book Entry System" herein. Likewise, the Y2K problem may adversely impact the State's ability to collect revenues and/or remit funds to the Bond registrar and paying agent on a timely basis. Investment purchases or sales and wire transfers of funds also may be adversely affected if the electronic funds transfer system does not function properly.

While most organizations are generally aware of the Y2K problem and are generally working to prevent any difficulties, no assurances can be made that all such difficulties will be successfully resolved and that the Y2K problem will not affect the State or any entity directly or indirectly involved in the State's activities.

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.

Pamela Wheelock
Commissioner of Finance
State of Minnesota

OFFICIAL STATEMENT SUPPLEMENT

STATE OF MINNESOTA

General Obligation Bonds

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FINANCIAL STATEMENTS

The general purpose financial statements for the State for the Fiscal Year ended June 30, 1998 are included herein as Appendix A. These financial statements provide financial information for the State's general fund as set forth in the audited financial statement included in Appendix A (the ''Accounting General Fund'') and the Debt Service Fund; for all other funds, such information is summarized by fund type. These financial statements have been examined by the Legislative Auditor of the State to the extent indicated in his report included in Appendix A. 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 the Appendix in reliance upon the report of the Legislative Auditor and upon the expertise of the Legislative Auditor in accounting and auditing.

The State's Comprehensive Annual Financial Reports, including information by individual fund for Fiscal Year 1997 and prior years, are available from the Commissioner of Finance ("Commissioner").

Financial statements for the Fiscal Year ending June 30, 1999 will be available by December 31, 1999. Revenues and expenditures on a budgetary basis for the twelve-month period ending June 30, 1999 with comparative data for the same period ending June 30, 1998 are summarized on pages S-6 and S-7.

FINANCIAL INFORMATION

Budgeting Process

The State's constitutionally prescribed fiscal period is a biennium, and the State adopts budgets on a biennial basis. Each biennium ends on June 30 of an odd-numbered year and includes two fiscal years, each beginning on July 1 and ending on June 30. The biennium which began on July 1, 1997, and which ended on June 30, 1999, is referred to herein as the ''Previous Biennium.'' The biennium which began on July 1, 1999, and which will end on June 30, 2001, is referred to herein as the ''Current Biennium.'' The biennium which will begin on July 1, 2001, and which will end on June 30, 2003, is referred to herein as the "Next Biennium."

Major operating budget appropriations for each biennium are enacted during the final legislative session of the immediately preceding biennium (in odd-numbered calendar years). Appropriations for the Current Biennium, for example, were enacted by the 1999 Legislature in May 1999. Supplemental appropriations and changes in revenue measures are usually adopted during legislative sessions in even-numbered calendar years.

Preliminary planning for the Current Biennium budget began in February 1997 when the Department of Finance began forecasting the Current Biennium revenues that would be available or generated and expenditures that would be incurred if the Governor's then proposed Previous Biennium revenues and expenditures were as forecasted and associated laws were to continue unchanged into the Current Biennium. Throughout the budget process, and at the end of the 1997 and 1998 legislative sessions, the Department of Finance continued to project the ongoing effects (called ''planning estimates'') of the Previous Biennium budget on Current Biennium revenues and spending. Planning estimates from the end of the 1998 legislative sessions became the basis for the Governor's Current Biennium budget proposals as described below.

The Current Biennium budget process officially began when the Governor issued budgetary policies and objectives in July 1998. On the basis of these instructions, agencies submitted expenditure plans for the Current Biennium to the Department of Finance in October 1998. In November 1998, the Department of Finance updated its forecast of revenues and expenditures, and it was on the basis of this forecast that final budget recommendations were prepared by the Governor for submission to the Legislature in January 1999. In February 1999, the Department of Finance prepared a revised forecast of revenues and expenditures, and on the basis of this forecast, the Governor provided supplemental budget recommendations to the Legislature in March 1999. Legislative hearings were conducted, after which the legislature enacted appropriation and tax bills having the effect of either adopting or modifying the Governor's proposals. The Governor signed into law most of the bills passed by the Legislature, and also exercised his authority to veto certain items of appropriation. The financial summary presented under the heading "BUDGET — CURRENT BIENNIUM" portrays the effects of the appropriation and tax bills that were enacted by the Legislature and approved by the Governor. The Department of Finance has also developed planning estimates for the Next Biennium, based upon the Current Biennium revenue and expenditure forecasts and existing laws.

The budget process just outlined, beginning with the development of planning estimates in February 1997, and finishing with gubernatorial approvals and vetoes, describes the process that is generally followed for each biennium.

Cash Flow Account

The Cash Flow Account was established in the Accounting General Fund for the purpose of providing sufficient cash balances to cover monthly revenue and expenditure imbalances. The use of funds from the Cash Flow Account is governed by statute. The Cash Flow Account balance is set for the Current Biennium at $350 million.

Budget Reserve Account

The Budget Reserve Account was established in the Accounting General Fund for the purpose of reserving funds to cushion the State from an economic downturn. The use of funds from the Budget Reserve Account and the allocation of surplus forecast balances to the Budget Reserve Account are governed by statute. The Budget Reserve Account balance is set for the Current Biennium at $622 million.

Control Procedures

Dollar Control: Expenditures in excess of legislative appropriations are prohibited by law. In order to prevent spending in excess of appropriations, the Department of Finance 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 the limit. This control procedure also prevents 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, therefore, the Department of Finance 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: The Department of Finance 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: The Department of Finance maintains a data warehouse which is used to produce periodic and ad hoc reports on revenues and expenditures that agency staff and Executive Budget Officers use to monitor agency spending and receipts.

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 the Department of Finance by the Economic Analysis Division. Expenditure forecasts for the State are prepared by the Department of Finance 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, reforecasts are made throughout the biennium. Based on each revenue and expenditure reforecast, the Department of Finance 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 will remain in place and that current federal budget authority 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.

Current Forecast Methods and Assumptions

The basic economic data on which the State Economist relies for forecasting purposes are provided by Data Resources, Incorporated ("DRI") of Lexington, Massachusetts. DRI furnishes a monthly report which forecasts trends in economic growth and individual incomes across all segments of the national economy.

The DRI national economic forecasts are reviewed by the Governor's Council of Economic Advisors consisting of economists from academia and the private sector. A report is published with each forecast and is available from the Commissioner of Finance upon request or on the Department of Finance website at http://www.finance.state.mn.us.

Forecasts of individual income tax receipts are based on DRI forecasts of national production, employment, and corresponding wage and salary earnings, by industrial sector. The DRI forecasts are then entered into an economic model of Minnesota developed by DRI and the Minnesota Department of Finance. State forecasts of employment by major industry sector as well as wage and aggregate earnings are then derived by the Department of Finance. Aggregate annual earnings are used, in turn, to forecast calendar year tax liabilities by application of a simulation of the State's individual income tax structure. 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.

Corporate income tax receipts are forecast using DRI's 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. Those data are 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 forementioned regression equation the forecast collections are derived from the forecast of the base.

Numerous other revenue sources are forecast, some by the Department of Finance and others by the agencies responsible for their collection. In general, none is of significant size, and historically, variances among them have frequently been offsetting.

The February 1999 DRI Control Forecast, the scenario which DRI considered to be the most likely at the time it was made, was the baseline for the February 1999 revenue and expenditure forecast. The forecast growth rates for real and nominal Gross Domestic Product ("GDP") are shown below. The trend growth rate for real GDP is normally considered to be about 2.5 percent. The growth rates for 1999 through 2001 are more or less consistent with the trend rate of growth. Inflation, as measured by the implicit price deflator for GDP, was expected to remain moderate.

DRI FEBRUARY 1999
GROSS DOMESTIC PRODUCT (GDP)
CONTROL FORECAST
(Chained Rates of Growth)

	1997 Actual %	1998 Actual %	1999 Forecast %	2000 Forecast %	2001 Forecast %
REAL GDP Growth Rate	3.9	3.9	3.4	1.9	2.3
GDP DEFLATOR (Inflation)	1.9	1.0	1.0	1.4	1.7
NOMINAL GDP Growth Rate	5.9	4.9	4.5	3.4	4.0

The November 1999 revenue and expenditure forecast is scheduled for release in early December 1999. The November 1999 DRI Control Forecast will in all likelihood be used as the baseline for this revenue and expenditure forecast.

HISTORIC REVENUES AND EXPENDITURES

The "Accounting General Fund" is the general fund which accounts for most financial resources not restricted to a specific purpose. The Accounting General Fund also includes certain revenues which are dedicated to the purpose for which they were collected and thus are considered to be restricted. These are primarily revenues from college tuition.

The following two tables set forth the State's Accounting General Fund revenues and expenditures for the Fiscal Years ending June 30, 1996 through 1998, and for the twelve-month periods ending June 30, 1998 and June 30, 1999. For the Fiscal Years ended June 30, 1996 through 1998 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. For the twelve-month periods ending June 30, 1998 and June 30, 1999, such revenues and expenditures include only cash receipts and disbursements allocable to Fiscal Years 1998 and 1999, respectively. 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 tables are prepared on the budgetary basis. The actual expenditures set forth in the second table are presented by object of expenditure, the State's historical method of presentation, whereas forecasts of expenditures are presented by function, consistent with current generally accepted accounting principles for reporting purposes.

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BUDGET — PREVIOUS BIENNIUM

November 1996 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Previous Biennium in November 1996. Accounting General Fund resources were forecast to be $21.804 billion and Accounting General Fund expenditures were forecast to be $19.568 billion which resulted in a projected Unreserved Accounting General Fund balance of $2.236 billion, comprising a projected Cash Flow Account of $350 million, a Budget Reserve Account of $261 million, a School Aid Reserve Account of $114 million and Dedicated Reserves of $72 million, resulting in a projected Unrestricted Accounting General Fund balance of $1.439 billion.

The November forecast used planning estimates based on the assumption that then current laws and policies for the Previous Biennium would continue unchanged and that general inflationary increases (at the rate of 3.0 percent per year) in certain grant programs and in all administrative accounts would be provided. The estimates made no assumption about Previous Biennium budget recommendations by the Governor or action by the 1997 Legislature.

The November 1996 forecast of Previous Biennium resources, expenditures and fund balance is detailed below.

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
NOVEMBER 1996 FORECAST
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,319
Non-dedicated Revenues	19,746
Dedicated Revenues, Transfers In and Other	739
Total Resources	$21,804
Expenditures	19,568
Projected Unreserved Balance at June 30, 1999	$ 2,236
Cash Flow Account	350
Budget Reserve Account	261
School Aid Reserve Account	114
Dedicated Reserves	72
Projected Unrestricted Balance at June 30, 1999	$ 1,439

January 1997 Governor's Budget Recommendation

In January 1997, the Governor submitted a proposed budget recommendation to the Legislature for the Previous Biennium which was based on the November 1996 forecast of Accounting General Fund revenues and expenditures.

The January 1997 Governor's recommendation is detailed below:

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
JANUARY 1997 GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,299
Non-dedicated Revenues	19,219
Dedicated Revenues, Transfers In, and Other	773
Total Resources	$21,291
Expenditures	20,344
Projected Unreserved Balance at June 30, 1999	$ 947
Cash Flow Account	350
Budget Reserve Account	522
Dedicated Reserves	72
Projected Unrestricted Balance at June 30, 1999	$ 3

February 1997 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Previous Biennium in February 1997 based upon then current law. Accounting General Fund resources were forecast to be $22.415 billion and Accounting General Fund expenditures were forecast to be $19.887 billion. The forecast projected an Unreserved Accounting General Fund balance of $2.528 billion, comprising a Cash Flow Account of $350 million, a Budget Reserve Account of $261 million, a School Aid Reserve Account of $114 million and Dedicated Reserves of $72 million, and a projected Unrestricted Accounting General Fund balance of $1.731 billion.

The February forecast used planning estimates based on the assumption that then current laws and policies for the Previous Biennium would continue unchanged, and that general inflationary increases (at the rate of 3.0 percent per year) in certain grant programs and in all administrative accounts would be provided. The estimates made no assumption about Previous Biennium budget recommendations by the Governor or action by the 1997 Legislature.

The February 1997 Previous Biennium forecast of resources, expenditures and fund balance, without regard to the January 1997 Governor's recommendation, is detailed below:

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
FEBRUARY 1997 FORECAST
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,663
Non-dedicated Revenues	20,032
Dedicated Revenues, Transfers In, and Other	720
Total Resources	$22,415
Expenditures	19,887
Projected Unreserved Balance at June 30, 1999	$ 2,528
Cash Flow Account	350
Budget Reserve Account	261
School Aid Reserve Account	114
Dedicated Reserves	72
Projected Unrestricted Balance at June 30, 1999	$ 1,731

February/March 1997 Governor's Budget Recommendation Revisions

Based upon the February 1997 forecast of Accounting General Fund revenues and expenditures the Governor submitted supplemental budget recommendations to the Legislature in February 1997 and subsequently revised them in March 1997. The March 1997 Governor's recommendation projected total resources for the Previous Biennium of $21.374 billion, expenditures of $20.429 billion, and an Unreserved Accounting General Fund balance as of June 30, 1999 of $945 million. This projected balance comprised a Cash Flow Account of $350 million, a Budget Reserve Account of $522 million, Dedicated Reserves of $72 million, and a projected Unrestricted Accounting General Fund balance of $1 million.

The March 1997 Governor's recommendation is detailed below:

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
MARCH 1997 GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,621
Non-dedicated Revenues	19,009
Dedicated Revenues, Transfers in, and Other	744
Total Resources	$21,374
Expenditures	20,429
Projected Unreserved Balance at June 30, 1999	$ 945
Cash Flow Account	350
Budget Reserve Account	522
Dedicated Reserves	72
Projected Unrestricted Balance at June 30, 1999	$ 1

1997 Legislative Sessions

The 1997 regular legislative session ended on the constitutional deadline of May 19, 1997. However, the Governor subsequently vetoed the education finance omnibus appropriation bill. A special legislative session took place on June 25, 1997. A compromise was reached on education funding and a new education finance bill was passed by the Legislature and signed by the Governor.

During the 1997 legislative sessions, revenue and expenditure measures were enacted for the Previous Biennium. Compared to the March 1997 Governor's recommendations and accounting for enacted legislation and subsequent vetoes, these measures increased total resources by $572 million, increased expenditures by $495 million and funded a Property Tax Reform Reserve Account in an amount of $46 million.

The Previous Biennium estimate of resources, expenditures and fund balances at the end of the 1997 legislative sessions is detailed below.

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
END OF 1997 LEGISLATIVE SESSIONS
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,630
Non-dedicated Revenues	19,541
Dedicated Revenues, Transfers In and Other	775
Total Resources	$21,946
Expenditures	20,924
Projected Unreserved Balance at June 30, 1999	$ 1,022
Cash Flow Account	350
Budget Reserve Account	522
Property Tax Reserve Account	46
Dedicated Reserves	72
Projected Unrestricted Balance at June 30, 1999	$ 32

Resources:

Total Accounting General Fund resources for the Previous Biennium were projected to be $21.946 billion. Of this amount $1.630 billion comprised the Unreserved Accounting General Fund balance from the 1996-1997 Biennium and $20.316 billion comprised non-dedicated and dedicated revenues projected to be generated during the Previous Biennium.

The most significant revenue measure enacted by the Legislature for the Previous Biennium was a $500 million property tax rebate. This rebate was in the form of an income tax credit for taxes filed in 1998.

The compromise education finance bill passed in the first special legislative session provided for tax credits and deductions estimated to reduce revenues by $81 million per year beginning in Fiscal Year 1999.

Expenditures:

Authorized Accounting General Fund spending for the Previous Biennium was estimated at $20.924 billion. Compared to 1996-1997 Biennium expenditures, this represented a biennial expenditure growth of $2.203 billion, or 11.8 percent.

Total expenditures enacted by the Legislature in 1997 were similar to the March 1997 Governor's recommendation. The Legislature authorized $262 million to begin reforming the property tax system.

The Legislature met in a second special session in August 1997 to consider flood relief measures proposed by the Governor. The Legislature approved a total of $20.3 million in new general fund appropriations. Additional debt service of $5 million was authorized to cover $55.3 million in new bonding projects including state and local match obligations of federal public assistance for capital improvement projects. $20.3 million of flood related appropriations passed during the 1997 regular session were canceled to pay for the new appropriations.

The Legislature met in a third special session in November 1997. Although three bills were passed into law, the only change to the Accounting General Fund was an increase of $500 thousand in current year appropriations for unreimbursed expenses associated with indoor air quality problems at an elementary school.

Cash Flow, Budget Reserve and Other Reserve Accounts:

During the 1997 legislative sessions, the Cash Flow Account was continued at $350 million and the Budget Reserve Account was increased to $522 million. $46 million was appropriated to a special Property Tax Reserve Account to be used for reform of the property tax system. In addition, 60% of any remaining unrestricted Accounting General Fund Balance projected in the November forecast of an odd-numbered year must be added to the Property Tax Reserve Account.

November 1997 Forecast — Current Law

A revenue and expenditure forecast for the Previous Biennium was prepared in November 1997. Accounting General Fund resources were estimated to be $22.958 billion and Accounting General Fund expenditures were estimated to be $20.669 billion, which created a $1.267 billion improvement in the forecast for the Previous Biennium compared to end of 1997 legislative sessions estimate. Under existing state law, only $452 million (up $420 million from the $32 million balance projected at the end of session) of this forecast improvement was available as Unrestricted Accounting General Fund balance for the end of the Previous Biennium.

A number of factors produced this result. First, the estimated beginning balance for the Previous Biennium improved by $364 million due to increased revenues and lower expenditures than previously forecast. Previous Biennium revenues improved $648 million, while forecast expenditures fell by $255 million. These three items produced the $1.267 billion improvement in the Unreserved Accounting General Fund balance.

The Budget Reserve Account and the Cash Flow Account remained unchanged at $522 million and $350 million respectively. $826 million was added to the Property Tax Reserve Account created in the 1997 legislative sessions, pursuant to a law allocating 60% of the increase in the Unrestricted Accounting General Fund Balance projected in the November 1977 forecast to this account, plus dedicated interest. A $21 million increase in Dedicated Reserves accounted for the remaining difference. These changes resulted in a projected Unrestricted Accounting General Fund balance at June 30, 1999 of $452 million.

The Previous Biennium estimate of revenues, expenditures, and fund balance, based on the November 1997 forecast, and accounting for uses or allocations to reserves of the forecast balance is detailed below.

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
NOVEMBER 1997 FORECAST
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,995
Non-dedicated Revenues	20,143
Dedicated Revenues, Transfers In and Other	820
Total Resources	$22,958
Expenditures	20,669
Projected Unreserved Balance at June 30, 1999	$ 2,289
Cash Flow Account	350
Budget Reserve Account	522
Property Tax Reserve Account	872
Dedicated Reserves	93
Projected Unrestricted Balance at June 30, 1999	$ 452

Governor's Supplemental Budget — January 1998

In January 1998, the Governor presented supplemental budget recommendations for the Previous Biennium to the Legislature. Tax reductions and spending increases in the Accounting General Fund totaled $963 million. The Governor proposed a $60 million increase to the Budget Reserve Account raising the total to $582 million, which was approximately 4.6 percent of annual forecast resources.

The Previous Biennium estimate of revenues, expenditures, and fund balance as a result of the January 1998 Governor's recommendation is detailed below:

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
JANUARY 1998 GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,995
Non-dedicated Revenues	19,616
Dedicated Revenues, Transfers In and Other	821
Total Resources	$22,432
Expenditures	21,046
Projected Unreserved Balance at June 30, 1999	$ 1,386
Cash Flow Account	350
Budget Reserve Account	582
Property Tax Reserve Account	361
Dedicated Reserves	93
Projected Unrestricted Balance at June 30, 1999	$ 0

February 1998 Forecast — Current Law

A revenue and expenditure forecast for the Previous Biennium was prepared in February 1998. Accounting General Fund resources were estimated to be $23.465 billion and Accounting General Fund expenditures were forecast to be $20.579 billion. The forecast projected an Unreserved Accounting General Fund Balance of $2.886 billion, comprised of a Cash Flow Account of $350 million, a Budget Reserve Account of $522 million, a Property Tax Reserve Account of $872 million, Dedicated Reserves of $97 million, and a projected Unrestricted Accounting General Fund Balance of $1.045 billion.

The Previous Biennium estimate of revenues, expenditures, and fund balance based on the February 1998 forecast and accounting for uses or allocations to reserves of the forecast balance is detailed below.

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
FEBRUARY 1998 FORECAST
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,995
Non-dedicated Revenues	20,653
Dedicated Revenues, Transfers In and Other	817
Total Resources	$23,465
Expenditures	20,579
Projected Unreserved Balance at June 30, 1999	$ 2,886
Cash Flow Account	350
Budget Reserve Account	522
Property Tax Reserve Account	872
Dedicated Reserves	97
Projected Unrestricted Balance at June 30, 1999	$ 1,045

Governor's Supplemental Budget — February 1998

Based upon the February 1998 forecast of Accounting General Fund revenues and expenditures, the Governor submitted supplemental budget recommendations to the Legislature in February 1998. The Governor modified a number of his original recommendations presented in January 1998. The proposed property tax rebate was increased by $250 million to total $750 million. The Governor further recommended the creation of a $230 million Income Tax Reduction account, which could provide funding for permanent income tax cuts to be enacted in the 1999 legislative session. In addition, $90.1 million was allocated to reduce the school property tax recognition shift percentage to zero. There were other minor modifications to the Governor's January 1998 recommendations.

The Previous Biennium estimate of revenues, expenditures, and fund balance as a result of the February 1998 Governor's recommendation is detailed below:

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
FEBRUARY 1998 GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,995
Non-dedicated Revenues	19,880
Dedicated Revenues, Transfers In and Other	819
Total Resources	$22,694
Expenditures	21,067
Projected Unreserved Balance at June 30, 1999	$ 1,627
Cash Flow Account	350
Budget Reserve Account	582
Property Tax Reserve Account	365
Income Tax Reduction Account	230
Dedicated Reserves	97
Projected Unrestricted Balance at June 30, 1999	$ 3

1998 Legislative Sessions

Supplemental budget changes were enacted in the 1998 legislative sessions. The 1998 regular legislative session ended on April 9, 1998. The Governor called a special legislative session on April 20, 1998 which lasted three days. The Previous Biennium estimate of resources, expenditures and fund balance at the end of the 1998 legislative sessions is detailed below.

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
END OF 1998 LEGISLATIVE SESSIONS
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,995
Non-dedicated Revenues	20,154
Dedicated Revenues, Transfers In and Other	824
Total Resources	$22,973
Expenditures	21,547
Projected Unreserved Balance at June 30, 1999	$ 1,426
Cash Flow Account	350
Budget Reserve Account	613
Property Tax Reserve Account	331
Dedicated Reserves	97
Projected Unrestricted Balance at June 30, 1999	$ 35

Resources:

Total Accounting General Fund resources for the Previous Biennium were projected to be $22.973 billion. Of this amount $1.995 billion comprised the Unreserved Accounting General Fund balance from the 1996-1997 Biennium and $20.978 billion comprised non-dedicated and dedicated revenues that were projected to be generated during the Previous Biennium.

The tax bill enacted in the 1998 legislative sessions provided for a property tax rebate in the Fiscal Year 1999 resulting in a decrease in revenues of $495 million. Similar to the rebate enacted in the 1997 legislative sessions, the rebate was paid in the form of a refundable income tax credit based on property taxes paid by homeowners and renters in 1998. The Legislature also used the remaining $331 million in the Property Tax Reserve Account and other Accounting General Fund resources to enact $443 million in permanent property tax reform.

The following table compares the actual 1996-1997 Biennium revenue and forecasts Previous Biennium revenues and shows the rate of revenue growth.

	1996-1997 Biennium	Previous Biennium	Percent Change
		($ in billions)	
Individual Income Tax	$ 8.904	$ 9.223	3.6%
Corporate Income Tax	1.383	1.553	12.3%
Sales Tax	5.914	6.595	11.5%
Motor Vehicle Excise Tax	0.783	0.816	4.2%
All Other Taxes	1.456	1.468	0.8%
Non-Tax Revenues	0.386	0.499	29.3%
Total Net Non-Dedicated Revenues	$18.826	$20.154	7.1%

Expenditures:

Authorized Accounting General Fund spending for the Previous Biennium was estimated at $21.547 billion. Compared to 1996-1997 Biennium actual expenditures, this represented a biennial expenditure growth of $2.917 billion, or 15.7 percent.

The 1998 Legislature approved $999 million in capital improvements. $500 million of the capital improvements will be financed by funds contained in the Accounting General Fund.

1998 LEGISLATIVE SESSIONS
ENACTED CAPITAL BUDGET
($ in Millions)

Accounting General Fund Supported Bonding	$ 483
User-Financed Bonding	26
Total General Obligation Bond Authorizations	$ 509
Accounting General Fund Appropriations	$ 501
Trunk Highway Fund Appropriations	1
Total Cash Appropriations	$ 502
Total Capital Budget	$1,011
Cancellations of Prior Bond Authorizations	(11)
Cancellations of Prior General Fund Appropriation	(1)
Net Capital Budget	$ 999

Other expenditure adjustments for the Previous Biennium made in the 1998 legislative sessions included $125 million in increased spending for education aids and $90 million to reduce the school property tax recognition shift percentage to zero, $73 million for higher education, and $148 million in all other spending.

Cash Flow and Budget Reserve Accounts:

The 1998 legislative sessions continued the Cash Flow Account at $350 million and increased the Budget Reserve Account $91 million to $613 million, or 5.4 percent of annual expenditures.

Allocation of November 1998 Forecast Balance:

Any projected Unrestricted Accounting General Fund balance for the Previous Biennium in the November 1998 forecast was to be allocated as follows:

— First to the Budget Reserve Account until the amount therein is $622 million;

— Next the remainder, if any, to a new Tax Reform and Reduction Account (to be used in a future legislative session for unspecified tax reform and relief) until the amount therein is $200 million;

— Next the remainder, if any, to be used to replace unspent general obligation bond authorizations from the 1998 legislative sessions with cash appropriations, up to a maximum of $400 million.

Remaining funds available after meeting these three contingencies were available as an unrestricted balance in the Accounting General Fund.

PREVIOUS BIENNIUM

November 1998 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Previous Biennium in November 1998. Accounting General Fund resources were forecast to be $24.236 billion and Accounting General Fund expenditures were forecast to be $21.649 billion, resulting in a projected Unreserved Accounting General Fund balance of $2.587 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, a Property Tax Reform Account of $331 million, a Tax Reform and Reduction Account of $200 million, and Dedicated Reserves of $132 million, resulting in a projected Unrestricted Accounting General Fund balance of $953 million.

The 1998 Legislature enacted provisions (“statutory allocations”) allocating portions of any projected unrestricted Accounting General Fund balances in the November 1998 forecast. These provisions required (1) the first $9 million of any balance be allocated to increase the Budget Reserve Account by $9 million to $622 million, (2) $200 million be placed in a tax reform and reduction account, and (3) up to $400 million be used to replace 1998 bond authorizations for capital projects with Accounting General Fund cash appropriations. A sufficient unrestricted Accounting General Fund balance existed in the November 1998 forecast, and the statutory allocations occurred. The numbers in the text above and the table below reflect these allocations.

The November 1998 Previous Biennium forecast of resources, expenditures, and fund balances is detailed below:

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
NOVEMBER 1998 FORECAST
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,995
Non-dedicated Revenues	21,316
Dedicated Revenues, Transfers In and Other	925
Total Resources	$24,236
Expenditures	21,649
Projected Unreserved Balance at June 30, 1999	$ 2,587
Cash Flow Account	350
Budget Reserve Account	622
Property Tax Reform Account	330
Tax Reform and Reduction Account	200
Dedicated Reserves	132
Projected Unrestricted Balance at June 30, 1999	$ 953

January 1999 Governor's Budget Recommendation

In January 1999 the Governor submitted a proposed budget to the Legislature for the Previous Biennium, which was based on the November 1998 forecast of Accounting General Fund revenues and expenditures. Accounting General Fund resources were forecast to be $22.698 billion and Accounting General Fund expenditures were forecast to be $21.264 billion, resulting in a projected Unreserved Accounting General Fund balance of $1.434 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, a Property Tax Reform Account of $330 million, and Dedicated Reserves of $132 million, resulting in a projected Unrestricted Accounting General Fund balance of $0.

The Governor's January recommendation is detailed below:

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
GOVERNOR'S JANUARY 1999 RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,995
Non-dedicated Revenues	19,777
Dedicated Revenues, Transfers In and Other	926
Total Resources	$22,698
Expenditures	21,264
Projected Unreserved Balance at June 30, 1999	$ 1,434
Cash Flow Account	350
Budget Reserve Account	622
Property Tax Reform Account	330
Dedicated Reserves	132
Projected Unrestricted Balance at June 30, 1999	$ 0

Relative to the November forecast, the Governor recommended $1.078 billion in sales tax rebates and other miscellaneous tax changes (eliminating the Tax Reform and Reduction Account) and removing $461 million in one-time tobacco settlement revenue from the Accounting General Fund for investment in endowments to support family self-sufficiency, health professional education, medical research, and local public health programs. The Governor also recommended reversing the November 1998 forecast statutory allocation of $400 million to convert capital budget projects to Accounting General Fund cash financing, preferring instead that those projects be financed through general obligation bonds. This recommendation reduced Previous Biennium spending by $400 million (and will cost an additional $53 million in debt service in the Current Biennium).

February 1999 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Previous Biennium in February 1999. Accounting General Fund resources were forecast to be $24.521 billion, and Accounting General Fund expenditures were forecast to be $21.652 billion. Compared to the November 1998 forecast, higher revenues of $285 million and higher expenditures of $2 million combined to produce a total forecast improvement of $283 million, resulting in a projected Unreserved Accounting General Fund balance of $2.869 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, a Property Tax Reform Account of $330 million, a Tax Reform and Reduction Account of $200 million, and Dedicated Reserves of $132 million, resulting in a projected Unrestricted Accounting General Fund balance of $1.235 billion.

The February 1999 Previous Biennium forecast of resources, expenditures, and fund balances, without regard to the Governor's January recommendation, is detailed below:

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
FEBRUARY 1999 FORECAST
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,995
Non-dedicated Revenues	21,597
Dedicated Revenues, Transfers In and Other	930
Total Resources	$24,521
Expenditures	21,652
Projected Unreserved Balance at June 30, 1999	$ 2,869
Cash Flow Account	350
Budget Reserve Account	622
Property Tax Reform Account	330
Tax Reform and Reduction Account	200
Dedicated Reserves	132
Projected Unrestricted Balance at June 30, 1999	$ 1,235

March 1999 Governor's Budget Recommendation Revisions

Based upon the February 1999 forecast of Accounting General Fund revenues and expenditures the Governor submitted supplemental budget recommendations for the Previous Biennium to the Legislature in March 1999. The revised Governor's recommendation projected resources for the Current Biennium of $22.749 billion, expenditures of $21.255 billion, and an Unreserved Accounting General Fund balance on June 30, 1999 of $1.494 billion. This balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, a Property Tax Reform Account of $330 million, a Farm Aid Abatement Reserve of $60 million, and Dedicated Reserves of $132 million, resulting in a projected Unrestricted Accounting General Fund balance of $0.

The March 1999 revised Governor's Budget recommendations for the Previous Biennium including resources, expenditures, and fund balances, are detailed below:

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
MARCH 1999 REVISED GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,995
Non-dedicated Revenues	19,824
Dedicated Revenues, Transfers In and Other	930
Total Resources	$22,749
Expenditures	21,255
Projected Unreserved Balance at June 30, 1999	$ 1,494
Cash Flow Account	350
Budget Reserve Account	622
Property Tax Reform Account	330
Farm Aid Abatement Reserve	60
Dedicated Reserves	132
Projected Unrestricted Balance at June 30, 1999	$ 0

1999 Legislative Session

During the 1999 legislative session, changes were made to the budget for the Previous Biennium. Accounting General Fund resources were forecast to be $22.849 billion. Accounting General Fund expenditures were forecast to be $21.331 billion, resulting in a projected Unreserved Accounting General Fund balance of $1.518 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, a Property Tax Reform Account of $330 million, and Dedicated Reserves of $132 million, resulting in a projected Unrestricted Accounting General Fund balance on June 30, 1999 of $84 million.

The End of 1999 Legislative Session estimates of resources, expenditures, and fund balances for the Previous Biennium is detailed below.

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
END OF 1999 LEGISLATIVE SESSION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$ 1,995
Non-dedicated Revenues	19,895
Dedicated Revenues, Transfers In and Other	959
Total Resources	$22,849
Expenditures	21,331
Projected Unreserved Balance at June 30, 1999	$ 1,518
Cash Flow Account	350
Budget Reserve Account	622
Property Tax Reform Account	330
Dedicated Reserves	132
Projected Unrestricted Balance at June 30, 1999	$ 84

PREVIOUS BIENNIUM ESTIMATES — REVENUES AND EXPENDITURES

The following table displays a summary of the estimated amounts of revenues and expenditures allocable to the Accounting General Fund for the Previous Biennium based on end of 1999 legislative session estimates. Authorized expenditures are presented by function, consistent with generally accepted accounting principles for reporting purposes.

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
ESTIMATES OF REVENUES AND EXPENDITURES
END OF 1999 LEGISLATIVE SESSION
($ in Thousands)

	Fiscal Year 1998	Fiscal Year 1999	Previous Biennium
Forecast Resources			
Prior Year Ending Balance	1,994,720	2,527,216	1,994,720
Net Non-dedicated Revenues	10,258,408	9,636,704	19,895,112
Dedicated Revenues	205,815	139,237	345,052
Transfers From Other Funds	254,069	323,293	577,362
Prior Year Adjustments	26,450	10,100	36,550
Subtotal Current Resources	10,744,742	10,109,334	20,854,076
Total Revenues Plus Prior Year Ending Balance	12,739,462	12,636,550	22,848,796
Authorized Expenditures & Transfers			
Education Finance	3,271,570	3,642,510	6,914,080
Family & Early Childhood Education	173,314	197,019	370,333
Property Tax Aids & Credits	1,223,725	1,452,381	2,676,106
Higher Education	1,162,895	1,281,239	2,444,134
Health & Human Services	2,326,381	2,455,547	4,781,928
Environment & Natural Resources	226,172	261,526	487,698
Economic Development	212,643	203,992	416,635
Transportation	71,310	80,256	151,566
Criminal Justice	476,475	526,009	1,002,484
State Government	356,947	399,993	756,940
Debt Service & Borrowing	245,637	299,581	545,218
Capital Projects	300,031	200,659	500,690
Unallotted/Other	8,846	0	8,846
Deficiencies	0	6,980	6,980
Cancellation Adjustment	0	(15,643)	(15,643)
Subtotal Expenditures & Transfers	10,055,946	10,992,049	21,047,995
Dedicated Revenue Expenditures	156,300	126,782	283,082
Total Expenditures and Transfers	10,212,246	11,118,831	21,331,077
Unreserved Balance	2,527,216	1,517,719	1,517,719
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	513,200	622,000	622,000
Property Tax Reform Account	550,802	330,181	330,181
Dedicated Reserves	126,801	131,760	131,760
Appropriations Carried Forward	306,405	0	0
Unrestricted Balance	680,008	83,778	83,778

The following table sets forth by source the forecast amounts of nondedicated revenues allocable to the Accounting General Fund for the Previous Biennium.

PREVIOUS BIENNIUM
ACCOUNTING GENERAL FUND
ESTIMATES OF NONDEDICATED REVENUES
END OF 1999 LEGISLATIVE SESSION
($ in Thousands)

	Fiscal Year 1998	Fiscal Year 1999	Previous Biennium
Net Nondedicated Revenues:			
Income Tax - Individual	4,746,569	5,138,580	9,885,149
Income Tax - Corporate	752,061	781,820	1,533,881
Sales Tax	3,251,685	2,164,627	5,416,312
Motor Vehicle Sales Tax	444,976	461,500	906,476
Inheritance, Estate & Gift	62,366	49,275	111,641
Liquor, Wine & Beer	57,455	58,076	115,531
Cigarette & Tobacco	175,854	182,185	358,039
Mining	2,725	2,700	5,425
Deed & Mortgage Registration	120,212	142,800	263,012
Gross Earnings Taxes	163,230	167,545	330,775
Controlled Substance Tax	107	130	237
Lawful Gambling Taxes	64,913	63,692	128,605
Health Care Provider Tax	122,367	121,185	243,552
Income Tax Reciprocity	37,872	39,367	77,239
Investment Income	163,338	192,000	355,338
All Other Nondedicated Revenue	122,710	94,693	217,403
All Other Refunds	(30,032)	(23,471)	(53,503)
Total Net Nondedicated Revenues	10,258,408	9,636,704	19,895,112

BUDGET — CURRENT BIENNIUM

November 1998 Forecast — Current Law

Before Statutory Allocations:

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Current Biennium in November 1998. Accounting General Fund resources were forecast to be $27.625 billion and Accounting General Fund expenditures were forecast to be $22.648 billion, resulting in a projected Unreserved Accounting General Fund balance of $4.977 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $613 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance of $3.880 billion.

The 1998 Legislature enacted provisions ("statutory allocations") allocating portions of any projected Unrestricted Accounting General Fund balance in the November 1998 forecast. These provisions required (1) the first $9 million of any balance be allocated to increase the Budget Reserve Account by $9 million to $622 million, (2) $200 million be placed in a tax reform and reduction account, and (3) up to $400 million be used to replace 1998 bond authorizations for capital projects with Accounting General Fund cash appropriations. A sufficient unrestricted Accounting General Fund balance existed in the November 1998 forecast, and the statutory allocations occurred.

The November 1998 forecast of Current Biennium resources, expenditures, and fund balances, before statutory allocations, is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
NOVEMBER 1998 FORECAST
BEFORE STATUTORY ALLOCATIONS
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 2,987
Non-dedicated Revenues	23,975
Dedicated Revenues, Transfers In and Other	663
Total Resources	$27,625
Expenditures	22,648
Projected Unreserved Balance at June 30, 2001	$ 4,977
Cash Flow Account	350
Budget Reserve Account	613
Tax Reform and Reduction Account	0
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 3,880

After Statutory Allocations:

After statutory allocations, Accounting General Fund resources were forecast to be $27.225 billion and Accounting General Fund expenditures were forecast to be $22.596 billion, resulting in a projected Unreserved Accounting General Fund balance of $4.629 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, a Tax Reform and Reduction Account of $200 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance of $3.324 billion.

The November 1998 forecast of Current Biennium resources, expenditures, and fund balances, after required statutory allocations, is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
NOVEMBER 1998 FORECAST
AFTER STATUTORY ALLOCATIONS
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 2,587
Non-dedicated Revenues	23,975
Dedicated Revenues, Transfers In and Other	663
Total Resources	$27,225
Expenditures	22,596
Projected Unreserved Balance at June 30, 2001	$ 4,629
Cash Flow Account	350
Budget Reserve Account	622
Tax Reform and Reduction Account	200
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 3,324

Net non-dedicated revenues for the Current Biennium were forecast to total $23.975 billion, up 12.5 percent from levels projected in the November 1998 forecast for the Previous Biennium. Receipts from individual income taxes were forecast to total $11.699 billion (20.1 percent more than Previous Biennium). Sales tax receipts were forecast to be $7.322 billion (9.8 percent more than the Previous Biennium). Corporate income taxes were forecast at $1.352 billion (7.4 percent lower than the Previous Biennium). Motor Vehicle Sales Tax receipts were projected to total $883 million (0.3 percent more than the Previous Biennium). Other non-dedicated revenues were projected to total $1.991 billion (5.5 percent lower than the Previous Biennium). Stronger than previously anticipated growth in the U.S. economy, and the recognition of revenues attributable to the state's tobacco settlement ($727 million) were responsible for the forecast increase.

The November forecast used planning estimates based on the assumption that current laws and policies for the Previous Biennium would continue unchanged, and that inflationary costs would increase state spending by 2.5 percent per year. The estimates did not assume any Governor's recommendations or subsequent legislative action.

Expenditures for the Current Biennium were estimated to total $22.596 billion, or $946 million (4.4 percent) more than the November 1998 estimate for the Previous Biennium. The projected expenditures for the Previous Biennium included $901 million in capital projects (after giving effect to the statutory allocations in the November 1998 forecast) appropriated by the 1998 Legislature. Giving effect to the statutory allocations had the additional result of reducing projected debt service costs for the Current Biennium by $53 million because less principal and interest were required on a lower total bond authorization after the conversion of projects to cash appropriations. Discretionary inflation accounted for $799 million of the forecast growth in spending over the Previous Biennium.

January 1999 Governor's Budget Recommendation

In January 1999 the Governor submitted a proposed budget to the Legislature for the Current Biennium, which was based on the November 1998 forecast of Accounting General Fund revenues and expenditures.

The January 1999 Governor's recommendation is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
JANUARY 1999 GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,434
Non-dedicated Revenues	22,373
Dedicated Revenues, Transfers In and Other	694
Total Resources	$24,501
Expenditures	23,346
Projected Unreserved Balance at June 30, 2001	$ 1,155
Cash Flow Account	350
Budget Reserve Account	667
Tax Reform and Reduction Account	0
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 5

Revenue Changes Proposed in the Governor's Budget:

The January 1999 Governor's recommendation reflected a net reduction in Accounting General Fund resources of $2.724 billion from the November 1998 forecast (after statutory allocations) for the Current Biennium. Current resources (total resources less the balance from the Previous Biennium) in the January 1999 Governor's recommendation increased by $2.364 billion (11.4 percent) over the Previous Biennium.

The Governor included a number of tax reduction proposals in his budget. A 1999 sales tax rebate of $1.087 billion, permanent income tax reductions totaling $844 million, and other one-time tax reductions of $260 million in the Current Biennium were the major components of the January 1999 Governor's recommendation on tax policy. In addition, the Governor proposed setting aside $946 million in Fiscal Years 1999-2001 one-time tobacco settlement revenues for investment in endowments to support family self-sufficiency, health professional education, medical research, and local public health programs. The Governor recommended that these funds be removed from the Accounting General Fund and separately invested in new endowment funds, from which investment income would be available for program expenditures. On-going tobacco settlement revenues would continue to be deposited in the Accounting General Fund. The remaining net difference was attributable to a higher projected unreserved balance from the Previous Biennium because of the Governor's recommendation to reverse the conversion of $400 million in capital projects from general obligation bond financing to Accounting General Fund cash appropriations, which had the effect of increasing the projected balance on June 30, 1999 by $400 million.

Expenditure Changes Proposed in the Governor's Budget:

The January 1999 Governor's recommendation for the Current Biennium increased Accounting General Fund spending by an additional $750 million from the November 1998 forecast (after statutory allocations). This amounted to a $2.082 billion (9.8 percent) increase over the January 1999 Governor's recommendation for the Previous Biennium.

The largest single increase proposed in the January 1999 Governor's recommendation for the Current Biennium over the Previous Biennium was in K-12 education finance ($930 million). The increase was due largely to the Governor's proposals to increase the general education formula allowance by 2.5 percent each year of the biennium, allocate new funds to reduce class sizes, and have the state pay a greater share of school special education costs. Other significant increases in the Current Biennium in health and human services ($584 million) and property tax aids and credits programs ($457 million) were largely attributable to forecast growth in health care program enrollments and unit costs as well as the increased cost of property tax reform measures enacted in 1998.

February 1999 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Current Biennium in February 1999. Accounting General Fund resources were forecast to be $27.905 billion, and Accounting General Fund expenditures were forecast to be $22.544 billion. Compared to the November 1998 forecast, higher revenues of $680 million and lower expenditures of $52 million combined to produce a total forecast improvement of $732 million, resulting in a projected Unreserved Accounting General Fund balance of $5.361 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, a Tax Reform and Reduction Account of $200 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance of $4.056 billion. The February 1999 Current Biennium forecast of resources, expenditures, and fund balances, without regard to the Governor's January recommendation, is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
FEBRUARY 1999 FORECAST
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 2,869
Non-dedicated Revenues	24,349
Dedicated Revenues, Transfers In and Other	687
Total Resources	$27,905
Expenditures	22,544
Projected Unreserved Balance at June 30, 2001	$ 5,361
Cash Flow Account	350
Budget Reserve Account	622
Tax Reform and Reduction Account	200
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 4,056

The February 1999 forecast reflected an increase of $282 million in the balance brought forward from the Previous Biennium. Forecast revenues for the Current Biennium increased by $398 million and revisions to expenditure projections lowered forecast spending by $52 million. The net effect of the February 1999 forecast was an increase in the Current Biennium Unrestricted Accounting General Fund balance of $732 million.

March 1999 Governor's Budget Recommendation Revisions

Based upon the February 1999 forecast of Accounting General Fund revenues and expenditures the Governor submitted supplemental budget recommendations to the Legislature in March 1999. The March 1999 Governor's recommendation projected resources for the Current Biennium of $24.569 billion, expenditures of $23.398 billion, and an Unreserved Accounting General Fund balance on June 30, 2001 of $1.171 billion. This balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $667 million, a Farm Aid Abatement Reserve of $20 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance of $414,000.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
MARCH 1999 GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,494
Non-dedicated Revenues	22,385
Dedicated Revenues, Transfers In and Other	690
Total Resources	$24,569
Expenditures	23,398
Projected Unreserved Balance at June 30, 2001	$ 1,171
Cash Flow Account	350
Budget Reserve Account	667
Farm Aid Abatement Reserve	20
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 0

Additional Revenue Changes Proposed by the Governor:

The March 1999 Governor's recommendation made a number of changes to his tax proposals based on the improvement in the February 1999 forecast. The Governor withdrew a $98 million proposal on the treatment of the sales tax on capital equipment, proposed changes reducing revenues by $85 million regarding the treatment of IRAs and other deferred income to more closely parallel federal tax law, expanded his proposed permanent income tax reductions by $107 million, and proposed additional one-time income tax credits totaling $237 million for the Current Biennium. There were also a number of minor changes and technical corrections to the January 1999 Governor's recommendation.

Additional Expenditure Changes Proposed by the Governor:

The March 1999 Governor's recommendation made a variety of minor changes and technical corrections to expenditures, compared to the January 1999 Governor's recommendation.

1999 Legislative Session

During the 1999 legislative session, the Legislature and Governor enacted revenue measures and appropriations to establish the biennial operating budget for the Current Biennium. Accounting General Fund resources are forecast to be $24.620 billion. Current Biennium revenues, excluding the balance brought forward from the Previous Biennium, are expected to be $2.248 billion (10.8 percent) greater than in the Previous Biennium. Accounting General Fund expenditures are forecast to be $23.384 billion, $2.053 billion (9.6 percent) greater than the Previous Biennium. The budgeted revenues and spending generate a projected Unreserved Accounting General Fund balance of $1.236 billion, including a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance on June 30, 2001 of $130 million.

The end of 1999 legislative session estimates of resources, expenditures, and fund balances is detailed below.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
END OF 1999 LEGISLATIVE SESSION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,518
Non-dedicated Revenues	22,395
Dedicated Revenues, Transfers In and Other	707
Total Resources	$24,620
Expenditures	23,384
Projected Unreserved Balance at June 30, 2001	$ 1,236
Cash Flow Account	350
Budget Reserve Account	622
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 130

Resources:

The 1999 legislative session produced significant tax law changes. The Legislature adopted, and the Governor approved large tax reductions for Minnesota taxpayers. For Fiscal Year 1999, the Legislature passed a $1.250 billion sales tax rebate. This rebate represents a refund of a portion of sales taxes paid during the Previous Biennium to be paid in August 1999. Individual income tax rates were permanently reduced in all three brackets, from 6.0% to 5.5%, from 8.0% to 7.25%, and from 8.5% to 8.0%. In addition, the "marriage penalty" inherent in the previous rate structure was eliminated. These changes reduce projected Accounting General Fund non-dedicated revenues by $1.312 billion for the Current Biennium.

The Legislature also followed the Governor's recommendation to set aside $968 million in one-time tobacco settlement revenue into endowments. New endowments were created to support health professional education, medical research, and tobacco use prevention and local public health programs. These funds are removed from the Accounting General Fund and separately invested in new endowment funds. The investment income from these endowment funds will be available for program expenditures.

Other miscellaneous changes and technical corrections also affect the level of Accounting General Fund resources.

Expenditures:

The largest single change in projected Accounting General Fund spending for the Current Biennium is in K-12 education finance, which grows by $1.068 billion (15.7 percent) over the Previous Biennium. In addition to normal biennial growth in pupil units and formula inflation, the enacted budget provides for an increase in the general education aid formula of 4.7 percent in Fiscal Year 2000 and 3.2 percent in Fiscal Year 2001, a biennial increase of $460 million. The Legislature also adopted an additional $101 million for special education and $86 million to reduce lower elementary grade class sizes.

Other significant spending changes that were enacted include:

— Property tax aid programs, which grow $578 million (21.6 percent) over the Previous Biennium, primarily due to property tax reform provisions enacted in the 1997 and 1998 legislative sessions, but also due to $117 million in new assistance.

— Health and human service programs, which grow $586 million (12.2 percent) over the Previous Biennium.

— Higher education institutions and financial aid, which grow $171 million (7.0 percent) over the Previous Biennium

In addition, the Legislature converted $400 million in capital projects from Accounting General Fund cash to general obligation bond financing. This conversion will cost an additional $53 million in debt service payments from the Accounting General Fund in the Current Biennium.

Future Forecast Contingencies:

The Legislature also adopted several contingency revenue and spending measures that rely on future forecast improvements in order to become effective:

— The Fiscal Year 1999 sales tax rebate could be increased by up to $50 million, if there is sufficient growth in revenues over the February 1999 forecast. The commissioner of finance is to certify available amounts under this provision, if any, to the commissioner of revenue by July 15, 1999.

— The general education aid formula allowance will increase $50 million per year beginning in Fiscal Year 2001 if there is a sufficient projected Unrestricted Accounting General Fund balance available in the November 1999 forecast, and the planning estimates at that time for the Next Biennium show projected revenues (excluding remaining one-time tobacco settlement payments) exceeding projected expenditures each year.

— Contingency language in the 1999 omnibus tax bill would reserve funding for future tax rebates if forecasts of Accounting General Fund revenues, expenditures and fund balances in November of even-numbered years and February of odd-numbered years project positive unrestricted balances.

— Existing law also calls for positive Unrestricted Accounting General Fund balances to be split 60 percent to a Property Tax Reform account and 40 percent remaining as an available balance in the Accounting General Fund.

July 1999 Sales Tax Rebate Certification:

— On July 15, 1999, the Commissioner of Finance certified to the Commissioner of Revenue that revenues for the Current Biennium were estimated to be $298 million over levels projected in the February 1999 forecast. As a result, the 1999 sales tax rebate will increase by $50 million, to $1.3 billion. Rebate checks will be issued to state taxpayers in August 1999.

CURRENT BIENNIUM ESTIMATES — REVENUES AND EXPENDITURES

The following table displays a summary of the estimated amounts of revenues and expenditures allocable to the Accounting General Fund for the Current Biennium based on end of 1999 legislative session estimates. Authorized expenditures are presented by function, consistent with generally accepted accounting principles for reporting purposes.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
ESTIMATES OF REVENUES AND EXPENDITURES
END OF 1999 LEGISLATIVE SESSION
($ in Thousands)

	Fiscal Year 2000	Fiscal Year 2001	Current Biennium
Forecast Resources			
Prior Year Ending Balance	1,517,719	1,251,283	1,517,719
Net Non-dedicated Revenues	10,875,193	11,519,836	22,395,029
Dedicated Revenues	132,167	120,193	252,360
Transfers From Other Funds	218,319	216,278	434,597
Prior Year Adjustments	10,100	10,100	20,200
Subtotal Current Resources	11,235,779	11,866,407	23,102,186
Total Revenues Plus Prior Year Ending Balance	12,753,498	13,117,690	24,619,905
Authorized Expenditures & Transfers			
Education Finance	3,883,431	3,989,318	7,872,749
Family & Early Childhood Education	229,821	229,981	459,802
Property Tax Aids & Credits	1,535,994	1,717,705	3,253,699
Higher Education	1,277,470	1,338,030	2,615,500
Health & Human Services	2,622,217	2,745,355	5,367,572
Environment & Natural Resources	270,321	259,077	529,398
Economic Development	254,835	186,155	440,990
Transportation	85,231	80,853	166,084
Criminal Justice	549,287	584,557	1,133,844
State Government	398,038	344,702	742,740
Debt Service & Borrowing	282,615	303,150	585,765
Cancellation Adjustment	(5,340)	(15,000)	(20,340)
Subtotal Expenditures & Transfers	11,383,920	11,763,883	23,147,803
Dedicated Revenue Expenditures	118,295	118,296	236,591
Total Expenditures and Transfers	11,502,215	11,882,179	23,384,394
Unreserved Balance	1,251,283	1,235,511	1,235,511
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	622,000	622,000	622,000
Dedicated Reserves	132,523	133,105	133,105
Unrestricted Balance	146,760	130,406	130,406

The following table sets forth by source the forecast amounts of nondedicated revenues allocable to the Accounting General Fund for the Current Biennium.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
ESTIMATES OF NONDEDICATED REVENUES
END OF 1999 LEGISLATIVE SESSION
($ in Thousands)

	Fiscal Year 2000	Fiscal Year 2001	Current Biennium
Net Nondedicated Revenues:			
Income Tax - Individual	5,018,190	5,509,955	10,528,145
Income Tax - Corporate	701,860	692,430	1,394,290
Sales Tax	3,600,459	3,739,518	7,339,977
Motor Vehicle Sales Tax	454,800	461,400	916,200
Inheritance, Estate & Gift	47,000	47,000	94,000
Liquor, Wine & Beer	57,948	57,947	115,895
Cigarette & Tobacco	180,300	179,497	359,797
Mining	2,150	2,150	4,300
Deed & Mortgage Registration	128,700	123,500	252,200
Gross Earnings Taxes	172,110	178,275	350,385
Controlled Substance Tax	140	140	280
Lawful Gambling Taxes	60,286	60,016	120,302
Health Care Provider Tax	121,909	122,705	244,614
Income Tax Reciprocity	41,545	39,791	81,336
Tobacco Settlements	118,193	135,265	253,458
Investment Income	92,653	79,125	171,778
All Other Nondedicated Revenue	100,374	114,560	214,934
All Other Refunds	(23,424)	(23,438)	(46,862)
Total Net Nondedicated Revenues	10,875,193	11,519,836	22,395,029

ACCOUNTING 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 imposed by the current State law is set forth below.

Income Tax: The income tax rate schedules for 1999 consist of three income brackets having tax rates of 5.5 percent, 7.25 percent and 8.0 percent as shown below. The tax brackets are indexed annually for inflation, as measured by the National CPI. The base of the tax is federal taxable income, with selected additions and subtractions. There is an income exclusion for low-income elderly and disabled taxpayers. The exclusion phases out as adjusted gross income and nontaxable sources of income rise. 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 to the "single" filing status. The maximum credit per return to offset this "marriage penalty" is $261. In addition, the State tax code contains a refundable child care credit and a working family credit, both targeted at low income parents.

SINGLE FILER

Taxable Income	Tax
on the first $17,250	5.5 percent
on all over $17,250, but not over $56,680	7.25 percent
on all over $56,680	8.0 percent

MARRIED FILING JOINTLY

Taxable Income	Tax
on the first $25,220	5.5 percent
on all over $25,220, but not over $100,200	7.25 percent
on all over $100,200	8.0 percent

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 $21,240	5.5 percent
on all over $21,240, but not over $85,350	7.25 percent
on all over $85,350	8.0 percent

Sales and Use Tax: The sales tax of 6.5 percent is applicable to most retail sales of goods with the exception of food, clothing, and prescription drugs. Purchases made by non-profit organizations and the federal government and school districts are exempt.

Corporate Franchise Tax: A flat tax rate of 9.8% is imposed on Corporate taxable income. Corporations that do business both in and outside of Minnesota must apportion their taxable income on the basis of a three factor formula that gives a 70% weight to sales, a 15% weight to payroll and a 15% weight to property. 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%, to the extent the minimum tax exceeds the regular tax.

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 fee schedule is shown below:

Fee Basis	Amount of Fee
Less than $500,000	$ 0
$500,000 to $1 million	100
$1 to $5 million	300
$5 to $10 million	1,000
$10 to $20 million	2,000
$20 million or more	5,000

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

2.0%	Domestic and foreign company premiums.
1.0%	Mutual property and casualty companies with assets of 5 million or less on 12/31/89
1.26%	Mutual property and casualty companies with assets in excess of 5 million but less than 1.6 billion on 12/31/89
3.0%	Surplus line agents.
0.5%	Fire Marshal tax on fire premiums.
2.0%	Surcharge on fire premiums for property located in cities of the first class.

Motor Vehicle Excise Tax: Motor vehicle sales, new and used, are exempt from the sales and use tax, but are subject to a 6.5% motor vehicle excise tax. The tax is collected at the time of title registration or transfer.

Liquor, Wine and Fermented Malt Beverages: 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% by volume or less, and $4.60 per 31-gallon barrel for strong beer. Liquor, wine and beer sales are also subject to sales tax at a rate of 9.0%.

Cigarette and Tobacco Products Taxes: The excise tax on cigarettes is 48 cents per pack. Tobacco products other than cigarettes are subject to an excise tax, imposed on distributors thereof, equal to 35% of the wholesale price of such tobacco products.

Estate Tax: The tax base is the federal gross estate less various exemptions and deductions. The tax may not exceed the State death tax credit.

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

Deed Tax: A tax of $1.65 per $500 of consideration is imposed on the transfer of real estate by any deed, instrument, or writing. Ninety-seven percent of the proceeds go to the State's Accounting General Fund and three percent to the county in which the property is located.

Legalized Gambling Taxes:

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

Lawful Gambling Tax: A 9.5% tax is imposed on bingo, raffles and paddlewheels gross receipts less prizes of organizations licensed to operate such games of chance.

Pull-Tab and Tip Board Tax: A 1.9% tax is imposed on the "Ideal Gross" of each pull tab or tipboard deal sold by a distributor. A deal is defined as each separate package, or series of packages, consisting of one game of pull-tabs or tipboards. In addition, a "Combined Receipts Tax", with rates ranging from 1.9% to 5.7% is imposed on organizations with pull tab and tip board gross receipts in excess of $500,000 per year.

Rental Motor Vehicle Tax: In addition to the general sales tax a 6.2 percent sales tax is imposed on the lease or rental, on a daily or weekly basis, of a passenger automobile, van or pickup truck.

Taconite and Iron Ore Occupation Taxes: The base of the occupation tax is the value of the ore less expenses required to convert it into marketable quality. The rate of the tax is 9.8%.

Health Care Provider Surcharge: A tax imposed upon licensed nursing homes, hospitals, and health maintenance organizations. It includes a $625 tax per licensed nursing home bed, 1.56% tax on the net patient revenue of hospitals (excluding Medicare revenue), and a 0.6% 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 Accounting General Fund receives no unrestricted federal grants. The only federal funds deposited into the Accounting General Fund are to reimburse the State for expenditures on behalf of federal programs.

Tobacco Settlement

On May 8, 1998, the State entered into a settlement of a lawsuit which it had initiated against several tobacco companies. The settlement requires the defendant tobacco companies to pay to the State an amount of $6.1 billion over a period of 25 years. This settlement will produce additional annual calendar year revenue to the State ranging from a low of approximately $204 million to a high of approximately $418 million. For further discussion, see Budget — Current Biennium, 1999 Legislative Session.

MINNESOTACARE® PROGRAM

The 1992 Legislature established the MinnesotaCare® program to provide subsidized health care insurance for long term uninsured Minnesotans, reform individual and small group health insurance regulations, create a health care analysis unit to collect condition-specific data about health care practices in order to develop practice parameters for health care providers, implement certain cost containment measures into the system, and establish an office of rural health to ensure the health care needs of all Minnesotans are being met.

The program is not part of the Accounting General Fund. A separate fund, called the Health Care Access Fund, has been established as a special revenue fund to account for revenues and expenditures for the MinnesotaCare® program. Program expenditures are limited to revenues received in the Health Care Access Fund. Program revenues are derived from dedication of insurance premiums paid by individuals, and permanent taxes including a 2 percent gross revenue tax on hospitals, health care providers and wholesale drug distributors, a 2 percent use tax on prescription drugs and a 1 percent gross premium tax on nonprofit health service plans and HMO's. For calendar years 1998 and 1999, these permanent taxes have been temporarily lowered to 1.5 percent and to zero, respectively. The provider tax will continue at 1.5% until calendar year 2002, while the gross premium tax may be returned to previous levels or revised depending on the Health Care Access Fund's annual fund balance. The Commissioners of Finance and Revenue will determine the necessary tax level, to be effective for calendar year 2000, in September 1999.

Activity in the Health Care Access Fund for the Previous Biennium is detailed below:

MINNESOTACARE®
PREVIOUS BIENNIUM
HEALTH CARE ACCESS FUND
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$261
Revenues	353
Total Resources	614
Expenditures	344
Projected Unreserved Balance at June 30, 1999	$270
Premium and IBNR Reserve Account	4
Federal Reserves	78
Projected Unrestricted Balance at June 30, 1999	$188

Based on existing law after tax levels are adjusted, projected activity in the Health Care Access Fund for the Current Biennium is detailed below:

MINNESOTACARE®
CURRENT BIENNIUM
HEALTH CARE ACCESS FUND
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$270
Revenues	385
Total Resources	655
Expenditures	418
Projected Unreserved Balance at June 30, 2001	$237
Premium and IBNR Reserve Account	4
Federal Reserves	121
Projected Unrestricted Balance at June 30, 2001	$112

SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

Minnesota Statutes, Chapter 126C.55 establishes a school district credit enhancement program. The law authorizes and directs the Commissioner of Finance, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the Commissioner of Children, Families and Learning to pay debt service coming due on school district tax and state-aid anticipation certificates of indebtedness, certificates of indebtedness and capital notes for equipment, certificates of participation issued under Minnesota Statutes 126C.40 Subdivision 6, and school district general obligation bonds, in the event that the school district notifies the Commissioner of Children, Families and Learning that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Commissioner of Children, Families and Learning 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 Accounting General Fund to the Commissioner of Children, Families and Learning the amounts needed to pay any warrants which are issued.

The amounts paid on behalf of any school district are required to be repaid by it 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 Commissioner of Children, Families and Learning.

Under State law school districts are authorized to issue tax and state aid anticipation certificates of indebtedness in amounts not exceeding 50 percent of ad valorem taxes in the process of collection and 75 percent of state aids in the process of collection. As of August 1, 1999, there were approximately $177 million of certificates of indebtedness enrolled in the program all of which will mature within a thirteen month period. The State expects that 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 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 five years, and are payable from school district taxes levied within statutory limits. As of August 1, 1999 there were approximately $29 million principal amount of certificates and notes enrolled in the program.

Under Minnesota Statutes, Section 126C.40, Subdivision 6, certain school districts, with the approval of the Commissioner of Children, Families and Learning, 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 the school districts, but are payable from taxes levied annually in amounts necessary to pay the amounts due thereunder. As of August 1, 1999 there were $63 million of certificates of participation enrolled in the program.

School districts are authorized to issue general obligation bonds only when authorized by school district electors or special law, and only after levying a direct, irrevocable ad valorem tax on all taxable property in the school district for the years and in amounts sufficient to produce sums not less than 5 percent in excess of the principal of and interest on the bonds when due. As of August 1, 1999 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 2026, is approximately $5.8 billion. 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.

Based upon the amount of certificates of indebtedness and capital notes for equipment, certificates of participation and bonds now enrolled in the program, during the Current Biennium the total amount of principal and interest coming due as of August 1, 1999 is about $643 million, with the maximum amount of principal and interest payable in any one month being $216 million.

The State has not had to make any debt service payments on behalf of 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.

APPENDIX A

State Financial Statements
For the Fiscal Year
Ended June 30, 1998

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APPENDIX A
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GENERAL PURPOSE FINANCIAL STATEMENTS

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APPENDIX B

State General Obligation
Long-Term Debt
(Unaudited)

General Obligation Bonds Outstanding August 1, 1999

The following schedule sets forth by type, all general obligation debt of the State expected to be outstanding as of August 1, 1999.

GENERAL OBLIGATION BONDS OUTSTANDING AUGUST 1, 1999
(INCLUDING THIS ISSUE)
($ in Thousands)

Category	Type	Principal Amount	
1	Building	$861,428	
	Transportation	65,610	
	Pollution Control	98,126	
	Waste Management	4,865	
	Refunding Bonds	636,306	
	Exchange Bonds	6,289	
	Reinvest in Minnesota	15,340	
	Land Fill	26,090	
	Infrastructure Development Bonds	298,381	
	Total Category 1		$2,012,435
2	School Loan	$ 52,105	
	School Loan Refunding	35,010	
	Municipal Energy Building	8,915	
	Rural Finance Authority	67,565	
	Game and Fish Building	110	
	Total Category 2		$ 163,705
3	Trunk Highway Refunding	$ 13,070	
	Total Category 3		$ 13,070
4	State Cigarette Tax Bonds Refunding Bonds	$ 7,005	
	Total Category 4		$ 7,005
5	State Sports & Health Club Tax Bonds Refunding Bonds	11,415	
	Total Category 5		$ 11,415
	Total Outstanding August 1, 1999 — Previous Issues(1)		$2,207,630
	Plus August 1, 1999 Tax Exempt Bonds		185,000
	Total Outstanding August 1, 1999, Including New Issue		$2,392,630

(1) Excludes all bonds previously refunded.

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 first category are payable primarily from money appropriated to the Debt Service Fund from the Accounting General Fund, which is supported by income tax, sales tax, and other receipts. The bonds comprising the second category are payable to a substantial degree from money appropriated to the Debt Service Fund from special accounts in the Accounting General Fund to which the receipts from special revenue sources, such as school district capital and debt service loan repayments, State college charges, fees and rentals, have been pledged. The third category, Trunk Highway Bonds, are payable primarily from the Trunk Highway Fund, which receives 62 percent of the net proceeds of the State gasoline and motor vehicle registration taxes pursuant to the State Constitution. The fourth category, State Cigarette Tax Bonds, are payable primarily from money appropriated to the Debt Service Fund from the sales tax imposed on the sale of cigarettes and other tobacco products. The fifth category, State Sports and Health Club Tax Bonds, are payable primarily from money appropriated to the Debt Service Fund from the sales tax imposed on membership dues, initiation fees and facilities fees of private sports and health clubs.

This table does not include the bonds authorized by Laws 1991, Chapter 350, issued to finance facilities for Northwest Airlines, Inc. which are described on page B-3, in footnote (2).

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED

August 1, 1999
($ in Thousands)

Purpose of Issue	Law Authorizing	Total Authorization(1)(2)(3)	Previously Issued	Authorizations To Be Sold	Remaining Authorization
Municipal Aid	1971,Ch.856	$ 0.0	$ —	$ 0.0	$ 0.0
Municipal Energy Building	1983,Ch.323	30,000.0	29,530.0	250.0	220.0
Transportation	1984,Ch.597	16,000.0	13,000.0	2,000.0	1,000.0
Building	1987,Ch.400	369,687.2	369,560.5	—	126.7
Water Pollution Control	1987,Ch.400	66,747.0	66,740.0	—	7.0
Building	1989,Ch.300	112,915.0	112,145.0	—	770.0
Building	1990,Ch.610	270,160.0	269,716.0	—	444.0
Reinvest in Minnesota	1990,Ch.610	5,375.0	5,350.0	—	25.0
Waste Management	1990,Ch.610	7,000.0	6,570.0	—	430.0
Transportation	1990,Ch.610	11,035.0	10,945.0	—	90.0
Wetlands/Reinvest in MN	1991,Ch.354	28,000.0	27,500.0	—	500.0
Building	1992,Ch.558	202,485.0	195,650.0	—	6,835.0
Waste Management	1992,Ch.558	2,000.0	250.0	—	1,750.0
Transportation	1992,Ch.558	17,500.0	15,480.0	800.0	1,220.0
Building	1993,Ch.373	39,615.0	38,230.0	100.0	1,285.0
Transportation	1993,Ch.373	9,900.0	8,670.0	—	1,230.0
Building	1994,Ch.643	529,989.0	495,319.0	11,170.0	23,500.0
Municipal Energy Building	1994,Ch.643	4,000.0	3,750.0	200.0	50.0
Transportation	1994,Ch.643	35,000.0	23,220.0	—	11,780.0
Landfill	1994,Ch.639	90,000.0	29,900.0	3,190.0	56,910.0
Building	x1995,Ch.2	4,880.0	4,825.0	—	55.0
Water Pollution Control	x1995,Ch.2	750.0	675.0	—	75.0
Transportation	x1995,Ch.2	4,500.0	4,500.0	—	0.0
Building	1996,Ch.463	486,375.0	388,945.0	39,190.0	58,240.0
Municipal Energy Building	1996,Ch.463	4,000.0	3,750.0	—	250.0
Water Pollution Control	1996,Ch.463	25,450.0	22,600.0	1,200.0	1,650.0
Waste Management	1996,Ch.463	3,000.0	1,500.0	1,400.0	100.0
Transportation	1996,Ch.463	10,000.0	9,790.0	—	210.0
Rural Finance Authority	1996,Ch.463	41,000.0	32,500.0	2,500.0	6,000.0
Building	1997,Ch.246	82,625.0	81,100.0	—	1,525.0
Water Pollution Control	1997,Ch.246	4,000.0	2,000.0	—	2,000.0
Transportation	1997,Ch.246	3,000.0	1,510.0	760.0	730.0
Building	x1997,Ch.2	55,305.0	29,000.0	—	26,305.0
Building	1998,Ch.404	101,495.0	23,000.0	5,175.0	73,320.0
Water Pollution Control	1998,Ch.404	3,650.0	—	1,100.0	2,550.0
Transportation	1998,Ch.404	4,000.0	4,000.0	—	0.0
Building	1999,Ch.240	448,805.0	—	105,215.0	343,590.0
Water Pollution Control	1999,Ch.240	39,500.0	—	5,450.0	34,050.0
Transportation	1999,Ch.240	28,440.0	—	5,300.0	23,140.0
Totals		$3,198,183.2	$2,331,220.5	$185,000.0	$681,962.7

(footnotes on B-3)

Pursuant to state law, in the Order authorizing the issuance of the Bonds the Commissioner of Finance has reserved the right, for a period of eighteen months after the Bonds have been issued, to amend the Order to determine that a portion of the Bonds were issued, or shall be deemed to have been issued, pursuant to a law other than the one specified in the Order and for a different purpose, and reallocate and transfer their proceeds to the appropriate account in the bond proceeds fund for expenditure pursuant to the law designated in the amendment. Since the Commissioner's current practice is to issue Bonds essentially to meet cash requirements of projects financed only for a twelve month period, no such shifting is currently contemplated, but in a particular case it could become desirable or necessary to comply with federal tax regulations relating to the expenditure of tax-exempt bond proceeds.

X indicates Special Session Laws.

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

(2) Minnesota Laws 1991, chapter 350, authorized the State to issue revenue bonds secured by the State's full faith and credit in an amount up to $125,000,000 to finance the construction and equipping of an aircraft maintenance facility in Duluth. The State issued $44,960,000 of these revenue bonds in May 1995 and $41,560,000 remain outstanding on August 1, 1999. These bonds are not included in the table for general obligation bonds authorized, issued and unissued on page B-2. (See page E-4).

(3) Minnesota Statutes, Section 16A.642, as amended in 1997, requires the Commissioner of Finance to prepare and present to appropriate legislative committees on or before February 1 of each odd-numbered year, a report on the status of certain bond authorizations which are more than five 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.

Debt Management Policy

The Governor has established a State Debt Management Policy. Included in this policy is a guideline providing for the issuance of general obligation bonds in amounts such that appropriations to the Debt Service Fund from the Accounting General Fund should not exceed 3.0% of the Accounting General Fund nondedicated revenues for a biennium; and a second guideline providing that the principal amount of general obligation bond debt should not exceed 2.5% of the personal income of State residents. A third guideline is that the total amount of all State general obligation bonds, moral obligation debt, State bond guarantees, equipment capital leases, and real estate leases outstanding at the end of any fiscal year should not exceed 5.0% of State personal income for that fiscal year. The purpose of the third guideline is to acknowledge all future commitments of the State, and to establish an upper limit on the total amount of the commitments. This guideline ratio is estimated to be 3.51% at June 30, 1999.

The percentages of the appropriation for debt service from the Accounting General Fund and the ratios of debt to personal income are as follows:

Biennium Ending	Percentage of Accounting General Fund Revenues for Debt Service	Debt/Personal Income	Future Commitments/ Personal Income
June 30, 1987	2.47%	1.8%	—
June 30, 1989	2.76%	1.9%	—
June 30, 1991	3.10%	1.9%	—
June 30, 1993	2.79%	1.8%	4.44%
June 30, 1995	2.61%	1.8%	4.23%
June 30, 1997	2.47%	1.8%	3.64%
June 30, 1999 (est.)	2.81%	1.8%	3.51%

Of the State's general obligation bonds outstanding on June 30, 1999, 40.4 percent are scheduled to mature within five years, and 71.5 percent are scheduled to mature within ten years.

NET AMOUNT TRANSFERRED TO DEBT SERVICE FUND FOR GENERAL OBLIGATION BONDS DEBT SERVICE

($ in Thousands)

In Fiscal Year	Accounting General Fund	All Other Funds	Transfer Total
1988	134,269	29,503	163,772
1989	124,653	56,464	181,117
1990	189,456	27,320	216,776
1991	184,124	17,122	201,246
1992	200,442	21,056	221,498
1993	208,311	17,417	225,728
1994	220,974	18,477	239,451
1995	212,890	24,372	237,262
1996	214,504	26,728	241,232
1997	235,519	22,459	257,978
1998	237,609	19,346	256,955
1999	286,495	20,445	306,940

The Net Transfer amount does not include investment earnings in the Debt Service Fund and the Bond Proceeds Fund which are also appropriated to pay debt service on State general obligation bonds.

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Does not include this issue.

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 1999 valuation, was estimated by the Commissioner of Revenue to be $240,422,000,000. This value is based upon certified abstracts of assessment submitted by local assessors and on file with the Commissioner of Revenue. The values shown on the assessors' abstracts are required by law to be based upon the assessors' judgment of the probable price at which the property could be sold in an open market transaction between a willing buyer and seller, both knowledgeable of the current market, neither being compelled to buy or sell.

MARKET VALUE OF TAXABLE PROPERTY

1987-1998

($ in Thousands)

Year of Assessment	Real Property	Personal Property	Total Market Value	Percentage Increase Per Year
1987	121,569,191	2,077,486	123,646,666	1.55
1988	128,658,534	2,111,366	130,769,900	5.76
1989	135,675,707	2,649,875	138,325,581	5.78
1990	143,606,465	2,783,576	146,390,041	5.83
1991	149,150,448	2,873,817	152,024,265	3.85
1992	153,992,637	2,968,756	156,961,393	3.25
1993	159,008,719	2,990,780	161,999,499	3.21
1994	166,739,642	3,104,512	169,844,154	4.84
1995	177,164,000	3,282,000	180,446,000	6.24
1996	189,112,000	3,440,000	192,552,000	6.71
1997	202,875,000	3,490,000	206,365,000	7.17
1998	219,034,000	3,641,000	222,675,000	7.90
1999	236,721,000	3,701,000	240,422,000	7.97

EQUIPMENT FINANCING

The Commissioner of Finance is authorized by Minnesota Statutes, Section 16A.85, to establish a master lease equipment financing program. Pursuant to this authority the Commissioner has entered into master lease agreements providing for equipment financing and expects to continue this practice. As of August 1, 1999, principal in the amount of $28,027,792 was 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 of moneys appropriated from time to time for this purpose.

Various State agencies, with the Commissioner of Finance's assistance, have entered into individual equipment lease financing agreements from time to time for the purpose of financing the acquisition of equipment not financeable under the master lease statute. As of August 1, 1999, principal in the amount of $27,879,889 was outstanding and unpaid under such equipment leases. The nature of the State's obligation to make rental payments under these equipment leases is the same as under the master leases described above.

Various State agencies, without the Commissioner's assistance, have also entered into additional equipment lease financing agreements from time to time for the purpose of financing the acquisition of equipment. As of June 30, 1998, principal in the amount of $733,154 was outstanding and unpaid under such leases, exclusive of those having an original principal amount of less than $250,000 and those relating to equipment not carried on the fixed asset accounts of the State, for which no figures are available. The State is obligated to make rental payments thereunder only to the extent of moneys appropriated from time to time for this purpose.

APPENDIX C

I. 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 Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
1983, Chapter 323				
	Public Service	Statewide	Municipal Energy Loans	30,000
1984, Chapter 587				
	Transportation	Statewide	Rail Rehabilitation Program	16,000
1992, Chapter 558				
	Transportation	Statewide	Local Roads and Bridges	17,500
1993, Chapter 373				
	Tech. College	Systemwide	CAPRA—Repair and Betterment	413
	State Universities	Systemwide	CAPRA—Repair and Betterment	466
	Education	Statewide	Architectural Barriers Grants	1,000
	Human Services	Moose Lake	Psychopathic Facility	7,250
	Corrections	Moose Lake	Medium Prison Facility	9,600
1994, Chapter 643				
	Administration	Statewide	Americans with Disabilities Act	11,500
	Administration	Statewide	CAPRA	10,150
	Administration	Capitol Complex	New Military Affairs Facility	100
	Administration	Capitol Complex	New Health Building	400
	Administration	Capitol Complex	Security Lighting	400
	Administration	Duluth	Lake Superior Ctr.	4,000
	CAAPB	Capitol Complex	Capitol Bldg exterior restor./renov.	5,000
	Community College	Systemwide	HEAPRA	7,000
	Community College	Normandale	Campus Remodeling	10,500
	Community College	Cambridge	Campus Remodeling	8,000
	Community College	No. Hennepin	Campus Remodeling	6,000
	Community College	Minneapolis	Campus Remodeling Design	375
	Community College	Inver Hills	Campus Remodeling Predesign	350
	Community College	Northland	Sports Rec Fac.	3,000
	Community College	Rainy River	Student Housing	750
	Community College	Lakewood	Campus Remodeling Predesign	170
	Corrections	Moose Lake	Complete conversion	19,000
	Corrections	Lino Lakes	Inmate bed expansion	10,444
	Corrections	Faribault	Inmate bed expansion	10,000
	Corrections	Systemwide	Inmate bed expansion	2,000
	Corrections	Shakopee	Inmate bed expansion Predesign	80
	Corrections	Red Wing	Construct Juvenile Security Cottage	2,700
	Corrections	Systemwide	Regional Juvenile Centers	16,565
	Education	Statewide	School Building Accessibility Grants	4,000
	Education	Metropolitan	Magnet Schools — Deseg. Capital	20,000
	Education	Statewide	Library Accessibility	1,000
	Education	Statewide	Reorganized Districts Grants	778
	Education	Worthington	Lakeview School	2,070
	Historical Society	Statewide	Historic Site Preservation and Repair	1,775
	Historical Society	Statewide	I.S.T.E.A. Preservation Projects	950
	Historical Society	Statewide	County and Local Pres. Proj.	500
	Historical Society	St. Anthony Falls	Heritage Zone	1,000
	Historical Society	NW Fur Co.	Northwest Company Fur Post Design	310
	Historical Society	St. Croix Valley	Heritage Center Predesign	150
	Historical Society	Sibley House	Restoration	550
	Housing Finance	Statewide	Battered Women's Shelters	1,000
	Human Services	Anoka	Const. Res. Prgrn & Ancillary Serv Fac.	37,000
	Human Services	Metro Area	Pre-Discharge Prgm for people w/menta	1,500
	Human Services	St. Peter	Air Conditioning Tomlinson Hall	215
	Economic Security	Statewide	Early Childhood & Youth Interven.	2,000

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Economic Security	Systemwide	Youth Program Centers	500
	Military Affairs	Systemwide	Ren. 30 facilities kitchens (10/biennium)	366
	MN Technology	Coleraine	Coleraine Lab Fac. — Research Institute	400
	Natural Resources	Systemwide	St. Park betterment and rehab.	1,250
	Natural Resources	Systemwide	Well sealing & inven. on DNR lands	500
	Natural Resources	Systemwide	Forestry Air Tanker Facilities	368
	Natural Resources	Systemwide	State Park building rehabilitation	2,000
	Natural Resources	Systemwide	Undergrnd stor. tank remov. & replace	1,000
	Natural Resources	Systemwide	Flood Hazard Mitigation grants	2,600
	Natural Resources	Systemwide	Statewide Deferred Renewal	1,400
	Natural Resources	Systemwide	Trail acq. devel. & better.	4,778
	Natural Resources	Systemwide	State Park acquisition	2,000
	Natural Resources	Systemwide	Local Recreation grants	1,400
	Natural Resources	Systemwide	Forestry recreation facility rehab.	500
	Natural Resources	Systemwide	RIM — Wild, SNA, & Prairie B dev/hab	2,000
	Natural Resources	Systemwide	Dam repair/reconstruction/removal	4,100
	Natural Resources	Systemwide	RIM — Wildlife & Natural Area land acq.	4,000
	Natural Resources	Systemwide	St. Louis River land acquisition	1,200
	Natural Resources	Systemwide	Forestry roads and bridges	300
	Natural Resources	Systemwide	Forestry land acquisition	250
	Natural Resources	Systemwide	State Park building development	1,000
	Natural Resources	Silver Bay	Lake Superior Safe Harbors	2,200
	Natural Resources	Systemwide	Residential Env. Center Grants	11,500
	Natural Resources	Laq Qui Parle	WMA Office & Hunter Station	500
	Natural Resources	Systemwide	International Wolf Center	750
	Natural Resources	Systemwide	Farmland Wildlife Research Facility	631
	Natural Resources	Systemwide	White Oak Fur Post	340
	Natural Resources	Mtka/SSP	Water Access	350
	Res. Academies	Faribault	Renovate Science Classrooms	35
	State Universities	Systemwide	HEAPRA	8,900
	State Universities	Winona	Maxwell Lib rem. & chiller construct	20,000
	State Universities	St. Cloud	Library and related chiller construct	4,000
	State Universities	Bemidji	Library remodel and addition	8,300
	State Universities	St. Cloud	New boiler	2,100
	Technical College	Systemwide	HEAPRA	8,838
	Technical College	Brainerd	new campus	21,300
	Technical College	E. Grand Forks	Med. Labs Equip & Child Care Ctr	1,000
	Technical College	St. Cloud	Remodeling phase I	225
	Technical College	Dakota Cty.	Decision Driving Course Phase 2	600
	Technical College	NE Metro	Truck Driving Instruct. Support Fac.	162
	Technical College	Hutchinson	Campus Remodeling Design	380
	Technical College	Duluth	TC/CC — Joint Campus	10,800
	Technical College	Rochester	Project Design	1,200
	Trade & Econ. Dev.	SW MN	Prairieland Expo	1,000
	Trade & Econ. Dev.	Duluth	Duluth Port Authority	1,200
	University of Minnesota	Systemwide	Health and Safety HEAPRA	15,000
	University of Minnesota	Minneapolis	IT/Mechanical Eng. Reconstruction	13,000
	Vets Home Bd	Minneapolis	Campus renovation	10,630
	BWSR	Systemwide	Area II Minnesota River Basin	800
	BWSR	Systemwide	RIM Conservation Easement Acq.	9,000
1994, Chapter 639				
	Pollution Control	Statewide	Landfill	90,000
1996, Chapter 463				
	Administration	Systemwide	CAPRA	12,000
	Administration	Capitol Complex	Electrical Utility Improvements	1,635
	Administration	Capitol Complex	Renovate Capitol Area Elevators	1,744
	Administration	Capitol Complex	Support Services Facility	2,000
	Administration	Capitol Complex	Revenue Bldg	1,950
	Administration	Capitol Complex	Korean War Vets Memorial	250

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Administration	Systemwide	ADA	9,000
	Agriculture	Systemwide	Agricultural Loan Program — RFA	41,000
	Amateur Sports Comm.	Blaine	National Sports Ctr Land Acquisition	400
	Amateur Sports Comm.	Mpls/St. Paul	Inner City Sports Centers	3,400
	Amateur Sports Comm.	Metro Area	Ski Jump	500
	CAAPB	Capitol Complex	Capitol Bldg Stabilization	6,200
	CAAPB	Capitol Complex	Capitol Bldg Cafeteria Renovation	1,200
	Center for Arts Education	Systemwide	Instructional Resources Facility	6,879
	Children, Families & Learning	Systemwide	Library Accessibility Grants	1,000
	Children, Families & Learning	Systemwide	School Bldg Access Grants	2,000
	Children, Families & Learning	Systemwide	Youth Initiative Grants	16,000
	Corrections	Systemwide	Asset Preservation	1,750
	Corrections	Rush City	New Prison	89,000
	Corrections	Brainerd	Inmate Bed Expansion	1,500
	Corrections	Lino Lakes	Segregation Unit Design	500
	Corrections	Systemwide	SE Treatment Ctr Pilot — 3rd	680
	Children Families	Systemwide	Head Start Grants	3,500
	Environmental Assistance	Systemwide	Solid Waste Mgmt Fac. Grants	3,000
	Finance	Systemwide	Bond Sale Expense	608
	Grant to Political Subdivision	Duluth	Lake Superior Center	10,000
	Grant to Political Subdivision	St. Paul	Science Museum Construction	30,000
	Grant to Political Subdivision	St. Cloud	Quarry Park — Stearns County	250
	Grant to Political Subdivision	Austin	Southeast Metro Public TV	975
	Grant to Political Subdivision	Worthington	Prairieland Expo Ctr	1,500
	Grant to Political Subdivision	Duluth	Family Practice Ctr Renovation	1,400
	Grant to Political Subdivision	Hennepin Cty	Lyn/Lake/Jungle Theatre	335
	Historical Society	Systemwide	County and Local Preservation Grants	750
	Historical Society	Systemwide	Asset Preservation	3,000
	Historical Society	Minneapolis	St. Anthony Falls Heritage Zone	1,000
	Housing Finance Agency	Systemwide	Transitional Housing Grants	2,500
	Human Services	Systemwide	Asset Preservation	1,000
	Human Services	Brainerd	BRTC HVAC Improvements	1,500
	Human Services	Anoka	AMRTC Predesign/Design	322
	Human Services	Cambridge	CRHSC — Design and Develop METO	3,400
	Human Services	Winona	WRTC — Residential/Program Space	2,500
	Military Affairs	Systemwide	Asset Preservation	500
	Military Affairs	Systemwide	Kitchen Renovation	400
	State Colleges & University	Systemwide	HEAPRA	16,000
	State Colleges & University	St. Cloud	St Cloud Library	29,500
	State Colleges & University	Mankato	SU — Hazardous Waste Facility	270
	State Colleges & University	Winona	SU — Construct Chiller Plant	2,200

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	State Colleges & University	Anoka	ARCC — Energy Plant & Loading Dock	4,510
	State Colleges & University	Hutchinson	TC — HVAC Modifications	2,000
	State Colleges & University	Vermillion	CC — Code & Infrastructure	1,890
	State Colleges & University	Mankato	SU — Construct Chiller Plant	1,050
	State Colleges & University	Minneapolis	CC — Energy Plant Replacement	4,330
	State Colleges & University	Willmar	TC — HVAC Modifications	2,150
	State Colleges & University	Mesabi	CC — Code & Infrastructure	1,230
	State Colleges & University	Staples	TC — West Campus Classrooms	225
	State Colleges & University	Moorhead	SU — Storm Drainage System	1,800
	State Colleges & University	Moorhead	SU — Land Acquisition	1,400
	State Colleges & University	No. Hennepin	CC — Remodel & Construct LRC	3,846
	State Colleges & University	Anoka-Ramsey	CC — Addition & Remodel	10,430
	State Colleges & University	Fond du Lac	CC — Construct Student Housing	3,600
	Natural Resources	Systemwide	Asset Preservation	500
	Natural Resources	Systemwide	RIM, WMA, SNA and Prairie Bank Imp.	900
	Natural Resources	Systemwide	St. Louis River Land Acq.	2,200
	Natural Resources	Systemwide	Park & Rec Area Bldg Devel	1,450
	Natural Resources	Systemwide	Park & Rec Area Bldg Rehab	1,750
	Natural Resources	Systemwide	Park & Rec Better/Rehab	2,400
	Natural Resources	Systemwide	DNR — Well Inventory & Sealing	500
	Natural Resources	Systemwide	DNR — Trail Rehab	500
	Natural Resources	Systemwide	Dam Improvements	1,560
	Natural Resources	Systemwide	Flood Hazard Mitigation Grants	1,490
	Natural Resources	Systemwide	Metro Reg. Park Rehab, Acq & Dev	9,400
	Natural Resources	Systemwide	Office Facility Completion	1,800
	Natural Resources	Systemwide	Trail Acq. & Devel.	4,000
	Natural Resources	Systemwide	RIM Wildlife Land Acq.	3,500
	Natural Resources	Systemwide	Mesabi Trail Grant	500
	Natural Resources	Systemwide	McQuade Public Access	500
	Natural Resources	Systemwide	Blue Earth Trail	230
	Natural Resources	Systemwide	Mississippi River Grant	700
	Pollution Control	Red Wing	Combined Sewer Overflow	3,350
	Public Service	Statewide	Municipal Energy Loans	4,000
	Residential Academies	Faribault	Demolish Dow Hall	1,000
	Residential Academies	Faribault	New Exterior Lighting	556
	Residential Academies	Faribault	Asset Preservation	750
	Trade & Econ Dev-PFA	Systemwide	SRF Match	4,000
	Trade & Econ Dev-PFA	Systemwide	Waste Water Infrastructure Fund (WIF)	17,500
	Transportation	Systemwide	Local Bridge Rehab Grants	10,000
	Transportation	Systemwide	Metro Public Safety Radio	7,500
	Transportation	Systemwide	Port Auth E.D. Grants	3,000
	University of Minnesota	Minneapolis	School of Architecture	9,000
	University of Minnesota	Minneapolis	Archives Facility	38,500
	University of Minnesota	Crookston	Controlled Environ. Science	3,050
	University of Minnesota	Duluth	Library	1,430
	University of Minnesota	Systemwide	HEAPRA	12,000

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	University of Minnesota	Minneapolis	Women's Ice/Tennis Facility	10,000
	University of Minnesota	Morris	Humanities and Fine Arts Repair	2,300
	University of Minnesota	Twin Cities	Hacker Hall Renovations	12,000
	Veterans Homes Board	Systemwide	Asset Preservation	500
	Veterans Homes Board	Silver Bay	Dementia Unit	240
	Water & Soil Resources	Systemwide	Area II MN River basin grant-in-aid	250
	Water & Soil Resources	Systemwide	RIM reserve and perm. wetland pres.	11,500
	Water & Soil Resources	Systemwide	Wetland Replacement for Public Road	3,000
1997, Chapter 246				
	Transportation	Systemwide	Local Bridge Rehab Grants	3,000
1998, Chapter 404				
	Corrections Dept	Lino Lakes	MCF-LL — Admin. Segregation Unit	340
	Corrections Dept	Oak Park Heights	MCF-OPH — Seg., MH, and Hlth Care Units	3,000
	Corrections Dept	Shakopee	MCF-SHK — Bed Expansion	4,645
	Corrections Dept	St. Cloud	MCF-SCL — Intake Center	1,500
	Finance Dept	Minnesota	Bond Sale Expenses	100
	Human Services Dept	Cambridge	CRHSC — METO Construction	1,500
	Human Services Dept	Minnesota	SOCS — Respite Care Sites	1,200
	Human Services Dept	Moose Lake	MSPPTC — Construct 50-Bed Addition	8,000
	Human Services Dept	Willmar	WRTC — Remodel MTC Bldg. & Bldg. 14	3,000
	State Colleges & University	Bemidji	Bemidji/NW TC-Bemidji HS Acq & Brdgmn Hall Renov	1,000
	State Colleges & University	Brooklyn Park	North Hennepin CC — New Science Ctr	10,400
	State Colleges & University	Edina	Normandale CC — Design Science Bldg	240
	State Colleges & University	Hibbing	Hibbing CC&TC — Construct College center	16,000
	State Colleges & University	Inver Grove Heights	Inver Hills CC — Construct instructional building	11,000
	State Colleges & University	Mankato	Mankato SU — Renovate Student Athletics fac (Phase 1)	500
	State Colleges & University	Minneapolis	Minneapolis CC&TC — Consolidation remodeling	500
	State Colleges & University	Pine City	Pine Technical College	1,700
	State Colleges & University	Rochester	Rochester Regional Recreation & Sports Center	200
	State Colleges & University	St. Cloud	St. Cloud TC — Addition and remodeling	1,000
	State Colleges & University	St. Paul	Metro SU — Library design	1,000
	State Colleges & University	St. Paul	St. Paul TC — Remodel selected college areas	10,000
	State Colleges & University	Systemwide	Ridgewater CC&TC — Addition and remodeling	7,600
	State Colleges & University	Systemwide	Riverland CC&TC — Program re-alignment/ relocation	1,000
	State Colleges & University	Systemwide	Systemwide — Land bank program	5,000
	State Colleges & University	Thief River Falls	Northland CC&TC — Connect student services — phase I	4,000
	State Colleges & University	Virginia	Laurentian CC&TC — Addition and remodeling	500
	State Colleges & University	White Bear Lake	Century CC&TC — Master plan and design development	800
	State Colleges & University	White Bear Lake	Century CC — Pedestrian Bridge	3,200

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	State Colleges & University	Winona	Red Wing/Winona — Construct Truck Driving Facilities	1,500
	State Colleges & University	Winona	Winona SU — Remodel Maxwell Hall	200
	University of Minnesota	Crookston	Crookston — Facility Improvements	300
	University of Minnesota	Crookston	Crookston — Kiehle Bldg Renovation (Design)	180
	University of Minnesota	Duluth	Duluth — Library	5,300
	University of Minnesota	Minneapolis	North & South Mall — Digital & Utility Infrastruc	100
	University of Minnesota	Minneapolis	North & South Mall — Walter Digital Technol Ctr	1,400
	University of Minnesota	Morris	Morris — Science & Math Add/Rec Sports/Htg Plant	9,800
	University of Minnesota	St. Paul	St. Paul — Gortner/Snyder Biology Lab Renovations	100
	University of Minnesota	St. Paul	St. Paul — Peters Hall Renovation	50
	University of Minnesota	Systemwide	Ag Exp Stations — Facility Improvements	800
	University of Minnesota	Systemwide	Women's Athletics Fields and Facilities	300
	Zoological Garden	Apple Valley	Roadways and Pathways	1,750
1999, Chapter 240				
	Children, Families & Learning	Edina	SW Metro Integration Magnet Grant	4,000
	Children, Families & Learning	Emetro	Art & Science Middle School Magnet Grant	1,300
	Natural Resources	Statewide	Flood Hazard Grants (State Share)	1,698
	Natural Resources	Statewide	Flood Hazard Grants (Local Share)	17,270
	Environmental Assistance	Perham	Solid Waste Recovery System Grant	3,000
	Public Facilities Authority	Statewide	Drinking Water State Matching Funds	2,200
	Public Facilities Authority	Statewide	Wastewater Infrastructure Grant	20,500
	Administration	Statewide	CAPRA	3,000
	Administration	Park Rapids	Infrastructure Improvement Grant	1,000
	Transportation	Brooklyn Park	Pedestrian Bridge Loan	440
	Transportation	Statewide	Light Rail Transit	60,000
	Corrections	Faribault	Storm & Sanitary Sewer Lines	1,785
	Finance	Statewide	Bond Sale Expense	152
	Trade & Economic Dev	St. Cloud	Community Center	5,500
	Public Facilities Authority	Statewide	Wastewater Infrastructure	14,000
	Public Facilities Authority	Hawley	Wastewater Infrastructure	1,300
	Public Facilities Authority	Statewide	State Match Drinking Water	1,500
	State Colleges & University	Mankato	Athletic Facility	10,500
	State Colleges & University	Rochester	Sports Complex	4,800
	University of Minnesota	Systemwide	Ag Experiment Stations	3,600
	University of Minnesota	Crookston	Facility Improvements	3,500
	University of Minnesota	Duluth	Academic Space	200
	University of Minnesota	Duluth	Library Construction	17,000
	University of Minnesota	Minneapolis	Folwell Hall Renovations	690
	University of Minnesota	St. Paul	Greenhouse Renovation	900
	University of Minnesota	St. Paul	Gortner and Snyder Halls	3,900
	University of Minnesota	Minneapolis	Utility Infrastructure	2,400
	University of Minnesota	Morris	Science/Heating Plant/Phy Ed	18,400
	University of Minnesota	St. Paul	Peters Hall	6,900
	University of Minnesota	Systemwide	Womens Athletic Fields and Facilities	2,700

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	University of Minnesota	Minneapolis	Walter Digital Tech Center and Eng Library	52,200
	Trade & Economic Dev	Minneapolis	Convention Center	86,332
	Transportation	Statewide	Transitways Hiawatha Corridor	40,000
	Transportation	Statewide	Local Bridges	28,000
	Trade & Economic Dev	St. Paul	African-American Arts Center	2,250
	Trade & Economic Dev	Brooklyn Center	Earle Brown Heritage Center	2,500
	Trade & Economic Dev	St. Cloud	Paramount Arts Center	750
	Trade & Economic Dev	Worthington	Prairie Land Expo Center	3,000
	Historical Society	Pine City	Northwest Fur Post	1,500
	Historical Society	Minneapolis	St. Anthony Falls Heritage Ctr	4,000
	Historical Society	Waverly	Humphrey Museum	1,000
	Indian Affairs Council	Battle Point	Cultural and Education Center	1,700
	Trade & Economic Dev	Duluth	Convention Center	12,000
	Trade & Economic Dev	Rochester	Mayo Civic Center	2,800
	Trade & Economic Dev	Fergus Falls	Convention Center	1,500
	Trade & Economic Dev	Hutchinson	Civic Center	1,000
	Trade & Economic Dev	Minneapolis	Humboldt Avenue Greenway	7,000
	Trade & Economic Dev	Montevideo	Downtown Development	1,500
	Trade & Economic Dev	Statewide	Veterans Memorial Amphitheater	315
	Transportation	Statewide	Port Development Assistance	3,000
	Natural Resources	Statewide	Office Facility Consolidation	7,100
	Natural Resources	Statewide	State Park Building Development	5,000
	Natural Resources	Metropolitan	Park Acquisition and Betterment	9,000
	Natural Resources	Statewide	Trail Acquisition and Development	3,350
	Administration	St. Paul	Capitol Building	6,500
	Veterans Home Board	Minneapolis	Veterans Home	6,000
	Residential Academies	Faribault	Tate Hall Renovation	3,500
	Residential Academies	Faribault	Lysen Hall Expansion	4,413
	Veterans Home Board	Hastings	VHB Power Plant	5,000
	Finance	Statewide	Bond Sale Expense	400

Pursuant to a law enacted in 1991, in the Order authorizing the issuance of the Bonds the Commissioner of Finance 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 ''Authorization and Purpose'' and on page B-2 of Appendix B. (See Appendix B page B-3).

APPENDIX D

Cash Flow Information

The Department of Finance has recently completed the development of a new cash flow forecasting model.

The old cash flow forecasting model included all information relating to the "Statutory General Fund" which is established by statute for the purpose of authorizing the issuance of short-term certificates of indebtedness and in conformance with Federal tax laws.

Minnesota Statutes, Section 16A.671, Subdivision 3a, defines the General Fund as follows:

> "General Fund" means 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 as so defined ("Statutory General Fund") includes the Accounting General Fund, (which includes the Local Government Trust Fund), Game and Fish Fund, Natural Resources Fund, State Government Special Revenue Fund, Gift Fund, HealthCare Access Fund, Special Revenue Fund, General Project Fund, Agency Fund and Internal Service Funds.

The new cash flow model forecasts cash in the Accounting General Fund which is defined on S-2 and contains fewer "funds" than the Statutory General Fund. Therefore, the actual amount of cash available at any time in the Statutory General Fund is in excess of that included in the new cash flow model for the Accounting General Fund and the State has a larger cash position than reported on pages D-2 and D-3. As of June 30, 1998, the unaudited balance of the Accounting General Fund was $3.151 billion, and the unaudited balance of the Statutory General Fund was $4.035 billion, a $884.6 million difference.

A cash flow analysis prepared in May 1998 showing cash balances for, receipts of and transfers into and out of the Accounting General Fund for Fiscal Years 1998 and 1999 is set forth on pages D-2 and D-3. This cash flow analysis is based on end of 1998 legislative sessions estimate of revenues and expenditures.

The end of 1999 legislative session cash flow analysis for the State's Accounting General Fund indicates that the State will have a positive cash flow balance throughout the Current Biennium. Therefore, the State does not expect to do any short-term borrowing for cash flow purposes during the Current Biennium.

The State has not done any short-term borrowing since January 1985 and has no short-term debt outstanding.

STATUTORY GENERAL FUND
MONTHLY CASH FLOW ANALYSIS
Fiscal Year Ended June 30, 1998[1][2]
(Thousands of Dollars)

	Jul-97	Aug-97	Sep-97	Oct-97	Nov-97	Dec-97	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98	Total
Beginning Cash Balance[2]	3,153,069	3,146,139	3,251,470	3,395,627	3,424,991	3,534,729	3,445,449	3,763,709	3,699,631	3,233,181	3,723,645	3,595,784	
Receipts:													
Individual Income Taxes . .	351,681	327,867	464,774	398,028	304,444	524,766	633,300	244,855	102,043	570,101	480,864	424,548	4,827,271
Sales and Use Taxes	131,082	320,643	262,135	295,159	273,907	249,674	339,046	243,601	219,329	267,598	253,671	406,618	3,262,464
Corporate Income Taxes . .	22,691	16,844	157,753	29,260	9,962	127,899	33,128	13,364	195,508	3,320	8,715	140,012	758,457
Motor Vehicle Taxes	33,744	38,665	41,935	41,823	28,292	34,512	29,514	25,768	34,727	40,429	40,422	47,985	437,815
Tobacco Product Taxes . .	(598)	22,108	5,465	16,012	16,124	13,669	14,764	13,413	11,427	14,650	15,457	28,361	170,851
Insurance Taxes	(18,303)	807	(679)	144	20,409	25,780	74	7,369	20,734	35,938	18,241	31,851	142,365
Other Excise Taxes	8,225	9,339	10,120	9,016	9,606	9,448	17,660	10,721	8,618	13,205	9,808	12,496	128,261
Investment Earnings	11,364	11,909	12,164	13,660	11,526	15,128	10,895	13,063	13,311	12,362	13,735	12,660	151,777
Inter-governmental Grants & Other	39,704	64,526	657	329	519	(1,180)	987	582	112,653	1,291	13,945	1,267	235,279
Subtotal - Receipts	579,590	812,708	954,324	803,431	674,789	999,697	1,079,367	572,734	718,349	958,893	854,859	1,105,797	10,114,539
Total Resources	3,732,659	3,958,847	4,205,794	4,199,058	4,099,780	4,534,426	4,524,816	4,336,443	4,417,981	4,192,074	4,578,504	4,701,581	
Expenditures:													
State Payroll	112,199	150,470	105,877	111,036	107,364	107,542	164,494	110,346	109,824	111,015	115,990	111,084	1,417,241
Agency Operations	55,174	50,759	56,493	54,089	52,646	57,338	49,247	44,892	56,739	45,908	35,918	50,396	609,599
Payment to Individuals . . .	139,880	257,791	226,829	208,464	128,665	163,584	148,657	150,982	205,217	158,142	150,312	120,738	2,059,261
Aid to Counties	161,122	40,085	31,545	31,102	17,206	154,293	23,840	29,270	121,500	31,957	34,433	30,417	706,770
Aid to Cities and Towns . .	59,383	1,809	49,715	3,904	5,920	301,532	7,275	2,755	5,476	5,097	2,136	3,660	448,662
Aid to School Districts. . . .	16,261	134,718	282,708	294,613	(8,668)	179,840	346,417	203,977	642,440	169,379	439,108	683,000	3,383,793
Aid to Higher Education Institutions	42,378	45,413	45,952	45,588	474	90,386	136	95,802	46,435	46,700	45,863	46,262	551,389
Aid to Other Governments.	18,371	8,849	1,808	11,621	12,958	18,962	836	628	660	16,000	14,518	2,305	107,516
Aid to Non-Gov't Organizations	26,891	16,070	16,081	11,143	12,751	13,799	14,938	21,432	16,424	21,199	25,821	12,891	209,440
Other & Net Transfers & Debt Service[4]	(45,139)	1,413	(6,841)	2,507	235,735	1,701	5,267	(23,272)	(19,915)	(136,968)	118,621	121,904	255,013
Total Expenditures:	586,520	707,377	810,167	774,067	565,051	1,088,977	761,107	636,812	1,184,800	468,429	982,720	1,182,657	9,748,684
Ending Cash Balance Without Borrowing:	3,146,139	3,251,470	3,395,627	3,424,991	3,534,729	3,445,449	3,763,709	3,699,631	3,233,181	3,723,645	3,595,784	3,518,924	

(1) Forecasts for Fiscal Years 1999, 2000 and 2001 are based on the end of 1999 Legislative Session.

(2) Totals may differ from detail due to rounding.

(3) Beginning Cash is unaudited and consists of the following funds: Accounting General Fund, Minnesota State Colleges & Universities, State Government Miscellaneous Fund and the Health Related Boards Funds.

(4) Includes FY1998 Debt Service $238,500,000.

STATUTORY GENERAL FUND
MONTHLY CASH FLOW ANALYSIS
Fiscal Year Ended June 30, 1999(1)(2)
(Thousands of Dollars)

	Jul-98	Aug-98	Sep-98	Oct-98	Nov-98	Dec-98	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Total
Beginning Cash Balance(2)	3,518,924	2,881,459	2,729,953	2,991,143	3,197,003	3,010,070	3,039,407	3,325,288	3,152,193	2,720,447	2,837,251	3,332,591	
Receipts:													
Individual Income Taxes	383,072	331,543	520,218	419,764	276,819	637,354	700,647	328,904	232,703	498,607	530,910	445,824	5,306,365
Sales and Use Taxes	141,190	336,644	278,249	327,540	205,789	317,630	348,519	234,436	225,799	291,680	279,573	438,254	3,425,303
Corporate Income Taxes	21,043	20,469	137,459	43,357	18,359	148,276	12,913	14,709	161,061	54,982	18,967	130,493	782,087
Motor Vehicle Taxes	42,030	39,655	40,595	40,703	28,874	42,663	30,500	30,109	40,945	48,438	44,847	49,461	478,820
Tobacco Product Taxes	361	20,226	14,000	17,316	14,603	14,578	13,624	13,008	14,066	15,265	8,533	25,781	171,362
Insurance Taxes	(9,855)	1,293	910	342	1,452	45,547	(77)	6,200	24,434	34,434	11,848	35,326	151,854
Other Excise Taxes	13,914	12,897	14,073	12,988	14,157	11,277	15,818	11,805	10,554	11,608	12,362	11,576	153,028
Investment Earnings	15,657	15,337	16,205	17,087	16,681	17,388	19,689	18,303	19,136	17,863	19,939	19,000	212,286
Inter-governmental Grants & Other	5,374	1,817	1,765	447	33,330	1,367	280	31,833	21,858	42,781	1,507	15,835	158,194
Subtotal - Receipts	612,785	779,881	1,023,474	879,544	610,064	1,236,082	1,141,914	689,307	750,556	1,015,658	928,485	1,171,550	10,839,300
Total Resources	4,131,709	3,661,340	3,753,427	3,870,687	3,807,067	4,246,152	4,181,321	4,014,595	3,902,748	3,736,105	3,765,737	4,504,141	
Expenditures:													
State Payroll	168,655	109,362	112,474	112,216	110,767	179,220	114,355	116,227	115,470	115,186	119,820	113,534	1,487,286
Agency Operations	74,302	61,161	59,660	53,821	40,746	56,435	53,368	48,996	57,678	48,847	51,107	65,365	671,486
Payment to Individuals	140,456	331,535	221,638	154,837	146,999	154,279	159,368	155,794	220,154	124,193	158,027	192,231	2,159,511
Aid to Counties	210,605	53,462	29,719	25,830	34,752	188,732	23,107	52,055	23,976	83,312	28,738	56,402	810,690
Aid to Cities and Towns	318,079	4,402	51,595	3,336	6,161	308,764	9,372	2,418	6,119	1,648	1,777	4,400	718,071
Aid to School Districts	34,973	290,513	202,561	309,013	88,459	73,265	297,632	409,006	686,264	450,165	152,105	803,119	3,797,075
Aid to Higher Education Institutions	52,886	50,239	47,805	1,217	49,035	48,895	50,170	56,785	49,960	48,016	48,106	58,146	561,260
Aid to Other Governments	22,468	8,139	6,333	14,925	14,325	17,757	2,518	1,119	1,839	29,547	630	4,368	123,968
Aid to Non-Gov't Organizations	32,237	15,170	15,476	15,379	16,489	13,842	10,969	22,244	12,358	12,909	18,790	14,637	200,500
Other & Net Transfers & Debt Service(4)	195,589	7,404	15,023	(16,890)	289,264	165,556	135,174	(2,242)	8,483	(14,969)	(145,954)	89,566	726,004
Total Expenditures:	1,250,250	931,387	762,284	673,684	796,997	1,206,745	856,033	862,402	1,182,301	898,854	433,146	1,401,768	11,255,851
Ending Cash Balance Without Borrowing:	2,881,459	2,729,953	2,991,143	3,197,003	3,010,070	3,039,407	3,325,288	3,152,193	2,720,447	2,837,251	3,332,591	3,102,373	

(1) Forecasts for Fiscal Years 1999, 2000 and 2001 are based on the end of 1999 Legislative Session.

(2) Totals may differ from detail due to rounding.

(3) Beginning Cash is unaudited and consists of the following funds: Accounting General Fund, Minnesota State Colleges & Universities, State Government Miscellaneous Fund and the Health Related Boards Funds.

(4) Includes FY1999 Debt Service $299,581,000.

STATUTORY GENERAL FUND
MONTHLY CASH FLOW ANALYSIS
Fiscal Year Ended June 30, 2000[1][2]
(Thousands of Dollars)

	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Total
Beginning Cash Balance[2]	3,102,373	3,070,669	1,847,570	2,011,342	1,993,153	1,925,560	1,518,611	1,917,311	1,493,788	1,253,600	1,534,852	1,154,035	
Sources of Cash:													
Individual Income Taxes	365,590	340,834	483,156	413,770	316,485	545,521	658,347	254,539	106,079	592,648	499,882	441,339	5,018,190
Sales and Use Taxes	144,662	353,862	289,293	325,738	302,284	275,540	374,172	268,838	242,052	295,322	279,952	448,744	3,600,459
Corporate Income Taxes	20,998	15,587	145,981	27,077	9,219	118,355	30,656	12,367	180,919	3,072	8,065	129,564	701,860
Motor Vehicle Taxes	35,053	40,166	43,561	43,445	29,389	35,851	30,659	26,768	36,074	41,997	41,990	49,847	454,800
Tobacco Product Taxes	(631)	23,330	5,767	16,897	17,016	14,425	15,581	14,154	12,059	15,460	16,312	29,930	180,300
Insurance Taxes	(22,121)	975	(820)	174	24,667	31,159	89	8,906	25,060	43,435	22,047	38,495	172,065
Other Excise Taxes	8,262	9,381	10,165	9,057	9,649	9,491	17,739	10,769	8,657	13,265	9,852	12,552	128,840
Investment Earnings	6,937	7,270	7,426	8,339	7,036	9,235	6,651	7,974	8,126	7,546	8,385	7,728	92,653
Inter-governmental Grants & Other	88,768	144,265	1,468	735	1,160	(2,638)	2,207	1,301	251,865	2,886	31,177	2,832	526,026
Subtotal - Receipts	647,519	935,670	985,998	845,232	716,905	1,036,939	1,136,100	605,616	870,889	1,015,632	917,662	1,161,031	10,875,193
Total Resources	3,749,891	4,006,339	2,833,568	2,856,574	2,710,058	2,962,499	2,654,711	2,522,928	2,364,677	2,269,232	2,452,514	2,315,066	
Expenditures:													
State Payroll	98,947	65,965	65,965	65,965	65,965	98,947	65,965	65,965	65,965	65,965	65,965	98,947	890,523
Agency Operations	22,951	21,115	23,500	22,500	21,900	23,851	20,486	18,674	23,602	19,097	14,941	20,904	253,580
Payment to Individuals	155,990	287,481	252,953	232,473	143,484	182,424	165,778	168,371	228,852	176,356	167,624	134,644	2,296,431
Aid to Counties	188,246	46,833	36,855	36,338	20,103	180,267	27,853	34,197	141,954	37,337	40,230	35,538	825,751
Aid to Cities and Towns	89,626	2,730	75,034	5,892	8,935	455,100	10,980	4,158	8,265	7,693	3,224	5,524	677,162
Aid to School Districts	35,993	324,772	228,512	339,001	81,611	200,471	423,543	476,276	525,662	497,202	624,014	427,728	4,184,785
Aid to Higher Education Institutions	125,850	134,864	136,464	135,383	1,408	268,420	404	284,504	137,899	138,686	136,200	137,385	1,637,466
Aid to Other Governments	19,512	9,399	1,920	12,343	13,763	20,140	888	667	701	16,994	15,420	2,448	114,195
Aid to Non-Gov't Organizations	21,940	13,111	13,120	9,092	10,403	11,259	12,188	17,486	13,400	17,296	21,067	10,518	170,881
Other & Net Transfers & Debt Service[4]	(79,834)	1,252,499	(12,099)	4,434	416,927	3,008	9,315	(41,159)	(35,222)	(242,245)	209,796	215,602	1,701,022
Total Expenditures:	679,223	2,158,769	822,226	863,421	784,498	1,443,889	737,400	1,029,140	1,111,077	734,380	1,298,480	1,089,297	12,751,796
Ending Cash Balance Without Borrowing:	3,070,669	1,847,570	2,011,342	1,993,153	1,925,560	1,518,611	1,917,311	1,493,788	1,253,600	1,534,852	1,154,035	1,225,769	

(1) Forecasts for Fiscal Years 1999, 2000 and 2001 are based on the end of 1999 Legislative Session.

(2) Totals may differ from detail due to rounding.

(3) Beginning Cash is unaudited and consists of the following funds: Accounting General Fund, Minnesota State Colleges & Universities, State Government Miscellaneous Fund and the Health Related Boards Funds.

(4) Includes FY2000 Debt Service $282,615,000.

STATUTORY GENERAL FUND
MONTHLY CASH FLOW ANALYSIS
Fiscal Year Ended June 30, 2001(1)(2)
(Thousands of Dollars)

	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Total
Beginning Cash Balance(2)	2,003,762	2,001,215	2,048,111	2,233,705	2,237,410	2,338,861	1,948,534	2,403,699	1,960,057	1,699,148	1,936,234	1,645,330	
Receipts:													
Individual Income Taxes	401,417	374,235	530,504	454,318	347,499	598,980	722,863	279,482	116,474	650,726	548,869	484,588	5,509,955
Sales and Use Taxes	150,249	367,529	300,466	338,319	313,959	286,182	388,623	279,221	251,400	306,728	290,765	466,076	3,739,518
Corporate Income Taxes	20,716	15,378	144,020	26,713	9,095	116,765	30,244	12,201	178,488	3,031	7,957	127,824	692,430
Motor Vehicle Taxes	35,562	40,748	44,194	44,076	29,816	36,371	31,104	27,156	36,598	42,607	42,599	50,570	461,400
Tobacco Product Taxes	(628)	23,226	5,741	16,822	16,940	14,361	15,512	14,091	12,005	15,391	16,239	29,796	179,497
Insurance Taxes	(22,914)	1,010	(850)	181	25,551	32,275	92	9,225	25,958	44,991	22,837	39,874	178,230
Other Excise Taxes	7,929	9,002	9,755	8,692	9,259	9,108	17,023	10,335	8,308	12,729	9,455	12,045	123,640
Investment Earnings	5,924	6,208	6,341	7,121	6,009	7,886	5,680	6,810	6,939	6,445	7,161	6,600	79,125
Inter-governmental Grants & Other	93,834	152,497	1,552	776	1,226	(2,788)	2,333	1,375	266,236	3,051	32,956	2,994	556,041
Subtotal - Receipts	692,088	989,834	1,041,724	897,017	759,354	1,099,140	1,213,473	639,897	902,406	1,085,698	978,837	1,220,368	11,519,836
Total Resources	2,695,850	2,991,049	3,089,835	3,130,723	2,996,765	3,438,002	3,162,008	3,043,596	2,862,462	2,784,846	2,915,070	2,865,697	11,519,836
Expenditures:													
State Payroll	71,793	71,793	71,793	71,793	71,793	107,689	71,793	71,793	71,793	71,793	71,793	107,689	933,309
Agency Operations	14,355	13,207	14,699	14,073	13,698	14,919	12,813	11,680	14,763	11,945	9,345	13,112	158,609
Payment to Individuals	165,562	305,122	268,475	246,738	152,288	193,618	175,951	178,702	242,895	187,177	177,909	142,906	2,437,343
Aid to Counties	194,328	48,346	38,046	37,512	20,752	186,091	28,753	35,302	146,540	38,543	41,529	36,686	852,428
Aid to Cities and Towns	91,486	2,787	76,591	6,015	9,120	464,543	11,208	4,244	8,436	7,852	3,291	5,639	691,212
Aid to School Districts	37,227	335,907	236,347	350,625	84,410	207,345	438,065	492,606	543,685	514,250	645,410	442,393	4,328,270
Aid to Higher Education Institutions	132,162	141,627	143,308	142,173	1,478	281,882	424	298,773	144,815	145,641	143,031	144,275	1,719,589
Aid to Other Governments	19,505	9,395	1,920	12,338	13,758	20,132	888	667	701	16,987	15,414	2,447	114,151
Aid to Non-Gov't Organizations	21,877	13,074	13,083	9,065	10,374	11,226	12,153	17,436	13,362	17,246	21,007	10,487	170,389
Other & Net Transfers & Debt Service(4)	(53,660)	1,680	(8,132)	2,980	280,233	2,022	6,261	(27,665)	(23,674)	(162,822)	141,012	144,915	303,150
Total Expenditures:	694,635	942,938	856,129	893,312	657,903	1,489,467	758,308	1,083,539	1,163,315	848,612	1,269,741	1,050,550	11,708,450
Ending Cash Balance Without Borrowing:	2,001,215	2,048,111	2,233,705	2,237,410	2,338,861	1,948,534	2,403,699	1,960,057	1,699,148	1,936,234	1,645,330	1,815,148	

(1) Forecasts for Fiscal Years 1999, 2000 and 2001 are based on the end of 1999 Legislative Session.

(2) Totals may differ from detail due to rounding.

(3) Beginning Cash is unaudited and consists of the following funds: Accounting General Fund, Minnesota State Colleges & Universities, State Government Miscellaneous Fund and the Health Related Boards Funds.

(4) Includes FY2001 Debt Service $303,150,000.

APPENDIX E

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 outstanding as of August 1, 1999, is set forth below.

Agency Indebtedness

The *Minnesota Housing Finance Agency (MHFA)* was established in 1971, and is governed by Chapter 462A of the Minnesota Statutes. The enabling legislation for the MHFA authorizes it to issue bonds and notes in amounts such that the principal amount outstanding at any instant of time (excluding the principal amount of any bonds or notes that have been refunded) is limited to an amount of $2.4 billion. The proceeds from the 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 production and rehabilitation of single and multi-family housing.

The MHFA's notes and bonds are general 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 for inclusion in the State budget, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds to its debt service reserve requirement. In the opinion of bond counsel and general counsel to the MHFA, the Legislature is legally authorized to appropriate the amount included in the Governor's proposed budget for debt service reserve fund, but is not legally obligated to appropriate such amount. Under Chapter 462A, if such a deficiency is certified, the MHFA is also required to certify to the Governor any anticipated deficiency in the revenues of the following fiscal year, estimated to be available for the payment of principal installments and interest due in that year, and the Governor is required to report such an anticipated deficiency to the Legislature.

The principal amount of bonds and notes of the MHFA which are outstanding at any time (excluding the principal amount of any bonds and notes advance refunded) is limited to $2,400,000,000 issued for purposes provided for in Minnesota Statutes, Chapter 462A. The following table lists the principal amounts of indebtedness, all of which are general obligations of the MHFA, which were outstanding as of August 1, 1999:

Minnesota Housing Finance Agency
Bonds Outstanding As Of: August 1, 1999

	Number of Series	Interest Rate	Maturity Due	Original Amount (in thousands)	Outstanding Amount 08/01/99 (in thousands)
Housing Development	3	6.10% to 7.05%	2000-2027	$ 117,995	$ 70,250
Rental Housing	14	3.90% to 6.60%	2000-2029	352,080	272,775
Residential Housing Finance	2	4.65% to 7.12%	2000-2017	96,770	69,265
Single Family Mortgage	94	3.65% to 8.15%	2000-2032	1,858,705	1,525,810
	113			$2,425,550	$1,938,100

The payment of principal and interest on obligations of the Agency as shown above may be made, if necessary, from the MHFA's General Reserve Account.

University of Minnesota. The University of Minnesota 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 Board of Regents has sold and issued bonds to finance the construction of buildings and structures needed for the University. The amount of such bonds outstanding as of August 1, 1999 was $488,314,868. 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.

Minnesota Higher Education Services Office (MHESO). The MHESO was established and is organized and existing under Minnesota Statutes, Sections 136A.01 to 136A.236 and 136A.61 to 136A.88. The 1995 Legislature named MHESO as successor for all of the bonds of the Minnesota Higher Education Coordinating Board. The law authorizes the MHESO to issue revenue bonds and notes to finance guaranteed 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 $550,000,000. The loans are made and insured in accordance with HEW's Guaranteed Student Loan Program instituted pursuant to Part B of Title IV of the Higher Education Act of 1965 as amended. As of August 1999, MHESO had $68,500,000 of bonds outstanding payable from the Supplemental Educational Loan Fund II. These obligations are payable solely from loan repayments, loan insurance, loan and investment earnings, other money of the MHESO, and, if necessary, from proceeds of additional MHESO obligations.

Minnesota State Colleges and University Board (MSCUB). The MSCUB was established and is governed by Minnesota Statutes, Chapter 136F, which authorized the MSCUB to issue its revenue bonds as specified to finance the construction and improvement of dormitory, residence hall, student union, food service and other revenue producing buildings and related facilities located or to be located on the campuses of the State Universities comprising the Minnesota State Colleges and Universities. The 1994 Legislature named MSCUB as successor for all of the bonds of the Minnesota State University Board. As of August 1, 1999, the MSCUB had $39,667,000 principal amount of revenue bonds outstanding of which $11,612,000 are payable primarily from an escrow account funded with United States government securities. The balance of $28,055,000 bonds are payable solely from and secured by an irrevocable pledge of revenues to be derived from the operation of the buildings financed and from fees imposed upon students for student activities, student facilities or other sources.

Minnesota Higher Education Facilities Authority (MHEFA). The MHEFA was established by Minnesota Statutes, Section 136A.25 to 136A.42, passed in 1971. The law authorized the MHEFA to issue revenue bonds to finance the acquisition, construction, improvement and remodeling of college 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 $500,000,000. As of August 1, 1999, the MHEFA had $412,645,615 principal amount of bonds outstanding. Each issue is payable solely from and secured by a first lien on the revenues of the project financed, reserve funds and a guarantee of the institution for which the project is financed.

Minnesota State Armory Building Commission (MSABC). The 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 anytime may not exceed $7,000,000. As of August 1, 1999, the MSABC had $4,935,000 principal amount of bonds outstanding. The 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 State Zoological Board. (MSZB). The State appropriated moneys to finance the acquisition and construction of a State zoological garden which is owned and operated by the MSZB. The MSZB is not specifically authorized by law to borrow money or issue obligations in evidence thereof. However, in 1977 the Legislature authorized the MSZB to acquire an automated, monorail transportation system for the garden by installment purchase contract, and the MSZB entered into such a contract for this purpose.

On April 1, 1980, the Minnesota State Zoological Board was unable to make the installment payment then due under the installment purchase contract. On December 30, 1985 the State and investors entered into closing documents through which the State acquired all investor rights to the monorail system for the sum of $1.5 million. The documents released the State from any and all investor claims against the State and MSZB regarding the monorail system.

Minnesota Rural Finance Authority. In 1986 the Legislature created the Minnesota Rural Finance Authority (RFA) 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 1993 Legislature authorized the RFA to establish an ethanol development program. The 1994 Legislature authorized the RFA to establish a livestock expansion loan program. As of August 1, 1999, the RFA has no revenue bonds outstanding for these programs.

The Commissioner of Finance is authorized to issue up to $91 million in State general obligation bonds to finance certain programs of the RFA and has issued $85,000,000 of these bonds, including bonds of this issue, for this purpose.

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 August 1, 1999, the RFA had issued $23,856,999, of revenue bonds for these programs.

Minnesota Public Facilities Authority (MPFA). The MPFA was established in 1987 by Minnesota Statutes, Chapter 446A which authorized it to make loans to local government units for wastewater treatment projects. In 1994, Chapter 446A was amended to authorize the MPFA to also make loans for drinking water projects, and amended again in 1997 to authorize the MPFA to also make loans for transportation projects. As of August 1, 1999, the MPFA had outstanding bonds of: Water Pollution Control Revenue Bonds, $552,861,786, Drinking Water Revenue Bonds, $21,500,000, and Transportation Revenue Bonds, $17,080,000, for a total outstanding amount of $591,441,786. The principal amount of MPFA bonds issued and outstanding at any time may not exceed $850,000,000. The MPFA's bonds are not a debt or liability of the state. The principal amount of MPFA bonds issued and outstanding at anytime may not exceed $850,000,000 for all three programs. The MPFA's bonds are not a debt or liability of the State. Only for bonds issued before January 1, 1994, if a deficiency is certified, the MPFA is also required to certify to the Governor any anticipated deficiency in the revenues of the following fiscal year, estimated to be available for the payment of principal installments and interest due in that year. The Governor is required to report such anticipated deficiencies to the Legislature. For bonds issued before January 1, 1994, in the opinion of bond counsel and general counsel to the MPFA, the Legislature is legally authorized to appropriate the amount included in the Governor's proposed budget to the debt service reserve fund, but is not legally obligated to appropriate such amount.

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 August 1, 1999, MAEDB will have outstanding $37,860,000 of pooled revenue bonds which 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 outstanding $396,877,521 of revenue bonds 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.

Office of the Commissioner of the Iron Range Resources & Rehabilitation (IRRRB). THE IRRRB was established by Minnesota Statutes, Chapter 298, to perform certain functions for the Northeastern portion of the State, including the promotion of economic development. The IRRRB is authorized to issue revenue bonds to accomplish the promotion of economic development. As of August 1, 1999 the IRRRB had $3,905,000 of bonds outstanding to finance the Giant's Ridge Recreation Area.

Minnesota Department of Finance. Minnesota Laws 1991, Chapter 350, authorized the State to issue revenue bonds secured by the State's full faith and credit in an amount up to $50,000,000 to finance the construction and equipping of an engine repair facility in Hibbing, and up to $125,000,000 to finance the construction and equipping of an aircraft maintenance facility in Duluth. By agreement dated December 21, 1994 with Northwest Airlines, Inc. (''NAI''), the intended lessee of both facilities, and certain other parties, it was agreed that the Hibbing facility would not be constructed and that the State would use its best efforts to issue revenue bonds secured by the State's full faith and credit for the Duluth facility. The State issued $47,670,000 of revenue bonds in May 1995, $41,985,000 of the revenue bonds will remain outstanding as of August 1, 1999, of which $24,315,000 were payable primarily from lease payments of NAI, and $17,670,000 were payable primarily from tax increment revenues derived from the Duluth facility and other revenues of the City of Duluth. In the event such revenues are insufficient the State will have the right to apply to the payment of such bonds, or to reimburse itself for making such payments from, certain state-aid payments otherwise payable to the City of Duluth. Of the $41,985,000 revenue bonds outstanding, $41,560,000 are secured by the State's full faith and credit and $425,000 secured by the full faith and credit of St. Louis County. The bonds are structured so that the initial bonds, together with expected later refundings, will provide financing over a 30 year amortization period. The 1997 Minnesota Legislature cancelled $48,765,000 of the bonding authorization for the Hibbing facility.

The Minnesota Supreme Court ruled in *Cambridge State Bank et al. v. James* litigation that the State must refund a portion of the Minnesota bank excise taxes paid by financial institutions for tax years 1979 through 1983. The 1995 Minnesota Legislature authorized the Commissioner of Finance to issue up to $400 million of State revenue bonds to pay the judgment and the related obligations. $200 million of the revenue bonds were sold in May 1996. As of July 1, 1999 there were $102,530,000 outstanding. The debt service on the revenue bonds is secured by and payable from three revenue sources: (1) 60% of the net proceeds of the State lottery that had been credited to the Accounting General Fund; (2) money received from the federal government or third party payors to pay or to reimburse the State for payment of certain medical expenses, including medicare and medicaid payments, insurance payments and payments from the individuals who received the services, that had been credited to the Accounting General Fund; and (3) non-dedicated departmental earnings that had been credited to the Accounting General Fund. All three sources of revenue are deposited in a special revenue fund, and amounts required to pay debt service are periodically transferred to a special debt service fund. The total amount of these revenues received in each fiscal year are forecast to be significantly greater than the amount needed to pay the estimated debt service on the revenue bonds. Revenues in excess of the annual debt service on the bonds are periodically transferred to the Accounting General Fund.

APPENDIX F
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 20th 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, Lt. Governor, Attorney General, State Auditor, State Treasurer, and Secretary of State are popularly elected to four year terms. There are 20 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 4 year terms. House members number 134 and serve 2 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.

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

Fiscal Administration

The Department of Finance was created in 1973 under the control and supervision of the Commissioner of Finance. The Commissioner 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. Included in the financial duties of the Commissioner 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, general obligation certificates of indebtedness, 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.

Accounting System

State law requires the Commissioner of Finance 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.

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State law requires the Commissioner of Finance 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 Finance 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 1998 general purpose financial statements are presented in Appendix A, and general long term debt unaudited schedules are presented in Appendix B.

Investments

The State Board of Investment, comprised of five 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 regulations on types and terms of investments imposed by law on each grouping. The investments are grouped as follows:

Invested Treasurer's Cash — temporary investment of a pool of cash, not immediately needed, from funds other than funds dedicated by the 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.

Treasurer

The primary function of the Office of the State Treasurer is to receive and account for all moneys paid into the State Treasury until the same is properly disbursed or invested. The Treasurer's computerized system of bank accounts provides a daily cash position pursuant to which all moneys not then obligated are certified for investment and future use.

Revenues and Budgeting

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 owing to the State by collecting, among others, individual income and corporation taxes, sales and use taxes, inheritance and gift 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

The State currently has 17 bargaining units for State employees. The Department of Employee Relations, Labor Relations Bureau, negotiates seven non-faculty labor contracts. Staff within the Minnesota State Colleges and Universities System bargain four faculty contracts. The Department of Employee Relations develops compensation Plans for unrepresented employees. All contracts and compensation plans are subject to review and approval by the legislature.

Contracts and compensation plans affecting all employees have been settled and approved for the Previous Biennium. These contracts and plans have been automatically extended beyond their natural expiration date of June 30, 1999, pending negotiation of successor agreements and adoption of new plans. As of July 1999, a tentative agreement has been reached for the Current Biennium with AFSCME. The affected employees will vote on that tentative agreement in August 1999.

Bargaining units; Employees Represented

Set forth is a table showing the exclusive representatives representing State employees and the number of employees represented by each.

INFORMATION ON STATE BARGAINING UNITS

UNIT Union or Association	Employees as of July 6, 1999
AFSCME (6 bargaining units)	19,586
MN Association of Professional Employees	10,008
Middle Management Association	2,806
MN Government Engineers Council	823
MN Nurses Association	835
MN Law Enforcement Association	674
State Residential Schools Education Association	192
MN Community College Faculty Association	2,081
State University Inter-Faculty Association	3,117
State University Administrative Faculty Association	474
United Technical College Educators	3,198
Total Represented Employees	43,794
Total State Employment	52,782
Percent of All Executive Branch Employees Unionized	83%

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APPENDIX G

Minnesota Defined Benefit Retirement Plans

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 appropriation. Estimates of direct Accounting General Fund appropriations to these plans for the past and current biennia are shown in Table G-1. Additionally, Table G-2 presents summary data on the financial condition of the plans for the most recent fiscal year on which valuation data is available. Information provided in Table G-2 includes:

a. current assets held in trust for participants;
b. the accrued benefit liability;
c. the accrued liability funding ratio;
d. the number of plan members;
e. identification of the funds for which the State has custodial responsibility; and
f. identification of the funds for which the State may have a contingent liability.

Information concerning the specific benefit provisions of each plan is available upon request from the Commissioner of Finance.

Effective July 1, 1997, annual cost-of-living increases tied to national CPI are guaranteed up to 2.5%. Any benefit increase beyond that level is based on a rolling five-year average market value gain to retiree assets, less an assumed minimum 6% return.

Each plan's financing requirement is determined by a specific formula established in State law. No assurance can be provided that the formulas will not change in the future. A brief description of the existing formulas follows:

1. *Minnesota State Retirement System; State Teachers' Retirement Association; Public Employees' Retirement Association; and the Minneapolis, Duluth, and St. Paul Teachers' Retirement Associations.* For each of these funds the contribution is specified in statute as a fixed percentage of the plan member's salary.

2. *Adjustments for Pre-1973 Retirees in Various Funds.* Contributions for these adjustments are included in payroll deductions and employer contributions as part of the total fund liabilities with the exception of the *Minneapolis Employees Retirement Fund (MERF),* for which the State makes annual appropriation of $550,000. MERF is a closed fund, and if the State withdrew this aid, unfunded liabilities would simply appreciate by the same amount. This appropriation terminates after fiscal year 2001.

3. *State's share of amortizing unfunded liabilities of 44 local police or fire relief associations that are being phased out.* Current State law provides that the State's contribution for the next 12 years will remain at the level of the fiscal year 1992 appropriation, or less, as plans achieve full-funding, before the year 2010.

4. *Minneapolis Employees' Retirement Fund.* This fund is closed to new members. The annual Accounting General Fund obligation is specified in statute as: (a) the total annual level dollar contribution needed to amortize the entry-age normal unfunded liability by 2020 as estimated in the most recent valuation, less (b) 2.5% of covered payroll, and less (c) $3,900,000. The total cannot exceed $10,455,000 per year. In 1999, this cap is reduced to $9,000,000. Absent any change in existing law, this obligation is expected to diminish over time, approaching zero by the year 2015.

5. *Legislators' Retirement Plan.* This plan is terminally funded. When a plan member retires, Accounting General Fund appropriations adequate to cover the cost of benefits for his projected life are transferred to the plan account.

6. *Judges' Retirement Plan.* This plan is funded through employer/employee contributions as a fixed percentage of salary, as defined in statute.

7. *Constitutional Officers' Plan.* Accounting General Fund appropriations are transferred to this account on a current disbursements basis as retirement benefits are paid.

TABLE G-1

	Estimated Direct Accounting General Fund Appropriation		
	Previous Biennial Total	**Current Biennial Total**	**2002-03 Biennial Total**
		($ in thousands)	
Constitutional Officers' Retirement	$ 353	$ 412	$ 412
Legislators' Retirement Plan	7,677	7,600	7,600
Judges' Retirement Plan[1]	0	3,921	4,072
Minneapolis Employees' Retirement Fund			
Amortization of Unfunded Liability[2]			
Adjustment for pre-1973 retirees[3]	19,728	12,884	11,784
Local Police or Fire Associations	18,372	15,801	15,807
Minneapolis Teachers' Retirement Assoc.[4]	35,890	30,908	30,908
St. Paul Teachers' Retirement Association[4]	7,654	5,654	5,654
Duluth Teachers' Retirement Association[4]	972	972	972
TOTAL	$90,646	$78,152	$77,209

(1) The Judges' Retirement Plan was converted to a pre-funded plan in the 1991 legislative session. Contributions for all active judges are now covered through payroll, not direct appropriation. An open Accounting General Fund appropriation continues for a small group of retirees and survivors whose benefits are still covered on a pay-as-you-go basis.

(2) Beginning in Fiscal Year 1992, the State capped all amortization aid to the Minneapolis Employees Retirement Fund at $10,455,000. Effective July 1, 1998, that cap is reduced to $9,000,000. Any requirements beyond the capped aid are the exclusive obligation of the employer units.

(3) The pre-1973 adjustment to the Minneapolis Employees Retirement Fund was also capped beginning in fiscal year 1992, at $550,000 annually, and terminates after fiscal year 2001.

(4) These plans are separate from the State Teachers' Retirement Association, and the State has no direct custodial relationship. Benefits, investment practices and contributions are, however, controlled by statute. The 1997 Legislature passed a major pension bill that included reallocations of current funding (no net new expenditure) which largely resolve ongoing actuarial deficiencies heretofore affecting the Minneapolis and St. Paul teacher retirement plans.

1999 Pension Legislation

(1) The 1999 legislature enacted a provision for eligible Teachers Retirement Association (TRA) members with out-of-state, maternity or military service to purchase service credit for non-covered TRA service time. The cost to purchase such service is primarily borne by the member, with employers permitted, but not required, to share in the cost of the service purchased.

(2) A local Correctional Employees Retirement Plan was established for public employees employed in county-administered jails or regional correctional facilities administered by multiple counties who spend at least 95% of their working time in direct contact with persons confined in those facilities. Contribution rates will increase for that group of employees to pay for increased benefits.

(3) 44 local police or fire relief associations that have consolidated with Public Employees Retirement Association (PERA) since 1987 will be merged into PERA's Police & Fire Plan as of July 1, 1999. Consolidated fund active and retired members will be allowed to elect Post Fund benefits.

(4) PERA's Police & Fire Plan contribution rates were reduced, and early retirement reduction factors were cut in half.

(5) The Minnesota State Retirement System (MSRS) Correctional and State Patrol Plans both had increases in the subsidization of early retirement and the Correctional Plan employer and employee contribution rates were increased.

TABLE G-2

Condition of Defined Benefit Pension Plans to Which Minnesota Provides Accounting General Fund Resources, July 1, 1998[(1)]
($ in Millions)

Plan	Current Assets	Accrued Benefit Liability	Funding Ratio	Members: Active	Members: Other
1. Funds For Which the State Has Custodial Responsibility					
State Teachers' Retirement Plan	$12,728	$12,046	105.7%	68,247	50,979
State Employees' Retirement Plan	5,391	5,005	107.7%	46,299	36,413
State Correctional Plan	295	262	112.8%	2,817	996
Highway Patrol Plan	430	271	115.8%	806	648
Judges' Plan	87	131	66.2%	278	246
Legislators' Plan[(2)]	31	63	49.5%	199	377
Constitutional Officers' Plan[(2)]	—	3	14.8%	6	14
Public Employees' Retirement Assoc.					
— General Plan	7,636	8,769	87.1%	136,166	71,227
— Police & Fire Plan	2,337	1,741	134.2%	8,499	3,032
2. Other Funds to Which the State Contributes					
Minneapolis Employees' Retirement Fund	1,207	1,351	89.4%	1,551	5,144
Local Police & Fire Relief Associations	675	753	89.6%	406	1,575
St. Paul Teachers' Ret. Fund Assoc.	625	862	72.5%	4,494	2,811
Minneapolis Teachers' Ret. Fund Assoc.	810	1,267	63.9%	4,996	5,178
Duluth Teachers' Ret. Fund Assoc.	187	197	95.1%	1,437	1,628

(1) The information provided in this table reflects the condition of all funds as of June 30, 1998 except for local police/fire funds. Information for the latter is for calendar year 1997. Figures for local police and fire combine data on 5 separate funds. The number of these funds reporting separately declines as plans consolidate within the statewide PERA Police & Fire Consolidation Fund.

(2) The Legislators' and Constitutional Officers' defined benefit retirement plans are not pre-funded. Legislator retirements are funded on a terminal basis with assets accumulated only for retirees and survivors: Constitutional Officer retirements are financed on a pay-as-you-go basis from annual appropriations — there are no separate assets reserved for this plan.

Effective July 1, 1997, these defined benefit plans are closed to new members. All newly elected officials and current members so choosing, will be covered under the Unclassified Employees defined contribution retirement program.

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APPENDIX H

Selected Economic and Demographic Statistics

Population Trends In The State

Minnesota resident population grew from 4,085,000 in 1980 to 4,387,000 in 1990 or, at an average annual compound rate of .7 percent as shown in Table 1. In comparison, U.S. population grew at an annual compound rate of .9 percent during this period. Minnesota population is currently forecast by the U.S. Department of Commerce to grow at an annual compound rate of .8 percent through 2010. Data in Table 1 indicates Minnesota population growth accelerated during the late 1980s.

The Structure of The State's Economy

Diversity and a significant natural resource base are two important characteristics of the State's economy.

When viewed in 1998 at a highly aggregative level of detail, the structure of the State's economy parallels the structure of the United States economy as a whole. As shown in Table 2 below, State employment in ten major sectors was distributed in approximately the same proportions as national employment. In all sectors, the share of total State employment was within two percentage points of national employment share.

Some unique characteristics of the State's economy are apparent in employment concentrations in industries that comprise the durable goods and non-durable goods manufacturing categories summarized in Tables 3 and 4. In the durable goods industries, the State's employment in 1998 was highly concentrated in the industrial machinery and instrument and miscellaneous categories. Of particular importance is the industrial machinery category in which 30.9 percent of the State's durable goods employment was concentrated in 1998, as compared to 19.7 percent for the United States as a whole. The emphasis is partly explained by the location in the State of Unisys, IBM, Cray Research, Seagate Technology, and other computer equipment manufacturers which are included in the industrial machinery classification.

The importance of the State's rich resource base for overall employment is apparent in the employment mix in non-durable goods industries displayed in Table 4. In 1998, 29.2 percent of the State's non-durable goods employment was concentrated in food and kindred industries, and 16.8 percent in paper and allied industries. This compares to 22.3 percent and 8.9 percent, respectively, for comparable sectors in the national economy. Both of these rely heavily on renewable resources in the State. Over half of the State's acreage is devoted to agricultural purposes, and nearly one-third to forestry. Printing and publishing is also relatively more important in the State than in the U.S.

Mining is currently a less significant factor in the State economy than it once was. Mining employment, primarily in the iron ore or taconite industry, dropped from 17.3 thousand in 1979 to 8.1 thousand in 1998. It is not expected that mining employment will return to 1979 levels. However, Minnesota retains vast quantities of taconite as well as copper, nickel, cobalt, and peat which may be utilized in the future.

Employment Growth In The State

In the period 1980 to 1990, overall employment growth in Minnesota lagged behind national growth as shown in Table 5. However, manufacturing has been a strong sector, with Minnesota employment outperforming its U.S. counterpart in both the 1980-1990 and 1990-1998 periods.

In spite of a strong manufacturing sector, during the 1980 to 1990 period total employment in Minnesota increased 17.9 percent while increasing 20.1 percent nationally. Most of Minnesota's relatively slower growth is associated with declining agricultural employment and with the two recessions in the U.S. economy during the early 1980s which were more severe in Minnesota than nationwide. Minnesota non-farm employment growth generally kept pace with the nation in the period after the 1981-82 recession ended in late 1982. In the period 1990 through 1996, non-farm employment growth in Minnesota exceeded national growth. Since then, Minnesota and U.S. employment have expanded at about the same rate. Employment data indicate the recession which began in July 1990 was less severe in Minnesota than in the national economy, and that Minnesota's recovery was more rapid than the nation's. Between 1990 and 1998, Minnesota's non-farm employment grew 20.2 percent compared to 15.0 percent nationwide.

Performance of The State's Economy

Since 1980, State per capita personal income has been within five percentage points of national per capita personal income. As shown in Table 6, the State's per capita income, which is computed by dividing personal income by total resident population, has generally remained above the national average in spite of the early 1980s recessions and some difficult years in agriculture. In 1998, Minnesota per capita personal income was 102.8 percent of its U.S. counterpart.

Tables 7, 8, and 9 show the performance of the Minnesota economy relative to the eleven other states in the North Central Region. Measures used for comparison are total personal income, population, personal income per capita, and non-agricultural employment. In the level of personal income per capita, as shown in Table 7, Minnesota ranked second among the twelve states in both 1990 and 1998. During the period 1980 to 1990, Minnesota ranked first in growth of personal income and first during the period 1990 to 1998. Table 8 shows that Minnesota does not rank first in personal income growth among neighboring states every year. Over the period 1980 to 1990, Table 9 shows Minnesota non-agricultural employment grew 20.3 percent while the entire North Central Region grew 14.4 percent. During the 1990-1998 period, Minnesota non-agricultural employment increased 20.2 percent, while regional employment increased 15.0 percent.

Another measure of the vitality of the State's economy is its unemployment rate. Table 10 shows that during 1997 and 1998, the State's monthly unemployment rate was generally less than the national unemployment rate, averaging 2.5 percent in 1998, as compared to the national average of 4.5 percent.

TABLE 1
RESIDENT POPULATION
(Thousands of Persons)

			Average Annual Compound	
Year	U.S.	Minnesota	% Change U.S.	% Change Minnesota
1970	203,800	3,815	1.3	1.1
1980	227,220	4,085	1.1	0.7
1981	229,470	4,112	1.0	0.7
1982	231,660	4,132	1.0	0.5
1983	233,790	4,142	0.9	0.2
1984	235,820	4,158	0.9	0.4
1985	237,920	4,184	0.9	0.6
1986	240,130	4,205	0.9	0.5
1987	242,290	4,235	0.9	0.7
1988	244,500	4,296	0.9	1.4
1989	246,820	4,338	1.0	1.0
1990	249,440	4,387	1.1	1.1
1991	252,130	4,428	1.1	0.9
1992	254,990	4,472	1.1	0.9
1993	257,750	4,524	1.1	1.2
1994	260,290	4,566	1.0	0.9
1995	262,760	4,605	1.0	0.9
1996	265,190	4,648	1.0	0.9
1997	267,740	4,687	1.0	0.8
1998	270,300	4,725	1.0	0.8

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 2
EMPLOYMENT MIX IN UNITED STATES AND MINNESOTA FOR 1998
(Thousands of Jobs)

Category	Minnesota	% of Total	U.S.	% of Total
Manufacturing Durable	262.3	10.0	11,170	8.6
Manufacturing Non-Durable	181.8	6.9	7,561	5.9
Mining	8.1	0.3	590	0.5
Construction	101.8	3.9	5,985	4.6
Transportation and Public Utilities	127.6	4.9	6,600	5.1
Trade	613.9	23.4	29,127	22.6
Finance, Insurance and Real Estate	156.2	5.9	7,407	5.7
Services	741.8	28.2	37,526	29.1
Government	366.5	14.0	19,819	15.3
Agriculture	67.2	2.6	3,378	2.6
Total	2,627.2	100.0	129,163	100.0

Sources: U.S. Employment — Standard & Poor's DRI, U.S. Central Data Bank.

Minnesota Employment — Minnesota Department of Jobs and Training, unpublished data, March 1999. Minnesota services data includes Indian gaming.

Minnesota employment data benchmarked to March 1998 levels.

Industry detail determined according to the Standard Industrial Code of 1987.

U.S. employment data benchmarked to March 1998 levels.

Minnesota agricultural employment: Unpublished estimate from the Minnesota Department of Jobs and Training.

U.S. agricultural employment: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, February 1999.

Columns may not add due to rounding.

TABLE 3
EMPLOYMENT IN DURABLE GOODS INDUSTRIES IN UNITED STATES AND MINNESOTA FOR 1998
(Thousands of Jobs)

Durable Goods	Minnesota	% of Total	U.S.	% of Total
Furniture, Lumber and Wood	27.4	10.4	1,343	12.0
Stone, Clay, Glass	10.3	3.9	563	5.0
Primary Metals	8.0	3.0	712	6.4
Fabricated Metals	37.5	14.3	1,501	13.4
Industrial Machinery	81.0	30.9	2,203	19.7
Electronic Equipment	34.5	13.2	1,704	15.3
Transportation Equipment	14.8	5.6	1,884	16.9
Instruments and Miscellaneous	48.8	18.6	1,260	11.3
Total	262.3	100.0	11,170	100.0

Sources: U.S. Employment — Standard & Poor's DRI, U.S. Central Data Bank.

Minnesota Employment — Minnesota Department of Jobs and Training, unpublished data.

Minnesota employment data benchmarked to March 1998. U.S. data benchmarked to March 1998. Both Minnesota and U.S. industry detail determined according to the Standard Industrial Code of 1987.

Columns may not add due to rounding.

TABLE 4
EMPLOYMENT IN NON-DURABLE GOODS INDUSTRIES IN UNITED STATES AND MINNESOTA FOR 1998
(Thousands of Jobs)

Non-Durable Goods(1)	Minnesota	% of Total	U.S.(1)	% of Total
Food and Kindred	53.1	29.2	1,686	22.3
Textiles and Apparel	6.2	3.4	1,361	18.0
Paper and Allied	30.5	16.8	675	8.9
Printing and Publishing	56.1	30.9	1,565	20.7
Chemical and Petroleum	13.5	7.4	1,183	15.6
Rubber and Leather	22.4	12.3	1,092	14.4
Total	181.8	100.0	7,562	100.0

Sources: U.S. Employment — Standard & Poor's DRI, U.S. Central Data Bank.

Minnesota Employment — Minnesota Department of Jobs and Training, unpublished data.

Minnesota data benchmarked to March 1998. U.S. data benchmarked to March 1998. Both Minnesota and U.S. industry detail determined according to the Standard Industrial Code of 1987.

(1) Excludes "Tobacco Products Manufacturing."

Columns may not add due to rounding.

TABLE 5
EMPLOYMENT MIX IN THE UNITED STATES AND MINNESOTA FOR 1980, 1990 AND 1998
(Thousands of Jobs)

	Minnesota					United States				
				% Change					% Change	
Category	1980	1990	1998	1980-1990	1990-1998	1980	1990	1998	1980-1990	1990-1998
Manufacturing Durable	225.7	231.5	262.3	2.6	13.3	12,159	11,109	11,170	–8.6	0.5
Manufacturing Non-Durable(1)	145.5	169.3	181.8	16.4	7.4	8,058	7,919	7,561	–1.7	–4.5
Mining	15.6	8.1	8.1	–48.1	0	1,027	709	590	–31.0	–16.8
Construction	76.5	79.5	101.8	3.9	28.1	4,346	5,119	5,985	17.8	16.9
Transportation and Public Utilities	99.1	109.5	127.6	10.5	16.5	5,146	5,777	6,600	12.3	14.2
Trade	442.8	519.5	613.9	17.3	18.2	20,310	25,774	29,127	26.9	13.0
Finance, Insurance and Real Estate	94.8	125.2	156.2	32.1	24.8	5,160	6,709	7,407	30.0	10.4
Services	369.7	549.2	741.8	48.6	35.1	17,890	27,934	37,526	56.1	34.3
Government	300.6	337.7	366.5	12.3	8.5	16,241	18,304	19,819	12.7	8.3
Agriculture	123.8	103.1	67.2	–16.7	–34.8	3,364	3,223	3,378	–4.2	4.8
Total	1,894.1	2,232.6	2,627.2	17.9	17.7	93,701	112,577	129,163	20.1	14.7

Sources: Minnesota 1980, 1990 and 1998 — Minnesota Department of Jobs and Training, unpublished data.

U.S. 1980, 1990 and 1998, Standard & Poor's DRI, U.S. Central Data Bank.

Minnesota employment data benchmarked to March 1998 levels. Minnesota services data includes Indian gaming. U.S. employment benchmarked to March 1998. Both Minnesota and U.S. industry detail determined according to the Standard Industrial Code of 1987.

Minnesota agricultural employment: Unpublished estimate from Minnesota Department of Jobs and Training. U.S. Agricultural employment: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, February 1999.

U.S. and Minnesota agricultural employment data for 1998 not necessarily comparable with earlier years because of changes in methodology.

(1) Excludes tobacco products manufacturing.

TABLE 6
MINNESOTA AND UNITED STATES PER CAPITA PERSONAL INCOME

Year	Minnesota	U.S.	Minnesota as % of U.S.
1980	$10,156	$10,062	100.9
1981	11,140	11,144	100.0
1982	11,768	11,715	100.5
1983	12,310	12,357	99.6
1984	13,975	13,571	103.0
1985	14,756	14,410	102.4
1986	15,526	15,106	102.8
1987	16,479	15,945	103.3
1988	17,115	17,038	100.5
1989	18,404	18,153	101.4
1990	19,348	19,156	101.0
1991	19,845	19,623	101.1
1992	21,126	20,547	102.8
1993	21,488	21,220	101.3
1994	22,802	22,056	103.4
1995	23,736	23,059	102.9
1996	25,235	24,164	104.4
1997	26,243	25,288	103.8
1998	27,510	26,412	102.8

Source: Standard & Poor's DRI, @ Markets Data Bank.

TABLE 7
PERSONAL INCOME GROWTH AND RESIDENT POPULATION FOR TWELVE STATE NORTH CENTRAL REGION
1980-1990 and 1990-1998

State	1980 Personal Income (Millions)	1990 Personal Income (Millions)	1980-1990 Average Annual Compound Rate of Increase (%)	Regional Rank 1980-1990	1998 Personal Income (Millions)	1990-1998 Rate of Increase (%)	Regional Rank 1990-1998	1990 Population (Thousands)	1990 Per Capita Personal Income ($)	1990 Regional Rank	1998 Population (Thousands)	1998 Per Capita Personal Income ($)	1998 Regional Rank
Illinois	126,030	234,590	6.41	7	347,784	5.04	6	11,447	20,494	1	12,045	28,873	1
Ohio	106,860	196,780	6.30	9	281,741	4.59	11	10,862	18,116	4	11,209	25,134	4
Michigan	95,310	174,100	6.21	10	253,841	4.83	10	9,311	18,699	3	9,817	25,857	3
Indiana	51,210	95,360	6.41	7	142,874	5.18	4	5,555	17,167	9	5,899	24,219	9
Wisconsin	46,640	86,730	6.40	8	131,001	5.29	3	4,902	17,692	6	5,224	25,079	5
Missouri	46,090	90,420	6.97	3	132,845	4.93	8	5,126	17,639	7	5,439	24,427	8
Minnesota	41,490	84,890	7.42	1	129,996	5.47	1	4,387	19,348	2	4,725	27,510	2
Iowa	27,669	46,933	5.43	11	68,483	4.84	9	2,780	16,885	10	2,862	23,925	10
Kansas	23,571	44,503	6.56	6	65,676	4.98	7	2,481	17,940	5	2,629	24,981	6
Nebraska	14,369	27,717	6.79	4	41,158	5.07	5	1,581	17,536	8	1,663	24,754	7
South Dakota	5,424	10,789	7.12	2	16,324	5.31	2	697	15,488	11	738	22,114	11
North Dakota	5,106	9,729	6.66	5	13,834	4.50	12	637	15,264	12	638	21,675	12

Source: Standard & Poor's DRI, @ Markets data bank.

TABLE 8
GROWTH OF PERSONAL INCOME BY STATES IN NORTH CENTRAL REGION(1)
1997-1998

Rank	State	Percent Growth
3	Kansas	5.31
11	Missouri	3.95
7	Illinois	4.76
12	Iowa	3.77
9	Ohio	4.17
8	Wisconsin	4.73
2	MINNESOTA	5.68
5	Indiana	5.00
10	Michigan	4.00
4	Nebraska	5.17
6	South Dakota	4.98
1	North Dakota	7.37
	REGION	4.58

Source: Standard & Poor's DRI, @ Markets data bank.

(1) Refer to Table 7 for Personal Income figures.

TABLE 9
NON-AGRICULTURAL EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION
(Thousands of Jobs)

State	1980 Employment	1990 Employment	1998 Employment	% Increase 1980-1990	1990-1998
Illinois	4,850.3	5,288.3	5,893.7	9.0	11.4
Ohio	4,367.4	4,882.3	5,474.7	11.8	12.1
Michigan	3,442.8	3,969.6	4,514.4	15.3	13.7
Indiana	2,129.4	2,521.9	2,917.8	18.4	15.7
Wisconsin	1,938.1	2,291.5	2,711.9	18.2	18.3
Missouri	1,969.8	2,345.0	2,686.6	19.0	14.6
MINNESOTA	1,770.2	2,129.5	2,560.0	20.3	20.2
Iowa	1,109.9	1,226.3	1,446.4	10.5	17.9
Kansas	944.7	1,088.5	1,312.2	15.2	20.6
Nebraska	627.6	730.1	875.3	16.3	19.9
South Dakota	238.0	288.7	361.3	21.3	25.1
North Dakota	245.2	265.9	317.7	8.4	19.5
Region	23,633.4	27,027.6	31,072.0	14.4	15.0

Source: Standard & Poor's DRI, @ Markets data bank. Minnesota employment data from Minnesota Department of Jobs and Training.

TABLE 10
MINNESOTA AND U.S. UNEMPLOYMENT RATES FOR 1997, 1998 AND THE FIRST FIVE MONTHS OF 1999 NOT SEASONALLY ADJUSTED(1)

Month	Minnesota	U.S.
1997		
January	4.4%	5.9%
February	4.0	5.7
March	3.8	5.5
April	3.6	4.8
May	2.8	4.7
June	3.7	5.2
July	3.0	5.0
August	2.8	4.8
September	3.2	4.7
October	2.7	4.4
November	2.5	4.3
December	2.6	4.4
Annual Average	3.3	4.9

Month	Minnesota	U.S.
1998		
January	3.5%	5.2%
February	3.2	5.0
March	3.1	5.0
April	2.6	4.1
May	2.0	4.2
June	2.9	4.7
July	2.1	4.7
August	2.0	4.5
September	2.8	4.4
October	2.1	4.2
November	2.1	4.1
December	2.2	4.0
Annual Average	2.5	4.5

Month	Minnesota	U.S.
1999		
January	3.2	4.8
February	2.8	4.7
March	2.6	4.4
April	2.2	4.1
May	2.0	4.0

(1) All unemployment data are based on the redesigned U.S. Bureau of the Census Current Population Survey (CPS).

Source: Minnesota data from Minnesota Department of Jobs and Training. U.S. data from Standard & Poor's DRI, U.S. Central data bank.

TABLE 11
MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500

Rank			Sales	Assets		Net Income	
98	97	Company	$000	$000	Rank	$000	Rank
30	34	Dayton Hudson	30,951,000	15,666,000	165	935,000	98
84	130	United Healthcare	17,355,000	9,701,000	222	(166,000)	470
86	80	Supervalu	17,201,400	4,093,000	359	230,800	295
103	89	Minnesota Mining & Mfg.	15,021,000	14,153,000	175	1,175,000	75
171	263	St. Paul Cos.	9,108,400	38,322,700	75	89,300	383
175	152	Northwest Airlines	9,044,800	10,280,800	216	(285,500)	475
193	194	Honeywell	8,426,700	7,170,400	261	572,000	154
195	199	Best Buy	8,358,200	2,056,300	448	94,500	379
215	228	U.S. Bancorp	7,664,000	76,438,000	43	1,327,400	61
272	284	General Mills	6,033,000	3,861,400	368	421,800	201
372	338	Nash Finch	4,160,000	825,100	499	(61,600)	451
453	438	Hormel Foods	3,261,000	1,555,900	464	139,300	340
483	483	Lutheran Brotherhood	3,026,600	18,239,800	149	91,200	382

Source: *Fortune* Magazine, dated April 26, 1999.

APPENDIX I

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:

Section 3. *Official Statement; Continuing Disclosure.*

3.01. *Official Statement.* The Official Statement relating to the Bonds dated August 1999 (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 initial purchasers of the Bonds designated in Section 12 hereof (the "Initial Purchasers") are authorized and directed to distribute the Official Statement to all persons to whom the Bonds are reoffered.

3.02. *Continuing Disclosure.*

(a) *General Undertaking.* On behalf of the State the Commissioner covenants and agrees with the Registered Owners from time to time of the Bonds to comply with Rule 15c2-12, paragraph (b)(5); and, for this purpose, to provide to nationally recognized municipal securities information repositories and any Minnesota state information depository, 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, 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, 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:

(1) On or before December 31 of each year, commencing in 1999 (each a "Reporting Date"):

(A) The general purpose financial statements of the State for the Fiscal Year ending on the previous June 30, prepared by the Department of Finance 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 submitted to each of the repositories referred to under this paragraph (b) or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. 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 a Material Fact (as defined in paragraph (2) hereof), 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 paragraph (b)(1) or subsection (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.

(2) In a timely manner, notice of the occurrence of any of the following events and which is a Material Fact (as hereinafter defined):

(A) Principal and interest payment delinquencies;

(B) Non-payment related defaults;

(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 or events affecting the tax-exempt status of the security;

(G) Modifications to rights to security holders;

(H) Bond calls;

(I) Defeasances;

(J) Release, substitution, or sale of property securing repayment of the securities; and

(K) Rating changes.

As used herein, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a “Material Fact” is also an event that 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 discovery of the occurrence of the event.

(3) 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 (1) of this paragraph (b) at the time specified thereunder;

(B) the amendment or supplementing of this Section 3.02 pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the State under subsection (d)(2);

(C) the termination of the obligations of the State under this Section 3.02 pursuant to subsection (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the information required under subparagraph (1) of this paragraph (b) are prepared; and

(E) any change in the fiscal year of the State.

(c) *Manner of Disclosure.* The Commissioner agrees to make available the information described in paragraph (b) to the following entities by telecopy, overnight delivery, mail or other means, as appropriate:

(1) the information described in subparagraph (1) of paragraph (b), to each then nationally recognized municipal securities information repository under Rule 15c2-12 and to any State information depository then designated or operated by the State of Minnesota as contemplated by Rule 15c2-12 (the “State Depository”), if any;

(2) the information described in subparagraphs (2) and (3) of paragraph (b), to the Municipal Securities Rulemaking Board and to the State Depository, if any; and

(3) 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 subparagraphs (1) or (2) of this paragraph (c), as the case may be, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(d) *Term; Amendments; Interpretation.*

(1) The covenants of the State in this Section 3.02 shall remain in effect so long as any Bonds 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.

(2) 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 (3) 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 (i) 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 (ii) 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 (i)(a) and assuming that Rule 15c2-12 is 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.

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.

(3) 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, may take whatever action at law or in equity 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 subsection (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.

The Commissioner of Finance is not in default of any continuing disclosure obligation with respect to any outstanding general obligation bond of the State.

APPENDIX J

Definition of Ratings

Moody's Investors Service, Inc.:

Aaa Bonds which are rated "Aaa" are judged to be of the best quality. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Standard & Poor's Ratings Group:

AAA Debt rated "AAA" has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

Fitch Investors Service, L.P.:

AAA Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal which is unlikely to be affected by reasonably foreseeable events.

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APPENDIX K
Form of Legal Opinion

The Honorable Pamela Wheelock
Commissioner of Finance
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $185,000,000 General Obligation State Various Purpose Bonds

Dear Madam:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Finance of the State of Minnesota on behalf of the State, preliminary to and in issuance of $185,000,000 General Obligation State Various Purpose Bonds dated August 1, 1999 (the Bonds). The 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, rules, regulations and judicial decisions now in effect, it is our opinion that:

1. The 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 Bonds (a) is not includable in gross income for federal income tax purposes or in 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; (c) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and (d) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes.

3. 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 Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes. Noncompliance by the State following the issuance of the Bonds with covenants made by the Commissioner of Finance in his Order authorizing the issuance of the Bonds relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for United States income tax purposes and in net taxable income for State of Minnesota income tax purposes, retroactive to the date of issuance of the Bonds. No provision has been made for an increase in the interest payable on the Bonds in the event that the interest payable thereon becomes includable in gross income for federal or State income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Bonds.

Dated: August , 1999.

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NOTICE OF SALE
$185,000,000 GENERAL OBLIGATION STATE VARIOUS PURPOSE BONDS
STATE OF MINNESOTA

Notice is hereby given that the Commissioner of Finance (the "Commissioner") of the State of Minnesota (the "State") will accept only electronic proposals for the purchase of $185,000,000 principal amount of General Obligation State Various Purpose Bonds of the State from 9:30 until 10:00 o'clock A.M., C.D.T. (10:30 until 11:00 o'clock A.M., E.D.T.), on Tuesday, August 3, 1999. Electronic proposals must be submitted to Dalcomp/Parity or MuniAuction (each, an "Approved Provider"). No other form of bid will be accepted. For purposes of the electronic bidding process, the time as maintained by each Approved Provider shall constitute the official time with respect to all bids submitted to such Approved Provider. The State reserves the right to amend this Notice of Sale, to postpone the sale to a later date or cancel the sale. Notice of a change or cancellation will be given not less than 24 hours in advance of the scheduled sale by notification published on Bloomberg Services. Such notice will specify any later date selected for the sale, which may be postponed or cancelled in the same manner.

If any provisions in this Notice of Sale conflict with information provided by an Approved Provider, this Notice of Sale shall control. Further information about the Approved Providers, including any fee charged, may be obtained from Dalcomp/Parity, 395 Hudson Street, New York, New York 10014, Jennifer Emery, 212-806-8360; or MuniAuction, Allegheny Building, Suite 1800, 429 Forbes Avenue, Pittsburgh, Pennsylvania 15219, David Hasenkopf, 412-391-7686 (Ext. 309).

Terms of Bonds:

The bonds will be dated August 1, 1999, and will bear interest from date of issue until paid or duly called for redemption at the annual rate or rates specified by the successful bidder, subject to the limitations specified below, payable semiannually on each February 1 and August 1, commencing February 1, 2000. The bonds of each maturity must bear interest from date of issue to maturity at a single, uniform rate, expressed in an integral multiple of 1/8 or 1/20 of 1% per annum, which does not exceed the rate specified for any subsequent maturity. The bonds will mature serially on August 1 in the following years and amounts:

Year	Amount	Year	Amount	Year	Amount	Year	Amount
2000	$12,250,000	2005	$ 9,250,000	2010	$ 7,500,000	2015	$ 7,500,000
2001	12,250,000	2006	9,250,000	2011	7,500,000	2016	7,500,000
2002	12,250,000	2007	9,250,000	2012	7,500,000	2017	7,500,000
2003	12,250,000	2008	9,250,000	2013	7,500,000	2018	7,500,000
2004	12,250,000	2009	11,750,000	2014	7,500,000	2019	7,500,000

Bonds maturing on or after August 1, 2010 will be subject to redemption and prepayment at the option of the State on August 1, 2009 and any interest payment date thereafter, at a price of par and accrued interest.

Form and Payment:

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 ("DTC"), which will act as securities depository for the bonds. DTC will record on its books and records the names and addresses of the financial institutions for which it holds the bonds of the various maturities (the "DTC Participants") at the written direction of the successful bidder. So long as DTC or its nominee is the registered owner of the bonds, principal and interest payments will be made to DTC for redistribution and disbursement by it to the DTC Participants. The State will not be responsible for the performance by DTC of its duties as securities depository. The successful bidder will be required to furnish to DTC within seven days after the sale the customary underwriter's questionnaire, CUSIP numbers for the bonds, and information as to each DTC Participant and the bonds to be held for it.

Official Statement:

The Commissioner has authorized the preparation and disbursement of a Preliminary Official Statement containing information relating to the bonds. The Preliminary Official Statement comprises the nearly-final Official Statement required by Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12 ("Rule 15c2-12").

The Preliminary Official Statement, when amended to reflect the interest rates specified by the purchaser and the price or yield at which the purchaser will initially offer the bonds for sale to the public, together with any other information required by law (the "Official Statement"), will constitute a "Final Official Statement" with respect to the bonds as that term is defined in Rule 15c2-12. No more than seven business days after the date of the sale, the State will provide without cost to the purchaser up to 500 copies of the Official Statement. If the sale of the bonds is awarded to a syndicate, the State will designate the senior managing underwriter of the syndicate as its agent for purposes of distributing copies of the Official Statement to each participating underwriter. Any underwriter submitting a bid with respect to the bonds agrees thereby that if its bid is accepted it shall accept such designation and shall enter into a contractual relationship with all participating underwriters for the purpose of assuring the receipt and distribution by each such participating underwriter of the Official Statement.

Continuing Disclosure:

In order to permit the underwriters purchasing the bonds to comply with paragraph (b)(5) of Rule 15c2-12, in the Order authorizing and ordering the issuance of the bonds the Commissioner will covenant and agree on behalf of the State, for the benefit of the holders from time to time of the bonds, to comply with Rule 15c2-12, paragraph (b) (5). A description of the Commissioner's undertaking is set forth in the Preliminary Official Statement.

Access to Information on Bloomberg and Internet:

This Notice of Sale and the Preliminary Official Statement referred to above are available on Bloomberg Services, TM3 and at the State Department of Finance's Web Presence on the Internet. The State Department of Finance's Internet address is **http://www.finance.state.mn.us.**

Delivery:

The State will furnish to DTC without cost to the purchaser not more than 30 days after the date of sale, the fully executed bonds registered in the name of Cede & Co., and will also furnish to the purchaser customary closing documents, including a certificate that there is no pending litigation affecting the validity of the bonds, the legal opinion of the State Attorney General as to the validity of the bonds, and the legal opinion of Messrs. Dorsey & Whitney LLP, bond counsel, as to the validity of the bonds and the tax exempt nature of the interest to be paid thereon, the form of which is set forth in the Preliminary Official Statement prepared for the bonds. Delivery will be made on a date selected by the State of which the purchaser will be given not less than five days' notice, in New York, New York, without charge, or elsewhere at the expense of the purchaser. Payment must be made in federal funds or other funds immediately available to the State on the day of delivery.

Bid Security Deposit:

A good faith deposit ("Deposit") in the form of a Financial Surety Bond in the amount of $925,000, payable to the order of the Minnesota State Treasurer is required for each bid to be considered. The Financial Surety Bond must be from an insurance company licensed to issue such a bond in the State of Minnesota, and must be submitted to the State prior to the deadline stated above for receiving bids. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. The successful bidder is required to submit its Deposit to the State in the form of a wire transfer in such amount, as instructed by the State not later than 3:30 o'clock P.M., C.D.T. on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the State to satisfy the Deposit requirement. No interest on the Deposit will accrue to the successful bidder. The Deposit will be applied to the purchase price of the bonds. In the event the successful bidder fails to honor its accepted bid, the Deposit will be retained by the State.

Registration to Bid:

The State does not have a registration process for prospective bidders. If registration is required by the Approved Provider which a prospective bidder intends to utilize for submission of a bid, then the prospective bidder must register directly with such Approved Provider. The State will not confirm any registrations. By registering to bid for the bonds, a prospective bidder is not obligated to submit a bid.

Bidding Process; Award:

Bids must be submitted electronically to an Approved Provider for the purchase of the bonds by means of the "State of Minnesota Bid Form." Each bid must be unconditional and received by an Approved Provider at or before the deadline stated above for receiving bids. No bid of more than $189,000,000.00 or less than $185,000,000.00 for principal, plus accrued interest from August 1, 1999 to the date of delivery, no bid submitted by means other than electronically through an Approved Provider, and no bid for less than all of the bonds described in this Notice, will be considered. Prior to the deadline set for receiving bids, an eligible prospective bidder may, subject to limitations which may be imposed by an Approved Provider, modify the proposed terms of its bid, in which event the proposed terms last modified will constitute its bid for the bonds, or, subject to limitations which may be imposed by an Approved Provider, withdraw its proposed bid. At the deadline stated above for receiving bids, the bidding process will close and each bid shall then constitute an irrevocable offer to purchase the bonds on the terms provided in this Notice of Sale. At the close of bidding, Approved Providers will communicate all bids electronically to the Department of Finance. The bid offering the lowest true interest cost and conforming to this Notice of Sale will be deemed most favorable. In case of identical low bids, and unless all bids are rejected, the State will select the successful bidder by lot. The State will award the bonds as soon as possible after bids have been received. The State reserves the right to reject any and all bids and to adjourn the sale.

No State Obligation or Liability:

Each prospective bidder shall be solely responsible to register to bid with an Approved Provider. Each prospective bidder shall be solely responsible to make necessary arrangements to access an Approved Provider's service for purposes of submitting its bid in a timely manner and in compliance with the Notice of Sale. The State shall have no duty or obligation to undertake such registration to bid for any prospective bidder or to provide or ensure such access to any qualified prospective bidder, and the State shall not be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by, an Approved Provider's service. The State is using the services of the Approved Providers as a communication mechanism to conduct the electronic bidding for the bonds, and the Approved Providers are not agents of the State or the State Department of Finance.

Additional Information:

Further information concerning the bonds may be obtained from Susan Gurrola at (651) 296-8373.

Pamela Wheelock
Commissioner of Finance
658 Cedar Street
400 Centennial Office Building
St. Paul, Minnesota 55155