NEW ISSUE – BOOK ENTRY ONLY **RATING BY S&P GLOBAL RATINGS: "AA+"**
See "RATING" herein

In the opinion of Kutak Rock LLP, Bond Counsel, under existing federal and Minnesota laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes, and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. For a discussion of tax matters see "TAX MATTERS" herein.

$52,515,000
STATE OF MINNESOTA
STATE GENERAL FUND VARIOUS PURPOSE APPROPRIATION BONDS,
TAXABLE SERIES 2021A

Dated: Date of delivery **Due: November 1, as shown on inside front cover**

THE STATE OF MINNESOTA (THE "STATE") IS ISSUING $52,515,000 STATE GENERAL FUND VARIOUS PURPOSE APPROPRIATION BONDS, TAXABLE SERIES 2021A (THE "BONDS"). THE BONDS ARE PAYABLE IN EACH FISCAL YEAR ONLY FROM AMOUNTS APPROPRIATED BY THE LEGISLATURE OF THE STATE OF MINNESOTA PURSUANT TO MINNESOTA STATUTES, SECTIONS 16A.968, 16A.963, 16A.964, AND 16A.966 (THE "ACTS"), AND ACCORDING TO THE TERMS OF AN ORDER OF THE COMMISSIONER OF MANAGEMENT AND BUDGET (THE "ORDER") FOR THE PAYMENT OF THE BONDS. NO OTHER REVENUES OR ASSETS OF THE STATE ARE PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS ARE NOT PUBLIC DEBT OF THE STATE SUBJECT TO CONSTITUTIONAL LIMITATIONS ON INDEBTEDNESS, AND THE FULL FAITH, CREDIT, AND TAXING POWERS OF THE STATE ARE NOT PLEDGED TO THE PAYMENT OF THE BONDS OR TO ANY PAYMENT THAT THE STATE AGREES TO MAKE UNDER THE ACTS AND THE ORDER. THE BONDS ARE NOT PAYABLE DIRECTLY, IN WHOLE OR IN PART, FROM A TAX OF STATEWIDE APPLICATION ON ANY CLASS OF PROPERTY, INCOME, TRANSACTION, OR PRIVILEGE. THE BONDS SHALL BE CANCELLED AND SHALL NO LONGER BE OUTSTANDING ON THE FIRST DAY OF A FISCAL YEAR FOR WHICH THE LEGISLATURE SHALL NOT HAVE APPROPRIATED AMOUNTS SUFFICIENT TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS. **AMOUNTS APPROPRIATED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS CONSTITUTE A CONTINUING APPROPRIATION THAT DOES NOT REQUIRE ANY FURTHER ACTION BY THE LEGISLATURE; HOWEVER, CONTINUING APPROPRIATIONS MAY BE REDUCED OR REPEALED IN THEIR ENTIRETY BY THE MINNESOTA LEGISLATURE. STATE APPROPRIATIONS, INCLUDING CONTINUING APPROPRIATIONS, ARE ALSO SUBJECT TO EXECUTIVE UNALLOTMENT, IN WHOLE OR IN PART, UNDER MINNESOTA STATUTES, SECTION 16A.152. (SEE "THE BONDS - NATURE OF OBLIGATION AND SOURCE OF PAYMENT FOR THE BONDS" HEREIN.)**

The Bonds will mature on November 1 in the years and amounts as shown in the back cover of this Official Statement. The Bonds are subject to optional redemption, at the option of the State as provided herein. See "THE BONDS - Redemption Provisions" herein.

The Bonds will be available 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. The Bank of New York Mellon Trust Company, N.A. is the Registrar and Paying Agent (the "Paying Agent") for the Bonds.

The Bonds are offered by the State subject to the legal opinions of Kutak Rock LLP, Bond Counsel, and of the State Attorney General as to the validity of the Bonds. Delivery will be made on or about Tuesday, November 2, 2021.

The date of this Official Statement is October 19, 2021.

$52,515,000
STATE OF MINNESOTA
STATE GENERAL FUND VARIOUS PURPOSE APPROPRIATION BONDS, TAXABLE SERIES 2021A

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

Maturity Schedule

Maturity (November 1)	Amount	Interest Rate	Price or Yield	CUSIP[1]
2022	$ 2,760,000	3.000%	0.200%	604146 FB1
2023	2,860,000	3.000%	0.450%	604146 FC9
2024	2,945,000	3.000%	0.750%	604146 FD7
2025	3,035,000	3.000%	1.000%	604146 FE5
2026	3,125,000	3.000%	1.200%	604146 FF2
2027	3,215,000	3.000%	1.400%	604146 FG0
2028	3,315,000	3.000%	1.570%	604146 FH8
2029	3,405,000	3.000%	1.720%	604146 FJ4
2030	3,515,000	3.000%	1.820%	604146 FK1
2031	3,620,000	3.000%	1.920%	604146 FL9
2032	1,860,000	2.100%	2.020%[2]	604146 FM7
2033	1,900,000	2.200%	2.120%[2]	604146 FN5
2034	1,945,000	2.300%	2.220%[2]	604146 FP0
2035	1,985,000	2.400%	2.320%[2]	604146 FQ8
2036	2,035,000	2.500%	2.420%[2]	604146 FR6
2037	2,085,000	2.600%	2.530%[2]	604146 FS4
2038	2,140,000	2.650%	2.580%[2]	604146 FT2
2039	2,195,000	2.650%	2.650%	604146 FU9
2041[3]	4,575,000	2.700%	2.700%	604146 FW5

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

(2) Priced to the call date of November 1, 2031.

(3) Subject to mandatory sinking fund redemption. (See "THE BONDS – Redemption Provisions" herein.)

STATE OF MINNESOTA OFFICIALS

GOVERNOR	Tim Walz
LIEUTENANT GOVERNOR	Peggy Flanagan
SECRETARY OF STATE	Steve Simon
STATE AUDITOR	Julie Blaha
ATTORNEY GENERAL	Keith Ellison
INTERIM LEGISLATIVE AUDITOR	Joel Alter

COMMISSIONER OF MANAGEMENT AND BUDGET

James D. Schowalter

TABLE OF CONTENTS

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

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

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

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

SUMMARY STATEMENT

The following information is furnished solely to provide limited introductory information regarding issuance of the $52,515,000 State General Fund Various Purpose Appropriation Bonds, Taxable Series 2021A (the "Bonds") issued by the State of Minnesota (the "State"), acting by and through the Commissioner of Management and Budget ("MMB") and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

Issuer:	State of Minnesota (the "State")
Authority for Issuance:	The Bonds are issued pursuant to Minnesota Statutes, Sections 16A.968 (the "Duluth Public Infrastructure Act"), 16A.963 (the "EV Infrastructure Act"), 16A.964 (the "Public TV Equipment Act"), and 16A.966 (the "Environmental Response Act", and together with the Duluth Public Infrastructure Act, the EV Infrastructure Act and the Public TV Equipment Act, the "Acts") and the Order of the Commissioner of Management and Budget for the Issuance and Sale of State General Fund Various Purpose Appropriation Bonds, Taxable Series 2021A (the "Order").
Security:	THE BONDS ARE PAYABLE IN EACH FISCAL YEAR ONLY FROM AMOUNTS APPROPRIATED BY THE LEGISLATURE OF THE STATE PURSUANT TO THE ACTS AND ACCORDING TO THE TERMS OF THE ORDER FOR THE PAYMENT OF THE BONDS. NO OTHER REVENUES OR ASSETS OF THE STATE ARE PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS ARE NOT PUBLIC DEBT OF THE STATE SUBJECT TO CONSTITUTIONAL LIMITATIONS ON INDEBTEDNESS, AND THE FULL FAITH, CREDIT, AND TAXING POWERS OF THE STATE ARE NOT PLEDGED TO THE PAYMENT OF THE BONDS OR TO ANY PAYMENT THAT THE STATE AGREES TO MAKE UNDER THE ACTS AND THE ORDER. THE BONDS ARE NOT PAYABLE DIRECTLY, IN WHOLE OR IN PART, FROM A TAX OF STATEWIDE APPLICATION ON ANY CLASS OF PROPERTY, INCOME, TRANSACTION, OR PRIVILEGE.
Purpose:	The Bonds are being issued for the purpose of (i) financing public infrastructure projects within the Duluth Regional Exchange District authorized and approved by the City of Duluth under Minnesota Statutes, Sections 469.50 to 469.54 (the "Duluth Project"), (ii) financing the cost of acquiring and installing electric vehicle charging infrastructure on state-owned property (the "EV Infrastructure Project"), (iii) financing the cost of acquiring and installing various items of capital equipment for public television stations (the "Public TV Project"), (iv) financing the cost of implementing removal or remedial actions permitted under Minnesota Statutes, Section 115B.17 to address risks to human health and environment at four contaminated sites (the "Environmental Response Project", and together with the Duluth Project, the EV Infrastructure Project and the Public TV Project, the "Projects"), and (v) financing the payment of the costs associated with the issuance of the Bonds.
Principal Amount:	Principal is payable annually on November 1 of the years 2022 through 2041.
Interest:	Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months, from the Dated Date (see below) of the Bonds. The interest is payable semiannually on each May 1 and November 1, commencing May 1, 2022.
Dated Date/Delivery Date:	Date of delivery is expected to be November 2, 2021.

Cancellation:	If the State legislature reduces or repeals the Continuing Appropriations (as defined herein) for payment of principal of and interest on the Bonds pursuant to any Act or in the event of an executive unallotment, in whole or in part, under Minnesota Statutes, Section 16A.152, the Bonds shall be cancelled and shall no longer be outstanding on the first day of the fiscal year for which the Legislature shall not have appropriated amounts sufficient for payment of principal of and interest on the Bonds, or from and after the date of such unallotment, as the case may be. Upon such cancellation, the Bonds no longer shall be outstanding and the State shall not be liable, obligated or in any way responsible for the payment of any principal of or interest on the Bonds coming due in succeeding fiscal years for which funds for such purposes have not been appropriated. The repeal or unallotment of the appropriations and the cancellation of the Bonds shall not constitute a default by the State in respect of the Bonds.
Denominations:	The Bonds will be issued in fully registered form in denominations of $5,000 and integral multiples thereof.
Book-Entry Bonds:	The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds.
Record Date:	The close of business on the 15th day (whether or not a business day) of the immediately preceding month.
Redemption Provisions:	The Bonds maturing on or after November 1, 2032 are subject to prior redemption at the option of the State in whole or in part at par plus accrued interest on any date on or after November 1, 2031. (See "THE BONDS – Redemption Provisions" herein.)
Continuing Disclosure:	See "THE BONDS - CONTINUING DISCLOSURE" and "APPENDIX F – CONTINUING DISCLOSURE UNDERTAKING."
Rating:	S&P Global Ratings assigned a rating of "AA+" to the Bonds. See "RATING" herein.
Registrar/Paying Agent/Disbursing Agent:	The Bank of New York Mellon Trust Company, N.A.
Legal Opinions:	The Bonds are approved as to validity by the State Attorney General and Kutak Rock LLP as Bond Counsel.
Additional Information:	Questions regarding this Official Statement should be directed to Jennifer Hassemer, Assistant Commissioner, Minnesota Management and Budget, email: jennifer.hassemer@state.mn.us, phone: (651) 201-8079, Jessica Cameron Mitchell, PFM Financial Advisors LLC, email: cameronj@pfm.com, phone: 612-371-3742 or Arcelia Detert, PFM Financial Advisors LLC, email: deterta@pfm.com, phone: 612-371-3749. Questions regarding legal matters should be directed to Gregory R. Dietrich, Kutak Rock LLP, email: Gregory.Dietrich@KutakRock.com, phone: (402) 346-6000 or David Murphy, Kutak Rock LLP, email: david.murphy@kutakrock.com, phone: (612) 334-5003.

$52,515,000
STATE OF MINNESOTA
STATE GENERAL FUND VARIOUS PURPOSE APPROPRIATION BONDS, TAXABLE SERIES 2021A

THE BONDS

General

This Official Statement, including the cover page and the Appendices (this "Official Statement"), has been prepared by the State of Minnesota Department of Management and Budget (the "Department" or "MMB") to furnish information relating to the $52,515,000 State General Fund Various Purpose Appropriation Bonds, Taxable Series 2021A (the "Bonds") of the State of Minnesota (the "State") to be dated the date of issuance, to prospective purchasers and actual purchasers of the Bonds. Prospective and actual purchasers should read this entire Official Statement.

Authorization and Purpose

The Bonds are being issued by the State, acting by and through its Commissioner of Management and Budget (the "Commissioner"), pursuant to an Order of the Commissioner (the "Order"), and Minnesota Statutes, Sections 16A.968 (the "Duluth Public Infrastructure Act"), 16A.963 (the "EV Infrastructure Act"), 16A.964 (the "Public TV Equipment Act"), and 16A.966 (the "Environmental Response Act", and together with the Duluth Public Infrastructure Act, the EV Infrastructure Act and the Public TV Equipment Act, the "Acts"), which authorize the State to issue bonds payable from amounts appropriated by the Legislature of the State for the purpose of (i) financing public infrastructure projects within the Duluth Regional Exchange District authorized and approved by the City of Duluth under Minnesota Statutes, Sections 469.50 to 469.54 (the "Duluth Project"), (ii) financing the cost of acquiring and installing electric vehicle charging infrastructure on state-owned property (the "EV Infrastructure Project"), (iii) financing the cost of acquiring and installing various items of capital equipment for public television stations (the "Public TV Project"), (iv) financing the cost of implementing removal or remedial actions permitted under Minnesota Statutes, Section 115B.17 to address risks to human health and environment at four contaminated sites (the "Environmental Response Project"), and together with the Duluth Project, the EV Infrastructure Project and the Public TV Project, the "Projects), (v) paying the costs associated with the issuance of the Bonds.

Proceeds of the Bonds will be deposited into the special appropriation Duluth regional exchange district bond proceeds fund, special appropriation electric vehicle infrastructure bond proceeds fund, special appropriation public television equipment bond proceeds fund, and special appropriation state response to release bond proceed fund established by the Acts (see "NATURE OF OBLIGATION AND SOURCE OF PAYMENT FOR THE BONDS—Bond Accounts").

According to the Duluth Public Infrastructure Act, bonds may be issued in amounts necessary to provide sufficient moneys to complete the Duluth Project, not to exceed $97,720,000 of net proceeds. The State previously issued bonds in November 2020 to finance $64,810,000 in project costs. The bonds issued may be issued in one or more series with the term of any series not to exceed 25 years.

According to the EV Infrastructure Act, bonds may be issued in amounts necessary to provide sufficient moneys to complete the EV Infrastructure Project, not to exceed $2,000,000 of net proceeds. The bonds issued may be issued in one or more series with the term of any series not to exceed 21 years.

According to the Public TV Equipment Act, bonds may be issued in amounts necessary to provide sufficient moneys to complete the Public TV Project, not to exceed $15,000,000 of net proceeds. The bonds issued may be issued in one or more series with the term of any series not to exceed 21 years.

According to the Environmental Response Act, bonds may be issued in amounts necessary to provide sufficient moneys to complete the Environmental Response Project, not to exceed $30,400,000 of net proceeds. The bonds issued may be issued in one or more series with the term of any series not to exceed 21 years.

Bond Terms

The Bonds mature on the dates and in the principal amounts and bear interest at the annual rates shown on the inside front cover page of this Official Statement. Such interest is computed on the basis of a 360-day year and twelve 30-day months. Interest on the Bonds is payable semiannually on each May 1 and November 1 to maturity or prior redemption, if any, commencing May 1, 2022, to the registered owner thereof as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day (the "Record Date"). If principal or interest is due on a date on which commercial banks are not open for commercial business, then payment will be made on the first day thereafter when such banks are open for business.

The Bonds are issued in book entry form and in denominations of $5,000 or multiples thereof of a single interest rate of a single maturity for each series of Bonds. The Bonds will be issued initially registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York ("DTC"), 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."

Redemption Provisions

Optional Redemption

The Bonds maturing on or after November 1, 2032, are each subject to redemption and prepayment at the option of the State on November 1, 2031, and on any date thereafter, in whole or in part, in such order as determined by the State and by lot within each maturity as selected by the Registrar (or, if applicable, by DTC in accordance with its customary procedure), in integral multiples of $5,000 at a price of par plus accrued interest to the date specified for redemption.

Mandatory Sinking Fund Redemption

The Bonds due November 1, 2041 are subject to mandatory redemption, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus interest accrued thereon to the redemption date, from sinking fund installments in the respective amounts and on each of the dates (including the final payment at maturity) set forth below:

Date (November 1)	Amount
2040	$ 2,255,000
2041 (Final Maturity)	2,320,000

Notices of Redemption

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

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

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

Sources and Uses of Funds

The following table presents the sources and uses of funds related to the Bonds.

Sources and Uses of Funds

	Duluth Project	EV Infrastructure Project	Public TV Project	Environmental Response Project	Total
Sources					
Par Amount of Bonds	$ 6,920,000	$ 1,875,000	$ 14,050,000	$ 29,670,000	$ 52,515,000
Reoffering Premium	259,175	150,800	1,129,521	1,111,872	2,651,368
Total Sources	$ 7,179,175	$ 2,025,800	$ 15,179,521	$ 30,781,872	$ 55,166,368
Uses					
Deposit to 2021A Construction Accounts[1]	$ 7,090,000	$ 2,000,000	$ 15,000,000	$ 30,400,000	$ 54,490,000
Deposit to 2021A Bond Accounts	1,037	1,919	571	3,975	7,502
Costs of Issuance[2]	88,138	23,881	178,950	377,897	668,866
Total Uses	$ 7,179,175	$ 2,025,800	$ 15,179,521	$ 30,781,872	$ 55,166,368

NATURE OF OBLIGATION AND SOURCE OF PAYMENT FOR THE BONDS[3]

General

Pursuant to the Acts, the Bonds are payable in whole or in part from moneys appropriated each fiscal year from the General Fund to the Commissioner, subject to repeal or unallotment under Minnesota Statutes, Section 16A.152, or cancellation, for deposit into the Series 2021A Bond Accounts, established for such purpose in the Special Appropriation Duluth Regional Exchange District Bond Proceeds Fund, Special Appropriation Electric Vehicle

[1] See "NATURE OF OBLIGATION AND SOURCES OF PAYMENT FOR THE BONDS – *Bond Accounts*" herein.
[2] Includes Underwriter's Discount on the Bonds.
[3] While the State has adopted the revised Article 9 of the Uniform Commercial Code that generally covers security interests created by government debtors, Minnesota Statutes, Section 475.78 provides that Article 9 does not apply to security interests created by the State (except security interests in equipment and fixtures).

Infrastructure Bond Proceeds Fund, Special Appropriation Public Television Equipment Bond Proceeds Fund, and Special Appropriation State Response to Releases Bond Proceeds Fund of the State.

The General Fund is comprised of numerous revenue sources, including tax revenues, unrestricted grants, certain fees and charges of State agencies and departments and investment income. (See "APPENDIX B – STATE FINANCES – GENERAL FUND REVENUE SOURCES" and table labeled "STATE OF MINNESOTA GENERAL FUND COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES".) The State has not pledged any particular source of revenue as security for the Bonds. Notwithstanding the availability of any revenue source, continuing appropriations ("Continuing Appropriations") such as those under the Act, are subject to legislative repeal or unallotment.

The Continuing Appropriations constitute a continuing appropriation that does not require any further action by the Legislature for payments to be made in future years. However, a current Legislature is prohibited by law from acting to bind any future Legislature, and so a continuing appropriation may be reduced or repealed entirely by the Legislature at any time. In addition, appropriations are subject to executive unallotment, in whole or in part. The Minnesota Supreme Court has held that such unallotment power may be used when a balanced budget for the biennium has been enacted and the Commissioner subsequently determines during such biennium that probable receipts for the General Fund will be less than anticipated. See "NATURE OF OBLIGATION AND SOURCE OF PAYMENT FOR THE BONDS – Certain Risks" below.

Other continuing appropriations from the General Fund include those authorized for the Department, the University of Minnesota and the Minnesota Housing Finance Agency, and for State lease payments for equipment and real estate. (See "APPENDIX C – STATE DEBT – Contingent Liabilities.") These continuing appropriations are distinguishable from State appropriations that require action by the Legislature on an annual or biennial basis. See "NATURE OF OBLIGATION AND SOURCE OF PAYMENT FOR THE BONDS – Certain Risks – Reduction or Repeal of Appropriation – Appropriations Other Than Continuing Appropriations" below. Continuing appropriations from the General Fund for payment of principal and interest have not previously been reduced or repealed by the Legislature.

THE BONDS ARE PAYABLE IN EACH FISCAL YEAR ONLY FROM AMOUNTS APPROPRIATED BY THE LEGISLATURE OF THE STATE PURSUANT TO THE ACTS AND ACCORDING TO THE TERMS OF THE ORDER FOR THE PAYMENT OF THE BONDS. NO OTHER REVENUES OR ASSETS OF THE STATE ARE PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS ARE NOT PUBLIC DEBT OF THE STATE SUBJECT TO CONSTITUTIONAL LIMITATIONS ON INDEBTEDNESS, AND THE FULL FAITH, CREDIT, AND TAXING POWERS OF THE STATE ARE NOT PLEDGED TO THE PAYMENT OF THE BONDS OR TO ANY PAYMENT THAT THE STATE AGREES TO MAKE UNDER THE ACT AND THE ORDER. THE BONDS ARE NOT PAYABLE DIRECTLY, IN WHOLE OR IN PART, FROM A TAX OF STATEWIDE APPLICATION ON ANY CLASS OF PROPERTY, INCOME, TRANSACTION, OR PRIVILEGE. *THE BONDS SHALL BE CANCELLED AND SHALL NO LONGER BE OUTSTANDING ON THE EARLIER OF (i) THE FIRST DAY OF A FISCAL YEAR FOR WHICH THE LEGISLATURE SHALL NOT HAVE APPROPRIATED AMOUNTS SUFFICIENT FOR PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS; (ii) THE DATE OF UNALLOTMENT; OR, (iii) THE DATE OF FINAL PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS.* AMOUNTS APPROPRIATED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS CONSTITUTE A CONTINUING APPROPRIATION THAT DOES NOT REQUIRE ANY FURTHER ACTION BY THE LEGISLATURE; HOWEVER, CONTINUING APPROPRIATIONS MAY BE REDUCED OR REPEALED IN THEIR ENTIRETY BY THE LEGISLATURE. STATE APPROPRIATIONS, INCLUDING CONTINUING APPROPRIATIONS, ARE ALSO SUBJECT TO EXECUTIVE UNALLOTMENT, IN WHOLE OR IN PART, UNDER MINNESOTA STATUTES, SECTION 16A.152. See "NATURE OF OBLIGATION AND SOURCE OF PAYMENT FOR THE BONDS – Certain Risks."

Bond Accounts

Duluth Project

The Order establishes a "Series 2021A (Duluth Regional Exchange District) Bond Account" (the "Duluth Bond Account") in the Special Appropriation Duluth Regional Exchange District Bond Proceeds Fund (the "Duluth Bond

Proceeds Fund") of the State created by the Duluth Public Infrastructure Act, into which are appropriated each year moneys received from the General Fund, as provided by the Duluth Public Infrastructure Act, and from which shall be paid the principal of and interest on the Bonds and all bonds thereafter issued which are made payable therefrom in accordance with law.

The Order also establishes a "Series 2021A (Duluth Regional Exchange District) Construction Account" (the "Duluth Construction Account") in the Duluth Bond Proceeds Fund, into which proceeds received from the purchaser of the Bonds shall be deposited and advanced by the Commissioner of the Department of Employment and Economic Development for a grant or grants to the City of Duluth for application to the Duluth Project in accordance with the Duluth Public Infrastructure Act, the Order and applicable legislative appropriations.

EV Infrastructure Project

The Order establishes a "Series 2021A (EV Infrastructure) Bond Account" (the "EV Infrastructure Bond Account") in the Special Appropriation Electric Vehicle Infrastructure Bond Proceeds Fund (the "EV Infrastructure Bond Proceeds Fund") of the State created by the EV Infrastructure Act, into which are appropriated each year moneys received from the General Fund, as provided by the EV Infrastructure Act, and from which shall be paid the principal of and interest on the Bonds and all bonds thereafter issued which are made payable therefrom in accordance with law.

The Order also establishes a "Series 2021A (EV Infrastructure) Construction Account" (the "EV Infrastructure Construction Account") in the EV Infrastructure Bond Proceeds Fund, into which proceeds received from the purchaser of the Bonds shall be deposited and applied by the Commissioner of Administration to the EV Infrastructure Project in accordance with the EV Infrastructure Act, the Order and applicable legislative appropriations.

Public TV Project

The Order establishes a "Series 2021A (Public TV Equipment) Bond Account" (the "Public TV Equipment Bond Account") in the Special Appropriation Public Television Equipment Bond Proceeds Fund (the "Public TV Equipment Bond Proceeds Fund") of the State created by the Public TV Equipment Act, into which are appropriated each year moneys received from the General Fund, as provided by the Public TV Equipment Act, and from which shall be paid the principal of and interest on the Bonds and all bonds thereafter issued which are made payable therefrom in accordance with law.

The Order also establishes a "Series 2021A (Public TV Equipment) Construction Account" (the "Public TV Equipment Construction Account") in the Public TV Bond Proceeds Fund, into which proceeds received from the purchaser of the Bonds shall be deposited and advanced by the Commissioner of the Administration for a grant or grants to public television stations in the State for application to the Public TV Project in accordance with the Public TV Equipment Act, the Order and applicable legislative appropriations.

Environmental Response Project

The Order establishes a "Series 2021A (Environmental Response) Bond Account" (the "Environmental Response Bond Account", and together with the Duluth Bond Account, the EV Infrastructure Bond Account and the Public TV Bond Account, the "2021A Bond Accounts") in the Special Appropriation State Response to Releases Bond Proceeds Fund (the "Environmental Response Bond Proceeds Fund") of the State created by the Environmental Response Act, into which are appropriated each year moneys received from the General Fund, as provided by the Environmental Response Act, and from which shall be paid the principal of and interest on the Bonds and all bonds thereafter issued which are made payable therefrom in accordance with law.

The Order also establishes a "Series 2021A (Environmental Response) Construction Account" (the "Environmental Response Construction Account", and together with the Duluth Construction Account, the EV Infrastructure Construction Account and the Public TV Equipment Construction Account, the "2021A Construction Accounts") in the Environmental Response Bond Proceeds Fund, into which proceeds received from the purchaser of the Bonds shall be deposited and applied by the Commissioner of the Pollution Control Agency to the Environmental Response Project in accordance with the Environmental Response Act, the Order and applicable legislative appropriations.

Pursuant to the Continuing Appropriations made by the Acts, there shall be credited to the 2021A Bond Accounts on or after July 1 in each year, from the General Fund in the State Treasury, an amount sufficient with the balance then on hand in each such 2021A Bond Account to pay all principal and interest then due and to become due on the next succeeding May 1 and November 1 on all Bonds, provided that such appropriations shall be subject to (a) repeal by the Legislature, (b) unallotment under Minnesota Statutes, Section 16A.152 or (c) cancellation. The Bonds shall be cancelled and shall no longer be outstanding upon such repeal or unallotment in accordance with each Act and by the Order.

On or before each May 1 and November 1, commencing May 1, 2022, and provided that the Continuing Appropriations for the year of payment have not been reduced, repealed or unallotted under Minnesota Statutes, Section 16A.152, and the Bonds have not been cancelled pursuant to any Act and the Order, the Commissioner shall transmit to the Registrar from the Duluth Bond Proceeds Fund, the EV Infrastructure Bond Proceeds Fund, the Public TV Equipment Bond Proceeds Fund and the Environmental Response Bond Proceeds Fund of the State in the General Fund, moneys sufficient to pay all principal and interest due on the Bonds issued pursuant to the Acts and the Order on such date.

In addition, at such time as the Commissioner determines construction of a Project has been completed, amounts remaining on deposit in the related 2021A Construction Account, if any, shall be deposited into the related 2021A Bond Account.

Certain Risks

Either (i) a legislative repeal of the Continuing Appropriations for payment of principal of and interest on the Bonds established by the Acts or (ii) an executive unallotment, in whole or in part, of the Continuing Appropriations could result in the cancellation of the Bonds without recourse by the Bondholder for any additional payments of principal of or interest on the Bonds and without any obligation by the State to make any such additional payments. See "Cancellation of Bonds Prior to Maturity" below.

The State's obligation to make payments on the Bonds is not a general or moral obligation of the State; rather the State is obligated to make payments only to the extent moneys are appropriated from time to time for such purpose.

Reduction or Repeal of Appropriation

Continuing Appropriations. The Continuing Appropriations constitute a continuing appropriation that does not require any further action by the Legislature for payments to be made in future years. However, as provided by the Act and otherwise pursuant to Minnesota law, a continuing appropriation may be reduced or repealed entirely by the Legislature. There can be no assurance by the State that the Legislature will not reduce or repeal the Continuing Appropriations, resulting in cancellation of the Bonds as described below.

Appropriations Other Than Continuing Appropriations. Certain State appropriations (other than the Continuing Appropriations) for limited payment obligations of the State are not continuing appropriations and, thus, require action by the Legislature on an annual or biennial basis. In the past, the Legislature has failed to make appropriations as necessary to pay in full debt service on State or other obligations, including in 1980 and 1981, when an appropriation to the Minnesota State Zoological Board (the "Zoo Board") of net revenues of a zoo ride facility were insufficient to allow the Zoo Board to make payments pursuant to an installment purchase agreement, which payments had been assigned to holders of certificates of participation in such agreement. In 1989, the Legislature declined to appropriate funds to St. Cloud State University as necessary to make certain payments under an energy services agreement, which payments had been assigned to an indenture trustee as security for the payment of principal of and interest on industrial development revenue bonds issued by the City of St. Cloud, Minnesota. On May 25, 2017 the Legislature adjourned the 2017 special legislative session having adopted legislation that included appropriations to the House and Senate for fiscal years 2018 and 2019. On May 30, 2017 the Governor of the State of Minnesota (the "Governor") line-item vetoed these appropriations, which had included the funds necessary for the Senate to make rental payments under a Lease-Purchase Agreement (the "Lease"), which payments had been assigned to the holders of certificates of participation in such Lease (the "Certificates"). The failure to make such an appropriation represented an event of nonappropriation under the Lease, but the Lease Term was never terminated and the Certificates were not called for extraordinary mandatory redemption. Legislation adopted in the 2018 Regular Legislative Session, and signed into law by the Governor, appropriated funds to the House and Senate for fiscal years 2018 and 2019, thus restoring funding needed to make the rental payments under the Lease. As a result of this appropriation, there was no longer an event of nonappropriation under the Lease and the Lease remains in full force and effect.

As previously stated, the limited payment obligations of the State described in this section were not continuing appropriations and, unlike the Bonds, required affirmative action by the Legislature on an annual or biennial basis for State payments to be made in respect of said obligations.

Unallotment. The Continuing Appropriations are subject to executive unallotment, in whole or in part, under Minnesota Statutes, Section 16A.152. Article XI, Section 6 of the Minnesota Constitution requires a balanced budget for the State. Pursuant to such requirement, Minnesota law requires the Governor to submit a proposed State budget to the Legislature by the end of January of each odd-numbered year for that year and the ensuing even-numbered year (such years together, the "biennium"). On July 1 of each odd-numbered year, the Commissioner transfers to the Budget Reserve Account within the General Fund (the "Budget Reserve") any amounts specifically appropriated by law to such Budget Reserve. Pursuant to Minnesota Statutes, Section 16A.152, if the Commissioner determines that probable receipts for the General Fund will be less than anticipated, and that the amount available for the remainder of the biennium will be less than needed, the Commissioner, with the approval of the Governor, may use amounts in the Budget Reserve to balance the State budget. Section 16A.152 further permits the Commissioner, with the approval of the Governor, to "unallot" funds as follows:

(a) An additional deficit shall, with the approval of the Governor, and after consulting the Legislative Advisory Commission, be made up by reducing unexpended allotments of any prior appropriation or transfer. Notwithstanding any other law to the contrary, the Commissioner is empowered to defer or suspend prior statutorily created obligations which would prevent effecting such reductions.
(b) If the Commissioner determines that probable receipts for any other fund, appropriation, or item will be less than anticipated, and that the amount available for the remainder of the term of the appropriation or for any allotment period will be less than needed, the Commissioner shall notify the agency concerned and then reduce the amount allotted or to be allotted so as to prevent a deficit.
(c) In reducing allotments, the Commissioner may consider other sources of revenue available to recipients of State appropriations and may apply allotment reductions based on all sources of revenue available.

During and after the legislative sessions, revenues are updated to reflect legislative actions that have a direct impact on State revenues and changes in economic conditions that may materially affect the results of previous revenue forecasts. If, during the course of the fiscal year, the Commissioner discovers that probable revenues will be less than anticipated, the Commissioner, with the approval of the Governor, and after consulting with the Legislative Advisory Commission, is required to first, reduce the amount in the Budget Reserve, and second, reduce allotments as necessary to balance expenditures and revenues forecast for the then current biennium. The Governor also has the authority to request legislative actions to provide additional sources of revenue, but such requests do not relieve the Commissioner of his obligation to reduce allotments to State agencies.

The executive branch has imposed unallotments in prior fiscal years, but not with respect to the payment of debt service. Over the past twenty years, the unallotment procedure has been used as follows: $281 million of unallotments in 2003; $271 million of unallotments in 2008; and $2.68 billion of unallotments in 2009. The 2009 unallotment was unique in that it resulted from the passage of appropriation bills for the fiscal biennium, but the then-Governor vetoed a tax bill that would have balanced the biennial budget by raising revenues and shifting payments. In litigation challenging the 2009 unallotments, the Minnesota Supreme Court concluded that unallotment could not be used to balance the budget for an entire biennium when balanced spending and revenue had not been agreed upon by the legislature and the Governor. The legislature and Governor subsequently agreed to a balanced budget for the biennium. While appropriations from the General Fund for payment of debt service have not previously been unallotted, there can be no assurance by the State that unallotment of the Continuing Appropriations will not be imposed in any future year, resulting in cancellation of the Bonds as described below.

Cancellation of Bonds Prior to Maturity. If the Legislature reduces or repeals the Continuing Appropriations, or in the event of an executive unallotment, in whole or in part, under Minnesota Statutes, Section 16A.152, the Bonds shall be cancelled and shall no longer be outstanding on the first day of the fiscal year for which the Legislature shall not have appropriated amounts sufficient for payment of principal of and interest on the Bonds, or from and after the date of such unallotment, as the case may be. Upon such cancellation, the Bonds no longer shall be outstanding, and the State shall not be liable, obligated or in any way responsible for the payment of any principal of or interest on the Bonds coming due in succeeding fiscal years for which funds for such purposes have not been appropriated. The cancellation of the Bonds shall not constitute a default by the State in respect of the Bonds. Although there can be no assurance by the State that the Legislature or the executive branch will not take action resulting in cancellation of the Bonds as described herein, no bonds issued by the State have ever previously been cancelled by reason of any such action.

Other Risks

There can be no assurance that other events outside the control of the Commissioner, such as a temporary State government shutdown, will not affect the ability of the Commissioner to make timely payments of principal of and interest on the Bonds. However, such events (other than reduction, repeal or unallotment of the Continuing Appropriations as described above) would not result in cancellation of the Bonds as described above. (See "APPENDIX B – STATE FINANCES.")

POSSIBLE SPECIAL LEGISLATIVE SESSION

Minnesota Laws 2021, 1st Special Session, Chapter 14 established a Frontline Worker Pay Working Group to make recommendations to the Legislature on the disbursement of $250,000,000 in direct financial support from federal American Rescue Plan Act state fiscal recovery funds to frontline workers impacted by the COVID-19 Pandemic, including but not limited to long-term care workers. In making its recommendations, the working group is directed to consider factors such as a worker's increased financial burden and increased risk of virus exposure due to the nature of their work. The nine-person working group, comprised of three members appointed by the Senate, three members appointed by the House, and three members appointed by Governor Walz, was to submit proposed legislative language to implement its recommendations to the Governor, Speaker of the House, and Senate Majority Leader by September 6, 2021, although as of the date of this Official Statement, no such proposals have been submitted. For the working group to adopt a recommendation, seven of nine members must vote to approve it. If seven of nine members do not approve a single recommendation, then the working group may present up to three drafts of legislation implementing potential options. Any legislative action on those recommendations would require a special legislative session, which can only be called by Governor Walz.

As of the date of this Official Statement, the Governor has outlined additional issues to take up during a possible special legislative session, including drought relief and pandemic response measures.

A majority of the State has experienced severe or extreme drought during the Summer and Fall, with livestock and specialty crop farmers being most impacted. The Governor outlined various priorities for a drought relief package for enactment during a special legislative session, with an estimated cost of at least $23.3 million. These proposals include relief to livestock and specialty crop producers, dealing with the economic impacts of drought and wildfires, helping communities address water use and supply, and addressing forestry challenges that have impacted reforestation on state and private lands. The House and Senate are also working on disaster relief proposals with details of their plans yet to be announced.

The Governor's proposed pandemic response measures would include waivers and additional flexibility to allow hospitals, nursing homes and childcare centers to respond to the ongoing COVID-19 Pandemic, as well as policies to keep students and teachers, seniors, and communities safe during the ongoing COVID-19 Pandemic. (See "APPENDIX B – STATE FINANCES – COVID-19 PANDEMIC AND EXECUTIVE PEACETIME EMERGENCY ORDERS" for additional information on the State's response to the COVID-19 Pandemic.)

No assurance can be given that the Frontline Worker Pay Working Group will submit legislative recommendations as contemplated, that Minnesota Governor Walz will actually convene a special session, or that any proposed legislation described above would actually be considered in any such special session, that other legislation might not also be introduced during any such special session, or that any proposed legislation considered during such special session would actually be approved by the legislature or signed or vetoed by the Governor.

FUTURE FINANCINGS

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

Pursuant to Minnesota Statutes, Section 16A.99, the Commissioner of Management and Budget may issue refunding bonds to refinance the callable maturities totaling $357,055,000 of the originally issued $601,555,000 State General Fund Appropriation Refunding Bonds, Tax-Exempt Series 2012B. The State anticipates issuing refunding bonds for this purpose in the Winter of 2022.

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

BOOK ENTRY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TAX MATTERS

General Matters. Bond Counsel is of the opinion that interest on the Bonds is included in gross income for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Bonds.

In general, interest paid on the Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium. Such premium may generally be amortized under the constant yield method upon prior election permitted by Section 171(c) of the Code and, if so amortized, any call options of the State with respect to the Bonds are generally disregarded such that the instruments are amortized to their maturity date. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizing bond premium that reduces interest payments under Section 171 of the Code. Investors of any Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Market Discount. An investor that acquires a Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section

1276 of the Code, the owner of such a Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Bonds and to gain on the sale of a Bond.

Sales or Other Dispositions. If an owner of a Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding. An owner of a Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Bonds, if such owner, upon issuance of the Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid and original issue discount accruing on Bonds owned by foreign investors. In those instances in which payments of interest on the Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. Unrelated business taxable income generally means the gross income derived by an organization from any unrelated trade or business as defined in Section 513 of the Code. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities whose underlying assets are considered to include "plan assets" (within the meaning of 29 C.F.R. Section 2510.3 (as modified by Section 3(42) of ERISA), such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans" and together with arrangements that are subject to Section 4975 of the Code or similar provisions under any other federal, state, local, non-United States or other laws or regulations or similar law, as applicable, "Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the State or conduit borrower, if any, of the Bonds or any dealer of the Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Bonds are acquired by such plans or arrangements with respect to which the State or any conduit borrower of the Bonds or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Bonds. The sale of the Bonds to a Plan is in no respect a representation by the State or conduit borrower, if any, of the Bonds or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Neither the State or conduit borrower, if any, of the Bonds nor the Underwriter is acting as a fiduciary, or undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, to such purchaser or transferee with respect to the decision to purchase or hold the Bonds or an interest in the Bonds.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed on persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Bonds on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any similar laws to such investment and whether an exemption would be applicable to the purchase and holding of the Bonds.

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

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

LEGAL OPINION

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

FINANCIAL INFORMATION

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

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

LITIGATION

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

While at any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State's expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 19 to the State Financial Statements for Fiscal Year Ended June 30, 2020, included as APPENDIX E hereto, and additional actions, if any, discussed below, no pending actions are likely to have a material adverse effect in excess of $15 million on the State's expenditures or revenues during the Current Biennium.

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

Murphy, et al. v. Minnesota Department of Human Services (DHS) et al. (United States District Court, District of Minnesota). The parties are currently conducting Court-ordered supplemental discovery, and the Court has scheduled the case to be trial-ready on May 16, 2022, absent settlement.

State of Texas et al. v. United States of America et al. (United States District Court, Northern District of Texas; United States Court of Appeals for the Fifth Circuit; United States Supreme Court). On June 17, 2021 the U.S. Supreme Court reversed the Fifth Circuit's decision and held that neither the plaintiff states nor the individual plaintiffs had standing to pursue their claims. Although the Supreme Court did not address the main issue in the case – that is, whether the entire ACA was rendered unconstitutional when Congress eliminated the tax for not obtaining health insurance – the result of its decision left the ACA in place. Federal funding of programs created by the ACA was at risk had Plaintiffs' suit been successful. MinnesotaCare is Minnesota's Basic Health Program, a program primarily funded by the ACA.

Feeding Our Future v. Minnesota Department of Education (MDE), et. al. (Ramsey County District Court). The Minnesota Department of Education is the state agency assigned to administer the United States Department of Agriculture's food programs for children from low-income households, including the Child and Adult Care Food Program and the Summer Food Service Program. Plaintiff, a sponsor for these programs, sued MDE alleging that MDE failed to properly administer the programs. The causes of action seeking payment of damages include breach of contract, tortious interference with contracts, violations of the Minnesota Human Rights Act, violations of state and federal substantive and procedural due process, and defamation. As part of its initial disclosures, Plaintiff claimed

MDE's conduct entitled it to money damages in excess of $15 million. The case is in the discovery phase with trial currently scheduled to occur sometime during the court's April 11, 2022 to April 29, 2022 trial block.

Joseph Walsh, et al. v. State of Minnesota (Minnesota Supreme Court). County Attorney Walsh and Sheriff Lorge are defendants in a federal lawsuit brought by the Mille Lacs Band of Ojibwe that challenges their prosecutorial and law-enforcement actions taken on behalf of the State in their official capacities, and seeks recognition of a reservation the Band ceded in 1863 and 1864 treaties. Appellants filed this lawsuit against the State of Minnesota, demanding that the State defend and indemnify them instead of their county employer. The district court granted the State's motion to dismiss because Minnesota law clearly makes counties responsible for defending and indemnifying their officials. The county attorney and county sheriff appealed. The MN Court of Appeals affirmed on May 10, 2021. A Petition for Review is now pending with the MN Supreme Court. The ramifications of a loss would cost the state well over $15 million because of the cost to defend and indemnity county actions.

CONTINUING DISCLOSURE

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

UNDERWRITER

The Bonds were offered by the State at a competitive sale on October 19, 2021, in accordance with and subject to the Official Notice of Sale appearing in the Preliminary Official Statement dated October 12, 2021. The interest rates shown on the inside cover page of this Official Statement will be the interest rates that resulted from the award of the Bonds at the competitive sale. The initial prices or yields shown on the inside cover page of this Official Statement are based solely on information supplied to MMB by the successful bidder, Robert W. Baird & Co., Inc. (the "Underwriter"). Any other information concerning the terms of offering of the Bonds, if any, should be obtained from the Underwriter and not from MMB. The Underwriter purchased the Bonds at a purchase price of $54,612,502.10, reflecting an underwriter's discount of $553,866.25 from the reoffering yields and prices set forth in the inside front cover of this Official Statement.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC (the "Municipal Advisor") is serving as municipal advisor to the State in connection with the issuance of the Bonds. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Municipal Advisor does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies on the Bonds. The Municipal Advisor is not obligated to undertake to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement.

RATING

S&P Global Ratings ("S&P") (the "Rating Agency") assigned its "AA+" rating to the Bonds.

A credit rating is not a recommendation to buy, sell or hold securities, and such ratings may be subject to revision or withdrawal at any time. The rating by the Rating Agency of the Bonds reflects only the views of such Rating Agency, and any desired explanation of the significance of such rating and any outlooks or other statements given by such Rating Agency with respect thereto should be obtained from the Rating Agency.

Except as may be required by the Undertaking as defined above under the heading "CONTINUING DISCLOSURE," the State undertakes no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

There is no assurance that the initial ratings assigned to the Bonds will continue for any given period of time or that any of such ratings will not be revised downward, suspended or withdrawn entirely by the Rating Agency. Any such downward revision, suspension or withdrawal of such rating may have an adverse effect on the availability of a market for or the market price of the Bonds.

AUTHORIZATION OF OFFICIAL STATEMENT

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

By: /s/ James D. Schowalter
Commissioner of Management and Budget
State of Minnesota

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APPENDIX A

STATE GOVERNMENT AND FISCAL ADMINISTRATION

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APPENDIX A

STATE GOVERNMENT AND FISCAL ADMINISTRATION

Table of Contents

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STATE GOVERNMENT AND FISCAL ADMINISTRATION

State Government

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

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

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

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

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

Fiscal Administration

The Commissioner of the Department of Minnesota Management and Budget ("Management and Budget" or "MMB") is designated by statute as the chief accounting officer, the principal financial officer, and the State controller and is assigned responsibility for the administration of the financial affairs of the State. The Commissioner is also responsible for human resource management, employee insurance and collective bargaining on behalf of the State as an employer. Included in the financial duties of the Commissioner of Management and Budget are:

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

Accounting System

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

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

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

Financial Reporting

State law requires the Commissioner of Management and Budget to prepare a comprehensive financial report for each fiscal year of the State in conformance with generally accepted accounting principles by the December 31 following the end of the fiscal year. These reports are audited by the Legislative Auditor. The Legislative Auditor's opinion and the Fiscal Year 2020 basic financial statements are presented in APPENDIX E and general long-term debt unaudited schedules are presented in APPENDIX C.

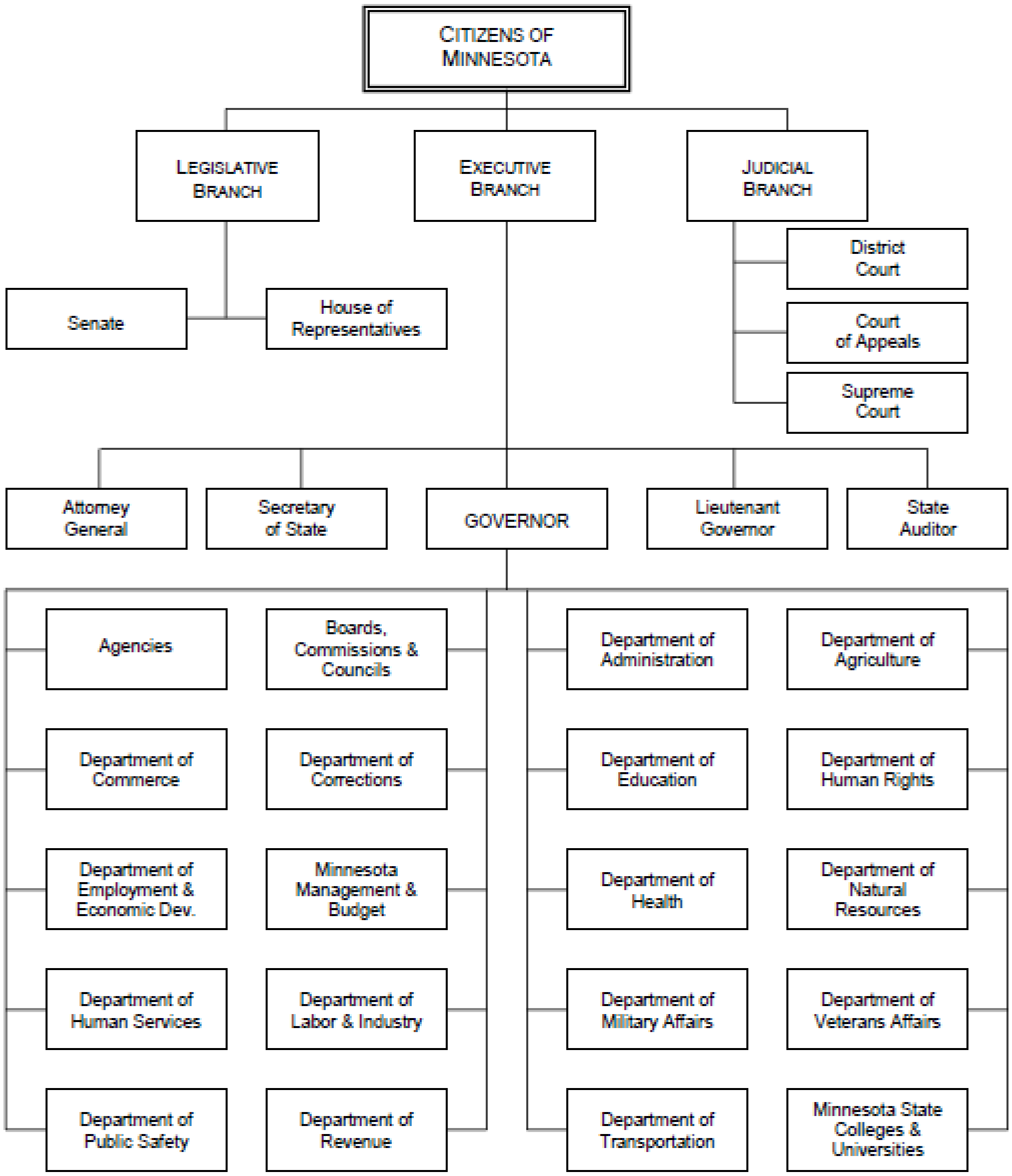
Investments

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

- Invested Treasury Cash — temporary investment of a pool of cash, not immediately needed, from funds other than funds dedicated by the State constitution, State law, or by federal law.
- Highway Funds — temporary investment of bond proceeds and receipts not immediately needed.
- Various retirement funds — investment of assets and reserves.
- Trust Funds — investment of assets and reserves.
- Other departmental funds.

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

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



Revenues

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

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

Audit Control Procedures

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

Status of Collective Bargaining and Compensation Plans

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

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

INFORMATION ON EXECUTIVE BRANCH STATE BARGAINING UNITS

Unit	Employees as of May 2021
American Federation of State, County and Municipal Employees (AFSCME) (7 bargaining units)	16,139
MN Association of Professional Employees (MAPE)	15,020
Middle Management Association (MMA)	3,213
MN Government Engineers Council (MGEC)	1,124
MN Nurses Association (MNA)	840
MN Law Enforcement Association (MLEA)	764
State Residential Schools Education Association (SRSEA)	172
State College Faculty Association (MSCF)	3,463
State University Interfaculty Organization (IFO)	2,625
State University Admin and Service Faculty (MSUAF)	780
Total Represented Employees	44,140
Total State Employment	49,280
Percent of All Executive Branch Employees Unionized	90%

Previous Biennium labor contracts for all Executive Branch bargaining units expired on June 30, 2021. By statute, these contracts remain in effect until subsequent agreements are reached or contracts are cancelled when the right to strike matures. As of the date of this Official Statement, the legislative subcommittee on employee relations has given interim approval to the State's agreements with all of the AFSCME bargaining units and MAPE for the Current Biennium, which will require ratification by the full Legislature in 2022. The State is currently in contract negotiations with MMA, MNA, MGEC, SRSEA, MSCF, IFO, and MUSAF for employees in the Executive Branch for the Current Biennium. The legislative subcommittee on employee relations has also given interim approval to the State's agreement with MLEA for the 2019-2021 collective bargaining agreement, which will require ratification by the full Legislature in 2022; MLEA is the only remaining bargaining unit without a settlement for the Previous Biennium.

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

Cybersecurity

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

The Office of Minnesota Information Technology Services ("MNIT") is led by a Chief Information Officer, a Chief Information Security Officer, and Chief Business Technology Officers, who support individual state agency leadership. MNIT is responsible for maintaining the cybersecurity program, and among other duties, serving as a cyber risk advisor to the executive branch and training on cybersecurity practices, and has further implemented multifactor authentication and expanded and enhanced secure teleworking capabilities for the State's workforce in response to the COVID-19 pandemic. During the 2019 Legislative Sessions, the Legislature appropriated an additional $5 million dollars per year to MNIT on an ongoing basis from the State's General Fund to support enhancements to the State's cybersecurity capabilities.

To provide advice and recommendations for improving the state of IT for Minnesotans, the Governor established a Blue Ribbon Council on Information Technology ("Council") in February 2019 consisting of executive branch representatives, county IT leaders, union representation, IT experts from the private sector, and state legislators. In June 2020, the Council published a consensus report listing 24 recommendations related to topics including data privacy, cybersecurity, information technology systems modernization, and organizational change management. Recommendations include adding a chief privacy officer outside of MNIT to coordinate and support the development and application of a consistent approach to data privacy across state agencies; establishing a legislative coordinating committee focused on IT-related issues; creating an enterprise-wide data management and governance framework; and developing a consistent and long-term IT funding strategy. The Council issued a subsequent report in February 2021 providing an update on the progress made on the June 2020 recommendations. The newest report emphasized the continuing importance of the key themes from 2020 including modernization, cybersecurity, and data management and privacy. It also included six new recommendations focusing on innovation, change management, collaboration and developing self-service opportunities, including MNIT sponsoring an inter-agency working group to identify pilot projects and support for the recommendations of the Governor's Task Force on Broadband implementation.

The 2021 Legislature passed legislation creating a new legislative commission on cybersecurity, consisting of 4 senators and 4 representatives, which will meet at least three times per year. The commission will provide oversight of the State's cybersecurity measures, review State agency cybersecurity policies and practices, and can recommend changes in policy to protect the State from cybersecurity threats.

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APPENDIX B

STATE FINANCES

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APPENDIX B

STATE FINANCES

Table of Contents

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

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STATE FINANCES

FINANCIAL STATEMENTS

The basic financial statements for the State for the Fiscal Year ended June 30, 2020, are included herein as APPENDIX E. These financial statements provide financial information for the State's General Fund, as defined by generally accepted accounting principles, as set forth in the audited financial statements included in APPENDIX E and other major funds; for all other funds, such information is combined into non-major governmental and non-major enterprise funds, which includes the Debt Service Fund. These financial statements have been examined by the Legislative Auditor, independent auditor for the State to the extent indicated in his report included in APPENDIX E. The Legislative Auditor's report and the financial statements, including the Notes, should be read in their entirety. Such financial statements have been included in APPENDIX E in reliance upon the report of the Legislative Auditor. The revenues and expenditures presented consistent with Generally Accepted Accounting Principles for Fiscal Years 2018 through 2020 are summarized on page B-6.

Past Financial Reports

The State's Annual Comprehensive Financial Reports, including information by individual fund for Fiscal Year 2020 and prior years are available at https://mn.gov/mmb/accounting/reports/.

FINANCIAL INFORMATION

Budgeting Process

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

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

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

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

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

General Fund

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

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

Cash Flow Account

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

Budget Reserve Account

A budget reserve account (the "Budget Reserve Account") was established in the General Fund, as a special account (separate from the Cash Flow Account) that serves as a savings account to be used to offset budget shortfalls during economic downturns. Funds in the Budget Reserve Account may be spent in the event that projected General Fund receipts will be less than forecast, and the amount of resources available for the remainder of the biennium will be less than needed to cover authorized spending. Funds in the Budget Reserve Account may be used, after consultation with the Legislative Advisory Commission, to the extent needed to balance expenditures with revenues. The amount and use of funds from the Budget Reserve Account and its replenishment are governed by statute. Minnesota Statutes Section 16A.152 directs MMB to allocate funds to the Budget Reserve Account as part of the November budget forecast when the balance in the Budget Reserve Account is below the level recommended to adequately manage the volatility of the General Fund tax structure. If the Budget Reserve Accounts level is below the target and there is a positive forecast balance in the current biennium, up to thirty-three percent of the forecast balance is allocated to the Budget Reserve Account until the target level is reached. See "BIENNIUM BUDGETS – 2021 Legislative Sessions – Current Biennium" in this APPENDIX B.

Stadium General Reserve Account

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

Control Procedures

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

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

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

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

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

Balanced Budget

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

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

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

COVID-19 PANDEMIC AND EXECUTIVE PEACETIME EMERGENCY ORDERS

COVID-19 Impact

The following information provides an overview of State actions taken in response to the public health crisis caused by the strain of coronavirus called COVID-19 and certain known impacts on the State's economy and its financial condition to date. The COVID-19 pandemic is an ongoing situation, the effects of which are being proactively addressed by multiple governmental agencies and programs. At this time, the State cannot predict the ultimate economic and fiscal impacts that the continuation of the pandemic may have on the State. Capitalized terms not defined in this section are defined elsewhere in this Appendix B.

COVID-19 Pandemic. The spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has had a material impact on global, national and state economies. On March 11, 2020, the World Health Organization elevated COVID-19 from a Public Health Emergency of International Concern to a "pandemic" ("COVID-19 Pandemic"). The President declared a national emergency related to COVID-19 on March 13, 2020 ("National Emergency Declaration"). For the first time in history, the President approved major disaster declarations for all fifty states and the District of Columbia. The State of Minnesota and other state and local governments in the United States declared states of emergency and issued numerous other public health emergency orders. These actions and the effects of the COVID-19 Pandemic significantly disrupted economic activity at all levels, while also significantly increasing public and private health emergency response costs, including within the State.

On March 13, 2020, the Governor declared a Peacetime Emergency in the State of Minnesota, implemented multiple executive orders and took various actions to protect the health of Minnesotans and prevent the spread of COVID-19 which included closing non-essential businesses, on-site school operations and implementing a stay at home order, among others. On March 16, 2020, the Executive Council approved an extension of the Peacetime Emergency. After notifying the Legislature, the Governor issued additional executive orders every 30 days through June 14, 2021 further extending the Peacetime Emergency, which were approved by the Executive Council. The COVID-19 Peacetime Emergency ended on July 1, 2021 in the State of Minnesota, however there can be no assurance that the State will not at some point in the future reinstate the COVID-19 Peacetime Emergency.

During the late Spring and early Summer of 2020, in consultation with public health and occupational safety experts, the State began gradually re-opening sectors of its economy. On May 18, 2020 the Governor lifted the State's stay at home order and implemented an order called "Stay Safe Minnesota" which included a phased approach to reopening the economy. In January 2021, the State launched a Community Vaccination Program offering free COVID-19 vaccines at locations statewide. As of September 23, 2021, approximately 3.38 million (73.1%) Minnesotans age 16+ have had at least one COVID-19 vaccine dose.

Unemployment Levels. Following the onset of the pandemic and related shutdown measures unemployment levels in the State spiked to 11.3% in May 2020. With the reopening of the economy and the widespread availability of COVID-19 vaccines in the State, unemployment levels have significantly rebounded with unemployment levels declining to 3.8% as of August 2021, which was below the national rate of 5.2%.

Minnesota Economic and Budget Outlook. Prior to the COVID-19 Pandemic Minnesota had a high demand for labor and low unemployment, with the result that job growth had slowed to below the U.S. rate amid a limited supply of workers. The COVID-19 Pandemic, the restrictions applied to slow its spread, and the U.S. and global economic contractions negatively impacted Minnesota's economy.

In May of 2020, early in the pandemic at a time of much uncertainty regarding the path and impact of the pandemic, MMB released a May Interim Budget update to update certain revenue and expense items in its February 2020 Forecast to reflect the impact of the COVID-19 Pandemic and shut-down measures. Minnesota's budget and economic outlook deteriorated significantly in the May Interim Budget, which reflected a deficit of $2.343 billion as of the end of the 2020 Legislative Sessions for the Previous Biennium, a change of almost $4 billion compared to the February 2020 Forecast.

In November 2020, MMB released its November 2020 Forecast with an improved outlook and a forecasted budgetary balance of $636 million for the Previous Biennium and a $1.273 billion deficit for the Current Biennium. The forecast was updated most recently in February 2021 and the budget outlook significantly improved in all years, reflecting a $1.021 billion budgetary balance for the Previous Biennium and a $1.672 billion budgetary balance for the Current Biennium. As of the end of the 2021 Legislative Sessions, there is a projected ending balance of $127.2 million for the Current Biennium and projected General Fund reserves of $2.377 billion. See "BIENNIUM BUDGETS" in this APPENDIX B for additional information.

Minnesota Extension of Tax Filing Dates. In alignment with the decisions announced by the Federal government, the State extended the payment deadline for Minnesota calendar year 2019 individual and corporate income tax payments from April 15, 2020 to July 15, 2020. To reflect the change in payment date, the State accrued the budgeted revenue, adjusted for any actual payments received. Accruing the deferred tax revenues kept the revenues aligned in the fiscal year in which they were earned. The State also extended the payment deadline for Minnesota calendar year 2020 individual income tax payments, including pass-through business income, to align with the Federal government's decision to move the filing deadline from April 15, 2021 to May 17, 2021. Because the most-recent extension did not extend the tax year filing deadline into the following fiscal year, the State did not need to accrue the deferred tax revenue beyond the June 30, 2021 fiscal year end.

Federal Support. The State has received financial support from the Federal government under five enacted laws which have provided significant relief and support in response to the COVID-19 Pandemic. Under the Family First Coronavirus Response Act, the Federal Medical Assistance Percentage ("FMAP") was increased 6.2 percentage points through the end of calendar year 2021. The increased FMAP has resulted in an additional $188 million in federal support each quarter and is expected to continue through the end of calendar year 2021. The State also was allocated $2.187 billion of Coronavirus Relief Fund ("CRF") monies under the CARES Act for costs incurred in connection with responding to the COVID-19 Pandemic. Of this amount, $317 million was allocated directly to Hennepin and Ramsey counties while the remaining $1.870 billion was deposited into the State treasury. To date, the State has programmed all CRF monies for statewide eligible costs. As part of the American Rescue Plan Act ("ARPA") the State was allocated

$2.833 billion from the state fiscal recovery fund, an estimated $3.189 billion in program specific funds, and an additional $2.132 billion in funds distributed to local governments. See "BIENNIUM BUDGETS - COVID-19 Pandemic Federal Funding – Sources and Uses" in this APPENDIX B for additional information.

Cash and Liquidity. The State is well-positioned with a Statutory General Fund Cash Balance of $12.141 billion as of June 30, 2021, not including cash receipts received from federal stimulus funds. See "CASH FLOW INFORMATION" in this APPENDIX B for additional information.

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

Climate Change and Resiliency

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

On December 2, 2019, Governor Walz signed Executive Order 19-37 to establish the Climate Change Subcabinet, comprised of state agency and department leadership, and the Governor's Advisory Council on Climate Change, a citizen board appointed to advise the Subcabinet, to provide guidance to the State in the pursuit of collaborative action to combat climate change. This multi-agency collaboration has produced a website, Our Minnesota Climate, that synthesizes local impacts of climate change, various State actions focused on climate change, and community solutions. The website is not incorporated in this Official Statement by reference.

In July 2021, the Minnesota Pollution Control Agency adopted the Clean Cars Minnesota rule, which will apply the Low Emission Vehicle Standard and Zero Emission Standard to new cars sold in Minnesota as early as model year 2025 vehicles. The rule requires automobile manufacturers to deliver more zero emission vehicles and lower polluting vehicles to Minnesota. Manufacturers can receive early action credits for the zero emission vehicles they sell in Minnesota starting in calendar year 2021. In the first 10 years of implementation, the Clean Cars Minnesota rule is expected to reduce greenhouse gas emissions by 8.4 million tons.

REVENUE AND EXPENDITURE FORECASTING

General

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

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

Forecasting Risks

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

The shock to the U.S. economy from the COVID-19 pandemic and containment measures was unprecedented in modern history, and the economic outlook remained exceptionally uncertain and volatile throughout calendar year 2020. This volatility presented risks to economic, revenue, and expenditure forecasts made in calendar year 2020 and the first half of calendar year 2021. Large amounts of federal income support payments to households and businesses generated a positive economic shock that contributed to economic and revenue forecasting risks.

Current Forecast Methods and Assumptions

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

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

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

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

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

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

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

The State's most recent Budget and Economic Forecast was prepared in February 2021. It was informed by the IHS' February 2021 baseline forecast, the scenario that IHS considered the most likely at the time the forecast was made. See "BIENNIUM BUDGETS – February 2021 Forecast – Current Biennium" in this APPENDIX B for additional information. The forecast growth rates for real and nominal Gross Domestic Product ("GDP") are shown below. In their February 2021 outlook, IHS forecast U.S. real GDP, boosted by federal pandemic relief payments, to grow 5.7 percent in 2021, a 2.6 percentage point increase from their November 2020 baseline forecast. IHS expected GDP growth to decelerate to 4.1 percent in 2022, up from 2.5 percent in the November forecast. IHS expected real GDP to regain its pre-pandemic peak in 2021 and the U.S. unemployment rate to reach a low point of 3.5 percent in late 2024.

IHS FEBRUARY 2021
GROSS DOMESTIC PRODUCT (GDP)
BASELINE FORECAST(1)
(Chained Rates of Growth)

	Calendar Year 2019 Actual %	Calendar Year 2020 Actual %	Calendar Year 2021 Forecast %	Calendar Year 2022 Forecast %	Calendar Year 2023 Forecast %
Real GDP Growth Rate	2.2	-3.5	5.7	4.1	2.3
GDP Deflator (Inflation)	1.8	1.2	1.8	1.8	2.1
Nominal GDP Growth Rate	4.0	-2.3	7.6	6.0	4.4

(1) Totals may not foot due to rounding.

A report is published with each forecast and is available at https://mn.gov/mmb/forecast/, including the State's most recent February 2021 forecast. See "FINANCIAL INFORMATION" in this APPENDIX B. The November 2021 IHS Baseline will be used as the baseline for the next revenue and expenditure forecast.

October Revenue and Economic Update

Minnesota's net general fund receipts for the first quarter of FY 2022 are now estimated to total $5.974 billion, $657 million (12.4 percent) more than forecast in the February 2021 Forecast. Net receipts exceeded the projection for all major tax types.

Net individual income tax receipts were $155 million (5.1 percent) more than forecast for the first three months of FY 2022. Higher than expected gross receipts and refunds that were below the forecast both contributed to the variance.

Income tax withholding receipts were $153 million higher than forecast. This variance is primarily due to the timing of receipts and not to higher than forecast wage growth. In the absence of the timing issue, the estimated positive withholding variance for the quarter would be around $45 million.

Income tax refunds were $46 million lower than forecast. This was due to the timing of refund disbursement, rather than higher than expected economic activity.

Estimated income tax payments for July through September were $59 million lower than forecast, although estimated payments for the first three quarters of CY 2021 were above forecast. The negative variance for the July through September period was due in part to the way the forecast was allocated across the months of CY 2021 and in part due to a slowdown in growth of these payments. In the first half of tax year 2021, estimated payments were about 27 percent larger than in the same period last year. In the third quarter of 2021 (the first quarter of FY 2022), estimated payments were 5.6 percent larger than the same period last year.

Net sales tax receipts were $132 million (9.7 percent) above the forecast and about 14 percent higher than during the same period last year. Higher than expected gross tax payments and sales tax refunds that were below the forecast both contributed to the positive variance.

More than half of the positive variance for total revenues was due to corporate receipts. Net corporate tax receipts were $361 million (90.5 percent) above the forecast and 46 percent higher than the same period one year ago. This was due to both higher than expected corporate tax payments and lower than expected refunds. Corporate estimated payments were 64 percent higher than during the same period one year ago.

HISTORIC REVENUES AND EXPENDITURES

The following table sets forth the State's General Fund revenues and expenditures for the Fiscal Years ended June 30, 2018 through 2020, on an accrual basis. The revenues and expenditures shown include all revenues and expenditures for that fiscal year, including revenue received and expenditures made after June 30 of such fiscal year which are properly allocable to such fiscal years. The schedules of revenues and expenditures are presented for comparison purposes only and are not intended to reflect any increases or decreases in fund balance. Beginning balances or deficits are not included.

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

	Fiscal Year Ended June 30 [1]		
	2018	2019	2020
NET REVENUES:			
Individual Income Taxes	$ 12,082,631	$ 12,674,858	$ 12,329,724
Corporation Income Taxes	1,327,533	1,613,373	1,620,684
Sales Taxes	5,533,851	5,775,278	5,797,172
Property Taxes	819,654	811,117	772,876
Motor Vehicle Taxes	309,565	323,059	324,150
Other Taxes	2,724,021	2,817,669	2,765,354
Tobacco Settlement	166,931	162,765	152,282
Federal Revenues	4,001	12,788	52,753
Licenses and Fees	234,410	234,462	245,113
Departmental Services	235,290	242,310	185,483
Investment/Interest Income	177,692	243,163	206,495
All Other Revenues [2]	366,677	479,461	414,783
NET REVENUES	$ 23,982,256	$ 25,390,303	$ 24,866,869
EXPENDITURES:			
Current:			
Agricultural, Environmental and Energy Resources [3]	$ 261,267	$ 280,074	$ 357,436
Economic and Workforce Development	244,522	237,288	261,482
General Education [4]	9,323,311	9,678,641	9,895,517
General Government	855,543	865,390	885,550
Health and Human Services [5]	7,397,368	8,029,374	8,134,332
Higher Education [6]	962,131	942,218	976,077
Intergovernmental Aid [7]	1,698,970	1,867,151	1,780,498
Public Safety and Corrections	689,217	725,507	774,862
Transportation [8]	487,101	542,645	500,078
Total Current Expenditures	$ 21,919,430	$ 23,168,288	$ 23,565,832
Capital Outlay	87,621	115,086	88,158
Debt Service	26,605	30,673	42,722
TOTAL EXPENDITURES	$ 22,033,656	$ 23,314,047	$ 23,696,712
EXCESS Of REVENUES OVER (UNDER) EXPENDITURES	$ 1,948,600	$ 2,076,256	$ 1,170,157
OTHER FINANCING SOURCES (USES)			
Bond Issuance	$ -	$ 3,875	$ 7,594
Bond Issue Premium	-	625	1,906
Transfer-In	260,506	265,088	206,109
Transfer-Out	(1,666,239)	(1,536,801)	(1,516,631)
NET OTHER FINANCING SOURCES (USES)	$ (1,405,733)	$ (1,267,213)	$ (1,301,022)
NET CHANGE IN FUND BALANCES	$ 542,867	$ 809,043	$ (130,865)

(1) For FY 2018, 2019, and 2020, the schedule of revenues and expenditures includes all financial activity for the fiscal year, including revenue and expenditure accruals at June 30.
(2) During FY 2019, Other Revenues increased as a result of receipts from Worker's Compensation Assigned Risk Plan.
(3) During fiscal year 2020, Agricultural, Environmental and Energy Resources spending increased due to an increase in the General Fund share of the grants to Minnesota Comprehensive Health Association for the premium security program due to a decline in the amount reimbursed by the federal government in the Federal Fund.
(4) During FY 2019 and 2020, General Education function spending increased due to a 2% per pupil increase and an increase in number of pupils.
(5) During FY 2020, Health and Human Services function spending increased due to the impacts of COVID 19. During FY 2019, Health and Human Services function spending increased due to an increase in enrollment and growth in costs for medical assistance.
(6) During FY 2020, Higher Education function spending increased due to slight increases in operating grants to the University of Minnesota and the Office of Higher Education.
(7) During FY 2020, Intergovernmental Aid spending decreased due to a reduction in grants to local governments. During FY 2019, Intergovernmental Aid spending increased due to an increase in grants to local governments and an additional homestead credit grant to agricultural landowners.
(8) During FY 2019, Transportation function spending increased due to an increase in grants to Metropolitan Council.

BIENNIUM BUDGETS

The biennium that began on July 1, 2019, and ended on June 30, 2021, is referred to herein as the "Previous Biennium." The biennium that began on July 1, 2021, and will end on June 30, 2023, is referred to herein as the "Current Biennium." The biennium that will begin on July 1, 2023, and will end on June 30, 2025, is referred to herein as the "Next Biennium." An individual fiscal year is referred to herein as "FY" or "Fiscal Year."

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

February 2021 Forecast – Previous Biennium

Budget forecasting for the Previous Biennium saw significant variance since the onset of the COVID-19 Pandemic. The last forecast published prior to the COVID-19 Pandemic in February 2020 projected a surplus of $1.512 billion for the Previous Biennium. In May 2020, MMB published an interim budget projection to estimate the impact of the COVID-19 Pandemic and resulting economic downturn on the State budget, which projected a deficit of $2.425 billion for the Previous Biennium at that time. In November 2020, the Previous Biennium budget was re-forecast and the projected deficit had reverted back to a surplus of $636 million.

The February 2021 Forecast updated revenue and spending estimates for the Previous Biennium. Total General Fund revenues for the Previous Biennium were forecast to be $47.644 billion and expenditures were expected to be $47.786 billion. The Budget Reserve Account balance was $2.377 billion, Cash Flow Account balance was $350 million, and the Stadium Reserve Account was projected to end the biennium with a balance of $81 million. Combining the balance forward of $3.971 billion from the prior biennium with revenues, spending and reserves resulted in a projected ending budgetary balance of $1.021 billion.

2021 Legislative Sessions – Previous Biennium

The regular legislative session adjourned May 17, 2021 without passing appropriations bills for all major bill areas. The Legislature and Governor had agreed on a global budget framework on May 16, 2021, and anticipated returning in special legislative session on June 14, 2021 in connection with another 30-day extension of the Governor's Peacetime Emergency. See "COVID-19 PANDEMIC AND EXECUTIVE PEACETIME EMERGENCY ORDERS - COVID-19 Pandemic" in this APPENDIX B for additional information. The Governor subsequently called a special legislative session starting June 14, 2021 and all budget bills were passed and enacted by June 30, 2021. The 2021 Regular and Special Legislative Sessions (the "2021 Legislative Sessions") made minor changes to the budget in the Previous Biennium, mostly cancelling unspent funds and reallocating state spending to remaining federal resources. These changes resulted in adding $90 million to the projected ending balance of the Previous Biennium compared to the February 2021 Forecast. Prior to the actual closing process and after accounting for legislative changes, the Previous Biennium is projected to end with an unallocated balance after reserves of $1.112 billion.

PREVIOUS BIENNIUM
GENERAL FUND – BUDGETARY BASIS
ESTIMATES OF REVENUE AND EXPENDITURES
END OF 2021 LEGISLATIVE SESSIONS
($'s in Thousands)[(1)]

	Actual FY 2020	Enacted FY 2021	Biennial Total FY 2020-21
Actual & Estimated Resources			
Balance Forward From Prior Year	$3,971,359	$3,343,865	$3,971,359
Current Resources:			
Tax Revenues	22,077,216	23,044,707	45,121,923
Non-Tax Revenues	817,106	853,265	1,670,371
Subtotal - Non-Dedicated Revenue	22,894,322	23,897,972	46,792,294
Dedicated Revenue	795	5	800
Transfers In	155,643	517,378	673,021
Prior Year Adjustments	99,722	138,294	238,016
Subtotal - Other Revenue	256,160	655,677	911,837
Budget Changes - Taxes	0	0	0
Budget Changes - Non-Taxes	0	59,726	59,726
Subtotal-Current Resources	23,150,482	24,553,649	47,704,131
Total Resources Available	**$27,121,841**	**$27,897,514**	**$51,675,490**
Actual & Estimated Spending			
E-12 Education	$9,835,739	$10,002,966	$19,838,705
Higher Education	1,693,377	1,708,412	3,401,789
Property Tax Aids & Credits	1,866,803	2,106,320	3,973,123
Health & Human Services	7,035,367	6,712,736	13,748,103
Public Safety & Judiciary	1,236,945	1,328,314	2,565,259
Transportation	174,820	183,589	358,409
Environment	166,422	176,594	343,016
Economic Development, Energy, Ag and Housing	303,980	328,772	632,752
State Government & Veterans	794,715	750,493	1,545,208
Debt Service	540,081	515,544	1,055,625
Capital Projects & Grants	129,727	179,130	308,857
Estimated Cancellations	0	(15,000)	(15,000)
Total Expenditures & Transfers	**$23,777,976**	**$23,977,870**	**$47,755,846**
Balance Before Reserves	**$3,343,865**	**$3,919,644**	**$3,919,644**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,358,698	2,377,319	2,377,319
Stadium Reserve	55,700	80,738	80,738
Appropriations Carried Forward	246,058	0	0
Budgetary Balance	**$333,409**	**$1,111,587**	**$1,111,587**

(1) Totals may not foot due to rounding.

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

PREVIOUS BIENNIUM
GENERAL FUND – BUDGETARY BASIS
ESTIMATES OF NONDEDICATED REVENUES
END OF 2021 LEGISLATIVE SESSIONS
($'s in Thousands)[1]

($ in Thousands)	Fiscal Year 2020	Fiscal Year 2021	Previous Biennium
Non-Dedicated Revenues			
Individual Income Tax	$12,094,129	$12,569,700	$24,663,829
Corporate Income Tax	1,580,275	1,731,340	3,311,615
Sales Tax	5,745,504	5,832,841	11,578,345
Statewide Property Tax	753,318	805,026	1,558,344
Estate Tax	146,739	178,300	325,039
Liquor, Wine & Beer Tax	94,239	100,640	194,879
Cigarette & Tobacco Products Tax	581,022	586,530	1,167,552
Taconite Ocupation Tax	15,654	9,100	24,754
Mortgage Registry Tax	170,364	220,960	391,324
Deed Transfer Tax	134,582	159,363	293,945
Insurance Gross Earn & Fire Marshall	416,845	443,771	860,616
Controlled Substance Tax	0	5	5
Other Gross Earnings	53	50	103
Lawful Gambling Taxes	78,599	94,385	172,984
Medical Assistance Surcharges	272,736	316,399	589,135
Other Tax Refunds	(6,843)	(3,703)	(10,546)
Investment Income	74,055	22,000	96,055
Lottery Revenue	70,752	76,379	147,131
Tobacco Settlements	152,282	239,062	391,344
Departmental Earnings	213,869	209,069	422,938
DHS MSOP Collections	16,399	14,000	30,399
DHS SOS Collections	92,124	84,150	176,274
Fines & Surcharges	66,379	70,511	136,890
All Other Non-Dedicated Revenue	131,246	138,094	269,340
Transfer and Adjustments	256,160	655,677	911,837
Total Net Non-Dedicated Revenues	**$23,150,482**	**$24,553,649**	**$47,704,131**

[1] Totals may not foot due to rounding.

February 2021 Forecast – Current Biennium

The November 2020 forecast provided the first official forecast for the Current Biennium, as well as revenue and expenditure planning estimates for the Next Biennium. The November 2020 forecast, adjusted for law changes, projected a negative balance of $883 million for the Current Biennium. Revisions in the February 2021 Forecast resulted in a positive projected balance of $1.672 billion for the Current Biennium.

Revenues: Total General Fund revenues for the Current Biennium were forecast to be $50.937 billion, $3.292 billion (7.1 percent) more than the forecast at the time for the Previous Biennium. Total tax revenues for the Current Biennium were forecast to be $49.110 billion, a $3.771 billion increase (8.1 percent) over estimates for the Previous Biennium. Growth in the individual income and sales taxes accounted for almost all of the biennial tax revenue change.

Expenditures: Expenditures were projected to grow at a rate of 6.0 percent into the Current Biennium, an increase of $2.871 billion over the Previous Biennium. The two largest budget areas, E-12 education and Health and Human Services ("HHS"), along with property tax aids and credits and debt service more than accounted for the growth due to formula and cost growth that is authorized to increase in law. Partially offsetting the overall biennial growth was reduced projected spending in other areas of state government due to the expiration of one-time spending where base appropriations for current services did not continue into the Current Biennium.

Reserves: Law enacted in 2019 reduced the General Fund Budget Reserve Account by $491 million on the first day of the Current Biennium. The balance as of the February 2021 Forecast for the Current Biennium was $1.886 billion. The $350 million Cash Flow Account balance was not projected to change from the Previous Biennium in the February 2021 Forecast. The Stadium Reserve Account balance was expected to be $201 million by the end of FY 2023, an increase of $120 million from the Previous Biennium due to growth in lawful gambling tax receipts and expected contributions from city of Minneapolis sales tax receipts beginning in FY 2021.

2021 Legislative Sessions – Current Biennium

During the 2021 Legislative Sessions, the Legislature enacted significant revenue and expenditure measures in the General Fund for the Current Biennium. The 2021 Legislative Sessions concluded June 30, 2021, with a balanced budget for the Current Biennium. The enacted budget decreased net General Fund revenues, including transfers, by $29 million and appropriated an additional $1.706 billion over the February 2021 Forecast base spending amount. The budget also relies on an additional $100 million in reserve balances compared to the February 2021 Forecast. After accounting for all revenue and expenditure changes enacted for the Current Biennium, the General Fund balance at the end of the Current Biennium is estimated to be $127 million.

Revenues in Enacted Budget: The approved budget reflects changes in General Fund revenues from the February 2021 Forecast for the Current Biennium. Net General Fund Revenues total $50.907 billion, $29 million lower than February's estimates.

Tax Revenues: The Legislature enacted significant tax changes in the 2021 Legislative Sessions. In total, net tax revenues were projected to be $746 million lower than forecast. Tax law changes included conformity to federal tax law for individual income tax, pass-through income, and corporate income tax primarily related to the COVID-19 Pandemic. Additionally, several tax credits were continued and newly established. No major tax law changes resulted in an increase in tax revenues.

Non-Tax and Transfers: Legislation in the 2021 Legislative Sessions also had a significant impact on non-tax revenues and transfers from other funds. Enacted non-tax revenue and transfer changes totaled $716 million over February 2021 Forecast estimates. The largest portion of this change is a $633 million transfer from the American Rescue Plan Act ("ARPA") state fiscal stabilization fund to the General Fund. Guidance from the federal government allows use of the ARPA funds for the provision of general government services up to an amount of calculated revenue loss due to the COVID-19 pandemic and resulting economic impacts. In addition to transfers from the ARPA state fiscal stabilization fund, the enacted budget also includes $119 million in reallocations of prior year General Fund expenditures to remaining funds in the Coronavirus Relief Fund. The reallocations impact both the Previous Biennium ($60 million) and the Current Biennium ($59 million). The reallocations impact prior year activity in the General Fund and results in increased resources in the Current Biennium.

Expenditures in Enacted Budget: After completion of the enacted budget, General Fund expenditures in the Current Biennium are expected to total $52.363 billion, $1.706 billion higher than forecast estimates. Appropriations in State and local programs were made across all areas of the State budget. Significant appropriation increases were provided to E-12 education, higher education, health and human services, public safety and judiciary, environment and agriculture, and economic development.

E-12 education expenditures are estimated to be $20.987 billion, $558 million higher than previously forecast. E-12 education spending represents 40 percent of total General Fund expenditures. The Legislature enacted major appropriations in education finance including a 2.45 percent increase in the basic education formula in each year ($463 million), $46 million to maintain funding for pre-kindergarten programs and $20 million for programs to increase the number of teachers of color.

Higher education spending was projected to be $3.512 billion, $106 million higher than February′s projections. An additional $39 million was provided to the University of Minnesota, and an additional $57 million was provided to Minnesota State. An increase of $5 million was also made for the Office of Higher Education to fund its state grant program.

Property tax aid and credit spending was projected to be $4.204 billion in the Current Biennium, $40 million higher than the February 2021 Forecast. The majority of the increase is a onetime increase to local governments to offset expected property tax revenue loss in the current year.

An increase of $254 million to Health and Human Services (″HHS″) set the Current Biennium spending in the area at $16.504 billion. HHS is projected to account for 32 percent of total General Fund spending. The HHS bill includes additional spending on long term care services. While that spending is supported through a temporary increase in federal funds in FY 2022, those initiatives along with additional spending on state operated services, dental reforms, telehealth expansion, and public health initiatives increase overall spending in HHS.

Public safety and Judiciary spending was estimated to total $2.638 billion in the Current Biennium, an increase of $100 million over February 2021 Forecast. Significant increases in appropriations to the court operations, public defenders, the department of public safety and the department of corrections accounted for the majority of the change.

Spending in all other areas of the budget totaled $4.518 billion, $648 million higher than February projections. Accounting for the change was $227 million higher spending in General Fund transportation spending for transit operations and one-time cash resources for local roads, $163 million in state government operations, $218 million in economic development, agriculture and housing, and $38 million in environment. These increases were partially offset by a $21 million decrease in projected debt service spending because a bonding bill with additional debt authorizations did not pass thus resulting in budget savings because the February forecast assumed new authorizations.

Reserves in Enacted Budget: The reserve amounts for the Current Biennium were $100 million lower than levels projected in the February 2021 Forecast. The $100 million reduction in the Budget Reserve Account balance is due to the HHS appropriated budget not adopting savings proposals recommended by a blue ribbon commission established in law in 2019. The 2019 law included a reduction to the Budget Reserve Account if savings proposals were not adopted. The General Fund reserves in the enacted budget were $2.377 billion: $1.786 billion in the Budget Reserve Account, $350 million in the Cash Flow Account and $201 million in the Stadium Reserve Account. The enacted budget also included a statutory change that will result in the Budget Reserve Account balance growing up to $2.377 billion with any future forecast surplus projected in the General Fund.

COVID-19 Pandemic Federal Funding – Sources and Uses

The State was allocated $2.187 billion from the Coronavirus Relief Fund that was part of the federal CARES Act. Of this amount, $317 million was allocated directly to Hennepin and Ramsey counties while the remaining $1.870 billion was deposited into the State treasury. As of the end of the 2021 Legislative Sessions, the entire balance of the Coronavirus Relief Fund has been authorized for expenditure by the expiration of the funds on December 31, 2021.

As part of the ARPA the State was allocated $2.833 billion from the state fiscal recovery fund, an estimated $3.189 billion in program specific funds, and an additional $2.132 billion in funds distributed to local governments. Legislation was enacted in the 2021 Legislative Sessions allocating the majority of the flexible $2.833 billion state fiscal recovery fund. The allocation included $633 million in FY 2023 and $550 million in FY 2024 in transfers to the state General Fund to cover revenue loss related to the COVID-19 Pandemic, $425 million allocated to a flexible COVID-19 response account (of which the Governor has allocated or has current plans to allocate $173 million for various projects or programs), $75 million allocated to schools for summer learning and $1.15 billion set aside for future legislative appropriation. Of that remaining $1.15 billion, legislation set aside $250 million for possible frontline worker pay to be allocated in a possible special legislative session. See "POSSIBLE SPECIAL LEGISLATIVE SESSION" in this Official Statement.

CURRENT BIENNIUM
GENERAL FUND – BUDGETARY BASIS
ESTIMATES OF REVENUE AND EXPENDITURES
END OF 2021 LEGISLATIVE SESSIONS
($'s in Thousands)[1]

	Enacted FY 2022	Enacted FY 2023	Biennial Total FY 2022-23
Actual & Estimated Resources			
Balance Forward From Prior Year	$3,919,644	$2,872,598	$3,919,644
Current Resources:			
Tax Revenues	23,383,601	24,980,211	48,363,812
Non-Tax Revenues	733,395	745,107	1,478,502
Subtotal - Non-Dedicated Revenue	24,116,996	25,725,318	49,842,314
Dedicated Revenue	5	5	10
Transfers In	149,359	782,285	931,644
Prior Year Adjustments	96,039	37,406	133,445
Subtotal - Other Revenue	245,403	819,696	1,065,099
Budget Changes - Taxes	-675,707	(70,627)	(746,334)
Budget Changes - Non-Taxes	69,910	647,100	717,010
Subtotal-Current Resources	24,362,399	26,545,014	50,907,413
Total Resources Available	**$28,282,043**	**$29,417,612**	**$54,827,057**
Actual & Estimated Spending			
E-12 Education	$10,319,437	$10,667,523	$20,986,960
Higher Education	1,756,101	1,755,767	3,511,868
Property Tax Aids & Credits	2,101,294	2,103,117	4,204,411
Health & Human Services	7,425,947	9,077,610	16,503,557
Public Safety & Judiciary	1,310,689	1,327,247	2,637,936
Transportation	326,630	149,722	476,352
Environment	188,507	181,247	369,754
Economic Development, Energy, Ag and Housing	476,310	299,502	775,812
State Government & Veterans	703,672	629,456	1,333,128
Debt Service	629,440	613,425	1,242,865
Capital Projects & Grants	176,418	164,055	340,473
Estimated Cancellations	(5,000)	(15,000)	(20,000)
Total Expenditures & Transfers	**$25,409,445**	**$26,953,671**	**$52,363,116**
Balance Before Reserves	**$2,872,598**	**$2,463,941**	**$2,463,941**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	1,785,950	1,785,950	1,785,950
Stadium Reserve	135,841	200,700	200,700
Budgetary Balance	**$600,807**	**$127,291**	**$127,291**

[1] Totals may not foot due to rounding.

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

CURRENT BIENNIUM
GENERAL FUND – BUDGETARY BASIS
ESTIMATES OF NONDEDICATED REVENUES
END OF 2021 LEGISLATIVE SESSIONS
($'s in Thousands)[1]

($ in Thousands)	Fiscal Year 2022	Fiscal Year 2023	Current Biennium
Non-Dedicated Revenues			
Individual Income Tax	$12,819,315	$13,922,385	$26,741,700
Corporate Income Tax	1,477,622	1,603,345	3,080,967
Sales Tax	6,234,373	6,555,405	12,789,778
Statewide Property Tax	773,388	757,308	1,530,696
Estate Tax	166,600	177,900	344,500
Liquor, Wine & Beer Tax	100,850	103,630	204,480
Cigarette & Tobacco Products Tax	581,740	581,870	1,163,610
Taconite Ocupation Tax	13,400	14,000	27,400
Mortgage Registry Tax	186,122	176,407	362,529
Deed Transfer Tax	162,543	160,024	322,567
Insurance Gross Earn & Fire Marshall	455,202	484,134	939,336
Controlled Substance Tax	5	5	10
Other Gross Earnings	50	50	100
Lawful Gambling Taxes	114,585	124,483	239,068
Medical Assistance Surcharges	303,009	324,468	627,477
Other Tax Refunds	(5,203)	(5,203)	(10,406)
Investment Income	22,000	22,000	44,000
Lottery Revenue	61,936	61,984	123,920
Tobacco Settlements	164,109	163,637	327,746
Departmental Earnings	209,379	214,644	424,023
DHS MSOP Collections	14,326	14,811	29,137
DHS SOS Collections	92,429	95,586	188,015
Fines & Surcharges	72,135	75,319	147,454
All Other Non-Dedicated Revenue	97,081	97,126	194,207
Transfer and Adjustments	245,403	819,696	1,065,099
Total Net Non-Dedicated Revenues	**$24,362,399**	**$26,545,014**	**$50,907,413**

[1] Totals may not foot due to rounding.

HISTORICAL AND PROJECTED REVENUE AND EXPENDITURE GROWTH

The following tables display historical and projected General Fund revenue and expenditure growth by year for the General Fund for the Previous Biennium and the Current Biennium. Information is provided by major revenue and expenditure categories based on end of 2021 Legislative Sessions.

HISTORICAL AND PROJECTED REVENUE GROWTH GENERAL FUND END OF 2021 LEGISLATIVE SESSIONS ($'s in Millions)(1)

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Enacted FY 2021	Enacted FY 2022	Enacted FY 2023	Planning FY 2024	Planning FY 2025	Planning Annual
Individual Income Tax	$ 11,784	$ 12,405	$ 12,094	$ 12,570	$ 12,819	$ 13,922	$ 14,433	$ 14,770	
$ change	852	622	(311)	476	250	1,103	511	337	
% change	**7.8%**	**5.3%**	**-2.5%**	**3.9%**	**2.0%**	**8.6%**	**3.7%**	**2.3%**	**3.3%**
Sales Tax	$ 5,453	$ 5,762	$ 5,746	$ 5,833	$ 6,234	$ 6,555	$ 6,825	$ 7,116	
$ change	48	309	(17)	87	402	321	269	291	
% change	**0.9%**	**5.7%**	**-0.3%**	**1.5%**	**6.9%**	**5.1%**	**4.1%**	**4.3%**	**3.9%**
Corporate Tax	$ 1,315	$ 1,660	$ 1,580	$ 1,731	$ 1,478	$ 1,603	$ 1,626	$ 1,686	
$ change	109	345	(80)	151	(254)	126	23	60	
% change	**9.1%**	**26.3%**	**-4.8%**	**9.6%**	**-14.7%**	**8.5%**	**1.4%**	**3.7%**	**3.6%**
Statewide Property Tax	$ 811	$ 811	$ 753	$ 805	$ 773	$ 757	$ 748	$ 748	
$ change	(47)	(1)	(57)	52	(32)	(16)	(9)	0	
% change	**-5.5%**	**-0.1%**	**-7.1%**	**6.9%**	**-3.9%**	**-2.1%**	**-1.2%**	**0.0%**	**-1.2%**
Other Tax Revenue	$ 1,885	$ 1,961	$ 1,904	$ 2,106	$ 2,079	$ 2,142	$ 2,194	$ 2,257	
$ change	53	76	(58)	202	(27)	63	53	63	
% change	**2.9%**	**4.0%**	**-2.9%**	**10.6%**	**-1.3%**	**3.0%**	**2.5%**	**2.9%**	**2.6%**
Total Tax Revenue	$ 21,248	$ 22,600	$ 22,077	$ 23,045	$ 23,384	$ 24,980	$ 25,826	$ 26,578	
$ change	1,015	1,352	(522)	967	339	1,597	846	751	
% change	**5.0%**	**6.4%**	**-2.3%**	**4.4%**	**1.5%**	**6.8%**	**3.4%**	**2.9%**	**3.2%**
Non-Tax Revenues	$ 814	$ 879	$ 817	$ 853	$ 733	$ 745	$ 736	$ 734	
$ change	(5)	65	(62)	36	(120)	12	(9)	(2)	
% change	**-0.6%**	**8.0%**	**-7.0%**	**4.4%**	**-14.0%**	**1.6%**	**-1.2%**	**-0.3%**	**-1.5%**
Transfers, All Other	$ 235	$ 264	$ 256	$ 656	$ 245	$ 820	$ 738	$ 187	
$ change	(47)	29	(8)	400	(410)	574	(82)	(551)	
% change	**-16.6%**	**12.3%**	**-3.0%**	**156.0%**	**-62.6%**	**234.0%**	**-10.0%**	**-74.7%**	**-3.2%**
Total Revenue	$ 22,297	$ 23,743	$ 23,150	$ 24,554	$ 24,362	$ 26,545	$ 27,301	$ 27,498	
$ change	963	1,446	(592)	1,403	(191)	2,183	755	198	
% change	**4.5%**	**6.5%**	**-2.5%**	**6.1%**	**-0.8%**	**9.0%**	**2.8%**	**0.7%**	**3.0%**

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

HISTORICAL AND PROJECTED SPENDING GROWTH
GENERAL FUND END OF 2021 LEGISLATIVE SESSIONS
($'s in Millions)[1]

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Enacted FY 2021	Enacted FY 2022	Enacted FY 2023	Planning FY 2024	Planning FY 2025	Average Annual
E-12 Education	$ 9,233	$ 9,588	$ 9,836	$ 10,003	$ 10,319	$ 10,668	$ 10,821	$ 10,936	
$ change	332	355	248	167	316	348	153	115	
% change	**3.7%**	**3.8%**	**2.6%**	**1.7%**	**3.2%**	**3.4%**	**1.4%**	**1.1%**	**2.4%**
Higher Education	$ 1,651	$ 1,642	$ 1,693	$ 1,708	$ 1,756	$ 1,756	$ 1,753	$ 1,753	
$ change	95	(9)	51	15	48	(0)	(3)	-	
% change	**6.1%**	**-0.5%**	**3.1%**	**0.9%**	**2.8%**	**0.0%**	**-0.2%**	**0.0%**	**0.9%**
Prop. Tax Aids & Credits	$ 1,724	$ 1,927	$ 1,867	$ 2,106	$ 2,101	$ 2,103	$ 2,165	$ 2,194	
$ change	49	203	(60)	240	(5)	2	62	29	
% change	**2.9%**	**11.8%**	**-3.1%**	**12.8%**	**-0.2%**	**0.1%**	**2.9%**	**1.3%**	**3.5%**
Health & Human Services	$ 6,622	$ 6,677	$ 7,035	$ 6,713	$ 7,426	$ 9,078	$ 8,916	$ 9,441	
$ change	678	55	359	(323)	713	1,652	(161)	525	
% change	**11.4%**	**0.8%**	**5.4%**	**-4.6%**	**10.6%**	**22.2%**	**-1.8%**	**5.9%**	**5.2%**
Public Safety & Judiciary	$ 1,130	$ 1,226	$ 1,237	$ 1,328	$ 1,311	$ 1,327	$ 1,324	$ 1,325	
$ change	(4)	96	11	91	(18)	17	(3)	0	
% change	**-0.3%**	**8.5%**	**0.9%**	**7.4%**	**-1.3%**	**1.3%**	**-0.2%**	**0.0%**	**2.3%**
Debt Service	$ 563	$ 550	$ 540	$ 516	$ 629	$ 613	$ 625	$ 634	
$ change	34	(13)	(10)	(25)	114	(16)	12	8	
% change	**6.4%**	**-2.4%**	**-1.8%**	**-4.5%**	**22.1%**	**-2.5%**	**1.9%**	**1.3%**	**1.7%**
All Other	$ 1,424	$ 1,444	$ 1,570	$ 1,604	$ 1,867	$ 1,409	$ 1,417	$ 1,403	
$ change	124	20	125	34	263	(458)	8	(14)	
% change	**9.5%**	**1.4%**	**8.7%**	**2.2%**	**16.4%**	**-24.5%**	**0.6%**	**-1.0%**	**-0.2%**
Total Spending	$ 22,347	$ 23,053	$ 23,778	$ 23,978	$ 25,409	$ 26,954	$ 27,022	$ 27,685	
$ change	1,308	707	724	200	1,432	1,544	69	663	
% change	**6.2%**	**3.2%**	**3.1%**	**0.8%**	**6.0%**	**6.1%**	**0.3%**	**2.5%**	**3.1%**

[1]Totals may not foot due to rounding.

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BUDGET PLANNING ESTIMATES

Planning estimates for the Next Biennium are based on the February 2021 Forecast adjusted for legislative action. The planning projections contain revenue and expenditure estimates for the Next Biennium based on the most recent information about the national and state economic outlook, caseloads, enrollments and cost projections as amended to reflect legislative enactment of the budget for the Current Biennium. The longer-term estimates for the Next Biennium carry a higher degree of uncertainty and a larger range of potential error.

Action taken during the 2021 Legislative Sessions had significant impact on revenue and spending in the Next Biennium. For revenues, legislative action resulted in $491 million more revenue than projected in February. The largest change impacting revenue is the addition of a $550 million transfer from the ARPA state fiscal recovery fund. Other revenue changes total $58 million less revenue than forecast. For spending, appropriations made for the Current Biennium increased base level spending by $1.266 billion compared to the February 2021 Forecast.

General Fund revenues, including the impact of legislative changes, in the Next Biennium are estimated to be $54.798 billion, $3.891 billion (7.6 percent) higher than estimates for the Current Biennium. Projected spending, including the impact of legislative changes, in the Next Biennium is now estimated to be $54.707 billion, $2.344 billion (4.5 percent) higher than estimates for the Current Biennium. Spending projections only include increases incorporated in current law to education aids, health care, and local aid/property tax relief programs based on enrollment, caseload and current law formula provisions. The impact of inflation is not reflected in expenditure projections.

Enacted legislation from the 2019 and 2021 Legislative Sessions directed the General Fund Budget Reserve Account to be reduced $591 million on the first day of FY 2022. This reserve balance carries through to the Next Biennium. Estimates for the Next Biennium include $1.786 billion in the Budget Reserve Account, and a $350 million balance in the Cash Flow Account. The balance in the Stadium Reserve Account is projected to be $359 million by the end of the Next Biennium.

Revenue, spending and reserve estimates for the Next Biennium will be updated in the November 2021 forecast.

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GENERAL FUND REVENUE SOURCES

Tax Sources

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

Income Tax: The income tax rate schedules for 2021 consist of four income brackets having tax rates of 5.35 percent, 6.80 percent, 7.85 percent and 9.85 percent as shown below. The tax brackets are indexed annually for inflation, as measured by the national chained consumer price index. The starting point for computing tax liability is federal adjusted gross income (FAGI), per the Internal Revenue Code as of 1986, as amended, through December 31, 2018. In computing taxable income, Minnesota allows the same standard deduction as the IRS. Itemized deductions are similar to federal itemized deductions, with some exceptions. Minnesota allows for dependent exemptions (not taxpayer and spouse exemptions) that match the federal amount prior to 2018. Minnesota requires numerous other additions and subtractions to FAGI to arrive at taxable income. There is a subtraction for social security benefits included in FAGI. The subtraction phases out for higher-income taxpayers. In 2019 the maximum subtraction amount was increased and the phase-out thresholds were decreased slightly. The subtraction amounts and phase-out thresholds are indexed annually for inflation. Two earner couples are entitled to a non-refundable credit against tax liability to offset the additional tax liability that results from the "married joint" filing status as opposed to the "single" filing status. The maximum credit per return to offset this "marriage penalty" is $1,548.00. In addition, the State tax code contains a refundable child-care credit, a working family credit, and an education credit all targeted at low income parents, and families. An alternative minimum tax is imposed on Minnesota alternative minimum taxable income or AMTI (which is similar to federal alternative minimum taxable income) at a flat rate of 6.75 percent on AMTI in excess of an exemption amount, to the extent the minimum tax exceeds the regular tax.

SINGLE FILER

Taxable Income	Tax
on the first $27,230	5.35%
on all over $27,230 but not over $89,440	6.80%
on all over $89,440 but not over $166,040	7.85%
on all over $166,040	9.85%

MARRIED FILING JOINTLY

Taxable Income	Tax
on the first $39,810	5.35%
on all over $39,810, but not over $158,140	6.80%
on all over $158,140, but not over $276,200	7.85%
on all over $276,200	9.85%

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

HEAD OF HOUSEHOLD

Taxable Income	Tax
on the first $33,520	5.35%
on all over $33,520, but not over $134,700	6.80%
on all over $134,700, but not over $220,730	7.85%
on all over $220,730	9.85%

In 2021, legislation was enacted primarily focused on providing temporary tax relief related to the COVID-19 pandemic. The most significant provisions were conformity to the federal exclusion for debt forgiveness under the federal Paycheck Protection Program and the partial exclusion for unemployment benefits up to $10,200 for taxpayers with adjusted gross income under $150,000.

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

Statewide Property Tax: A State general property tax is levied on commercial and industrial property, public utility property, unmined iron ore property, and seasonal recreational property, including cabins. There are separate rates for commercial-industrial property and residential-recreational property. Electric generation attached machinery and property located at the Minneapolis-St. Paul International Airport and the St. Paul Airport are exempt from this tax. Effective beginning with taxes payable in 2018, the first $100,000 is exempt. The taxes are levied at a uniform rate across the State. For taxes payable in 2021, the commercial-industrial rate is 35.978 percent, and the residential-recreational rate is 17.306 percent. The levy amount used to determine the commercial-industrial rate is $737.09 million, and the levy amount used to determine the residential-recreational rate is $41.69 million. Beginning with tax year 2023 the exemption is increased to $150,000 and the levies are reduced to $716.99 million for commercial-industrial property.

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

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

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

A fee is imposed as a part of the franchise tax liability. The fee is in addition to the regular and alternative minimum tax. The amount of the fee is based on the sum of Minnesota property, payroll and sales. The 2013 Legislature adjusted the fee schedule and indexed the dollar amounts for inflation, based on the consumer price index. The chained consumer price index is used beginning in 2020. The fee schedule for tax year 2021 is shown below:

Fee Basis	Amount of Fee
Less than $1,050,000	$0
$1,050,000 to $2,089,999	$220
$2,090,000 to $10,479,999	$630
$10,480,000 to $20,959,999	$2,090
$20,960,000 to $41,909,999	$4,200
$41,910,000 or more	$10,480

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

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

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

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

Cigarette and Tobacco Products Tax: The cigarette tax is $3.04 per pack. The 2017 Legislature repealed the annual inflationary adjustment. In addition, a pack is subject to a tax in lieu of sales tax of 63.3 cents for 2021. The in-lieu sales tax rate is determined annually based on 6.5% of the estimated average weighted retail price. The tax on tobacco products is 95 percent of the wholesale price. An electronic cigarette or e-cigarette is a device that simulates smoking tobacco. Electronic cigarettes ("e-cigarettes") and e-juice (fluid in cartridges used with e-cigarettes) are considered tobacco products and are subject to the tobacco tax.

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

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

Deed Tax: A tax of 0.33 percent or $1.65 for increments less than $3,000 of consideration is imposed on the transfer of real estate by any deed, instrument, or writing. 97 percent of the proceeds go to the State's General Fund and 3 percent to the county in which the property is located.

Gambling Tax: A 6 percent tax is imposed on the takeout in excess of $12 million of pari-mutuel horse races at licensed tracks. The takeout is 17 percent of straight pools and 23 percent for multiple pools.

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

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

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

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

Health Care Provider Tax: A tax is imposed upon licensed nursing homes, hospitals, and health maintenance organizations, including a $2,815 tax per licensed nursing home bed, a 1.56 percent tax on the net patient revenue of hospitals (excluding Medicare revenue), a 0.6 percent tax on the total premium revenue of health maintenance organizations, and a $3,679 tax per licensed intermediate care facility bed.

Other Sources

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

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

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

Tobacco Settlement

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

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[1] On January 5, 2004, Reynolds American Inc. was incorporated as a holding company to facilitate the combination of the U.S. assets, liabilities and operations of B & W with those of Reynolds Tobacco, which occurred on June 30, 2004. References herein to the "Settling Defendants" mean, for the period prior to June 30, 2004, collectively, Philip Morris, Reynolds Tobacco, B & W and Lorillard and for the period on and after June 30, 2004, collectively Philip Morris, Reynolds American and Lorillard. On June 12, 2015, Reynolds American Inc. acquired Lorillard by way of merger, and in a related divestiture, certain of the settling Defendants' cigarette brands were sold to ITG Brands, LLC. No settlement payments are being made on the cigarette brands sold to ITG Brands. The State does receive fee-in-lieu of settlement tax payments on the transferred brands pursuant to Minnesota Statute, Section 267F.34. On March 23, 2018, the State filed suit against Reynolds Tobacco and ITG to collect the difference between what the State receives in fee-in-lieu taxes and what is owed to the State as settlement payments on the transferred brands. The State settled the matter in March 2021. Under the terms of the settlement, sales and profits on the transferred brands will be included in future years settlement payments, and the State received a back payment for the amounts owed on sales and profits of the transferred brands for 2015-2020.

Pursuant to the Minnesota Agreement, the State agreed to settle all its past, present and future smoking- related claims against the Settling Defendants in exchange for agreements and undertakings by the Settling Defendants concerning a number of issues. These issues include, among others, making payments to the State, abiding by more stringent advertising restrictions, funding educational programs, ensuring public access to court documents and files and requiring disclosure of certain payments to lobbyists, all in accordance with the terms and conditions set forth in the Minnesota Agreement.

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

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

As required, the Settling Defendants have made all of the Initial Payments and have made Annual Payments from 1998 through 2021 and certain other amounts pursuant to the Minnesota Agreement totaling approximately $5.066 billion to date.

	Unadjusted Minnesota Agreement Applicable Base Payment	**State's Actual Receipts[1]**
FY2012 Annual Payment	$204,000,000	$166,861,093
FY2013 Annual Payment	204,000,000	170,060,090
FY2014 Annual Payment	204,000,000	175,398,533
FY2015 Annual Payment	204,000,000	170,746,036
FY2016 Annual Payment	204,000,000	171,238,161
FY2017 Annual Payment	204,000,000	168,226,161
FY2018 Annual Payment	204,000,000	166,931,236
FY2019 Annual Payment	204,000,000	162,765,479
FY2020 Annual Payment	204,000,000	152,282,216
FY2021 Annual Payment	**204,000,000**	**254,190,406**[2]

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

(2) Includes $81,569,642.90 for the R.J. Reynolds settlement for unpaid obligations from 2015-2020.

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CASH FLOW INFORMATION

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

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

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

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

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

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

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

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

The tables on the following pages show the projections of monthly Statutory General Fund cash flows for FY 2021 and FY 2022 based on the end of 2021 Legislative Sessions. The table for FY 2021 represents actual Statutory General Fund cash flow balances through June 30, 2021. The table for FY 2022 represents projected Statutory General Fund cash flow balance for that fiscal year. The projected monthly cash flow analyses have been formatted to include transfers in and transfers out to more accurately reflect State operations. The payment of debt service is included in transfers out for each fiscal year. Please note that monthly cash flow projections are subject to a high level of variability.

The State may, if needed, utilize a variety of administrative tools to manage Statutory General Fund cash flow on a daily basis. Those tools may consist of, and are not limited to, statutorily permitted delays in certain payments to higher education institutions, and health care providers, as well as delays in remittance of certain corporate and sales tax refunds.

STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS
END OF 2021 LEGISLATIVE SESSIONS
ACTUALS FOR FISCAL YEAR ENDED JUNE 30, 2021

($'s in Thousands)

	Jul-20 Act	Aug-20 Act	Sep-20 Act	Oct-20 Act	Nov-20 Act	Dec-20 Act	Jan-21 Act	Feb-21 Act	Mar-21 Act	Apr-21 Act	May-21 Act	Jun-21 Act
Beginning Cash Balance	7,697,438	7,886,740	6,477,594	6,660,749	7,309,950	7,132,223	7,506,854	8,014,613	7,422,428	7,433,733	8,422,568	10,017,699
Individual Income Tax	2,234,499	755,222	1,240,559	964,275	734,437	1,100,243	1,526,848	625,220	848,253	1,536,267	2,331,985	1,270,836
Corporate Tax	(17,926)	34,262	358,217	82,005	77,270	351,794	84,424	40,770	403,967	446,995	52,668	507,887
Sales Tax	194,261	579,967	541,908	562,626	502,099	466,139	596,022	446,676	389,879	572,341	546,921	835,640
Property Tax	28,619	5,500	0	180,332	139,761	29,987	9,022	2,091	0	4	187,462	219,105
Tobacco Tax	5,700	67,740	61,265	53,154	52,382	48,674	75,512	29,403	36,564	50,245	48,145	99,316
Insurance Tax	9,790	11,745	115,228	684	5,807	115,768	1,681	27,511	137,122	1,323	4,885	121,758
Excise Tax	138,527	143,908	114,471	205,990	136,062	117,627	209,718	151,932	131,264	229,273	125,474	209,887
Investment Earnings	4,394	4,107	3,958	3,263	2,999	2,965	2,819	2,673	2,328	2,518	2,409	2,624
Interagency Grants	14,117	14,273	9,114	11,782	8,457	8,904	4,967	9,893	9,469	10,242	8,344	30,204
Other Revenue	334,536	510,563	427,307	306,855	268,939	596,795	544,549	394,143	349,580	355,493	359,464	392,682
Total Revenue	2,946,517	2,127,287	2,872,028	2,370,965	1,928,213	2,838,898	3,055,562	1,730,313	2,308,426	3,204,701	3,667,757	3,689,940
Transfer In	1,511,175	396,213	64,328	260,528	211,521	291,911	151,826	109,846	129,735	97,721	99,171	246,245
Total Sources	4,457,692	2,523,500	2,936,356	2,631,493	2,139,734	3,130,810	3,207,387	1,840,159	2,438,161	3,302,422	3,766,928	3,936,185
Compensation	330,698	452,294	338,090	335,068	332,029	339,729	464,634	335,409	340,171	348,210	350,134	352,815
Agency Operations	292,532	356,455	206,548	232,661	161,130	183,341	178,731	180,903	189,843	219,092	167,718	293,716
Aid to Schools	216,685	1,424,451	1,022,954	564,009	213,974	724,019	946,518	984,638	1,138,951	1,167,479	943,156	473,636
Aid to Cities & Towns	330,478	15,642	115,212	14,132	13,572	311,399	11,868	11,006	6,749	5,327	6,232	7,234
Aid to Counties	214,813	26,803	44,248	31,001	24,491	280,958	23,899	22,257	11,603	18,671	29,089	20,156
Aid to Higher Ed	87,092	77,656	151,130	74,182	68,892	94,596	130,815	84,145	67,346	108,688	60,497	87,787
Aid to Non-Gov't	71,044	135,187	24,994	27,072	23,175	31,730	94,137	36,932	33,757	35,359	32,931	31,898
Aid to Other Gov't	20,222	10,833	33,874	19,050	10,172	14,926	10,308	14,351	10,669	9,704	9,725	9,271
DHS Payments to Individuals	974,350	706,718	402,807	390,678	677,600	314,171	771,341	592,485	475,481	295,158	403,387	294,805
Other Aid to Individuals	63,950	303,993	338,785	48,658	15,878	11,772	6,207	7,679	13,021	9,070	6,012	7,451
Other Expenditures	5,863	22,627	7,833	5,916	1,992	15,421	2,135	14,007	5,405	6,390	2,614	(3,120)
Total Expenditures	2,607,726	3,532,660	2,686,474	1,742,427	1,542,905	2,322,062	2,640,594	2,283,811	2,292,996	2,223,148	2,011,495	1,575,648
Transfer Out	1,660,665	399,986	66,727	239,865	216,684	434,117	59,035	148,532	133,860	90,440	160,301	237,594
Transfer Out Debt Service	0	0	0	0	557,872		0	0	0	0	0	0
Total Uses	4,268,391	3,932,646	2,753,201	1,982,292	2,317,462	2,756,179	2,699,629	2,432,343	2,426,855	2,313,587	2,171,796	1,813,243
Sources Less Uses	189,301	(1,409,146)	183,155	649,202	(177,727)	374,631	507,758	(592,184)	11,306	988,835	1,595,132	2,122,942
High Point	7,942,710	7,587,547	7,883,921	7,602,477	8,208,964	7,694,090	8,755,680	8,452,411	8,487,050	9,211,085	10,234,477	12,140,642
Low Point	6,310,356	6,460,676	6,315,353	6,381,980	7,132,222	6,993,520	7,142,878	7,422,427	7,248,737	7,207,992	7,991,831	9,885,444
Ending Cash Balance	7,886,739	6,477,594	6,660,749	7,309,951	7,132,223	7,506,854	8,014,612	7,422,428	7,433,734	8,422,568	10,017,700	12,140,642

STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS
END OF 2021 LEGISLATIVE SESSIONS
ESTIMATES FOR FISCAL YEAR ENDING JUNE 30, 2022
($'s in Thousands)

	Jul-21 Est	Aug-21 Est	Sep-21 Est	Oct-21 Est	Nov-21 Est	Dec-21 Est	Jan-22 Est	Feb-22 Est	Mar-22 Est	Apr-22 Est	May-22 Est	Jun-22 Est
Beginning Cash Balance	12,140,642	10,914,997	9,276,596	9,360,860	9,553,283	9,185,242	9,088,355	9,794,979	8,826,315	8,653,228	9,516,481	9,182,834
Individual Income Tax	842,321	868,387	1,311,522	945,387	694,033	1,055,993	1,632,949	376,195	739,913	2,266,492	734,113	1,352,009
Corporate Tax	81,556	7,858	308,989	37,757	11,410	284,265	57,752	24,064	295,914	177,398	38,996	151,663
Sales Tax	223,860	609,900	552,473	571,279	539,915	514,108	627,129	479,440	429,022	432,266	523,301	826,645
Property Tax	15,591	0	0	163,707	163,707	19,489	3,898	0	0	(0)	207,348	199,648
Tobacco Tax	5,199	59,885	61,952	49,887	53,138	47,741	86,933	32,618	34,390	47,373	39,398	93,350
Insurance Tax	2,490	12,545	110,124	274	7,026	112,784	3,510	29,369	150,176	891	5,392	121,801
Excise Tax	190,268	134,334	116,673	217,730	116,421	110,651	222,139	127,504	125,668	241,529	121,396	148,920
Investment Earnings	545	6,793	3,788	4,053	4,269	4,105	523	8,886	4,797	10,978	3,752	6,569
Interagency Grants	12,176	9,001	8,457	9,622	7,096	27,828	7,313	9,655	18,849	15,536	12,610	13,451
Other Revenue	280,091	322,345	318,694	299,624	218,391	413,687	494,187	214,160	892,866	306,602	241,094	358,164
Total Revenue	1,654,099	2,031,048	2,792,672	2,299,320	1,815,406	2,590,651	3,136,333	1,301,891	2,691,595	3,499,065	1,927,401	3,272,219
Transfer In	1,130,103	262,212	101,450	92,504	124,617	91,401	82,033	89,948	93,139	83,992	212,774	259,835
Total Sources	2,784,201	2,293,260	2,894,123	2,391,824	1,940,024	2,682,051	3,218,366	1,391,839	2,784,734	3,583,057	2,140,176	3,532,054
Compensation	508,510	327,291	316,310	340,926	342,733	505,339	339,213	345,198	324,880	354,849	385,100	400,088
Agency Operations	216,506	261,369	180,060	283,678	91,083	181,321	296,674	124,080	198,096	264,743	136,103	300,465
Aid to Schools	281,349	1,444,493	1,016,775	580,576	226,758	804,748	1,019,217	1,008,923	1,259,344	1,217,249	1,011,865	505,226
Aid to Cities & Towns	308,138	22,646	97,254	103,240	19,065	323,604	12,610	15,513	10,865	3,955	8,842	5,568
Aid to Counties	195,572	30,655	33,142	47,880	25,677	180,749	14,230	22,722	13,421	12,052	28,290	8,939
Aid to Higher Ed	82,862	175,618	44,411	71,674	77,272	93,145	125,342	62,638	60,063	89,242	76,886	61,720
Aid to Non-Gov't	59,527	45,225	28,982	35,120	33,448	31,097	36,291	38,980	29,934	95,844	39,665	24,764
Aid to Other Gov't	32,722	12,146	30,587	27,357	12,463	14,005	3,505	7,051	22,094	11,852	1,060	11,132
DHS Payments to Individuals	1,110,034	856,156	562,752	476,172	596,739	439,946	543,814	609,635	907,744	543,365	520,697	422,517
Other Aid to Individuals	44,569	272,618	350,769	114,864	20,130	14,886	12,611	4,990	16,343	6,992	3,232	19,451
Other Expenditures	30,991	24,153	27,051	19,663	19,637	18,800	17,150	24,964	17,296	10,946	9,303	22,608
Total Expenditures	2,870,779	3,472,371	2,688,093	2,101,149	1,465,005	2,607,640	2,420,657	2,264,695	2,860,081	2,611,089	2,221,041	1,782,478
Transfer Out	1,139,067	459,290	121,765	98,252	213,620	171,299	91,084	95,808	97,740	108,715	252,781	188,989
Transfer Out Debt Service	0	0	0	0	629,440		0	0	0	0	0	0
Total Uses	4,009,846	3,931,661	2,809,858	2,199,401	2,308,065	2,778,939	2,511,741	2,360,503	2,957,820	2,719,804	2,473,822	1,971,467
Sources Less Uses	(1,225,645)	(1,638,401)	84,264	192,423	(368,041)	(96,887)	706,624	(968,664)	(173,087)	863,253	(333,647)	1,560,587
High Point	12,269,155	10,920,729	10,242,494	10,099,169	10,076,774	9,488,990	10,335,281	9,538,394	9,758,648	10,439,417	9,579,402	10,743,421
Low Point	10,766,441	9,276,596	9,250,800	9,262,127	9,185,242	8,848,727	9,122,480	8,824,524	8,434,938	8,678,939	8,750,091	9,092,950
Ending Cash Balance	10,914,997	9,276,596	9,360,860	9,553,283	9,185,242	9,088,355	9,794,979	8,826,315	8,653,228	9,516,481	9,182,834	10,743,421

STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS
END OF 2021 LEGISLATIVE SESSIONS
ESTIMATES FOR FISCAL YEAR ENDING JUNE 30, 2023
($'s in Thousands)

	Jul-22 Est	Aug-22 Est	Sep-22 Est	Oct-22 Est	Nov-22 Est	Dec-22 Est	Jan-23 Est	Feb-23 Est	Mar-23 Est	Apr-23 Est	May-23 Est	Jun-23 Est
Beginning Cash Balance	10,743,421	9,361,097	7,601,833	7,899,127	8,274,796	7,928,186	7,909,200	8,279,542	7,354,726	6,742,539	7,762,491	7,617,460
Individual Income Tax	885,665	886,399	1,478,528	968,523	813,256	1,157,780	1,735,685	515,534	825,760	2,399,369	825,608	1,430,278
Corporate Tax	81,979	36,281	370,177	69,079	44,429	317,824	54,128	22,494	278,259	167,203	37,432	124,058
Sales Tax	262,116	643,357	582,067	603,335	562,923	536,787	654,287	498,838	452,743	448,679	547,365	859,750
Property Tax	15,359	(0)	(0)	161,270	161,270	19,199	3,840	(0)	0	(0)	202,025	194,345
Tobacco Tax	5,215	59,715	62,302	49,889	53,073	47,772	86,372	32,903	34,496	47,382	39,514	93,361
Insurance Tax	2,650	13,444	112,651	303	7,528	116,626	3,711	46,551	152,187	1,530	5,737	126,989
Excise Tax	198,708	120,307	146,742	227,574	118,850	116,573	230,009	133,667	118,313	256,892	118,084	152,657
Investment Earnings	3,052	3,287	3,395	1,705	5,359	5,867	1,830	6,030	1,943	4,160	7,047	1,838
Interagency Grants	15,613	15,467	17,922	9,915	5,479	10,105	9,642	15,491	14,124	15,142	7,447	15,189
Other Revenue	428,889	379,678	358,740	272,174	263,570	546,493	488,869	219,383	335,767	400,261	270,524	434,791
Total Revenue	1,899,245	2,157,935	3,132,523	2,363,769	2,035,736	2,875,027	3,268,373	1,490,890	2,213,592	3,740,618	2,060,785	3,433,256
Transfer In	498,239	502,692	98,150	101,570	83,371	89,205	99,957	124,962	115,619	85,968	96,414	803,565
Total Sources	2,397,484	2,660,627	3,230,673	2,465,339	2,119,107	2,964,232	3,368,330	1,615,852	2,329,211	3,826,586	2,157,199	4,236,821
Compensation	495,688	321,409	309,149	332,680	393,087	437,669	336,011	332,699	313,157	345,074	406,715	382,898
Agency Operations	324,820	212,197	206,515	199,219	115,446	268,218	204,091	121,982	249,592	219,062	148,474	255,350
Aid to Schools	291,258	1,500,329	1,052,225	601,907	234,839	832,706	1,053,203	1,043,861	1,298,345	1,253,719	1,050,406	519,813
Aid to Cities & Towns	308,163	20,044	12,494	106,901	22,679	312,885	29,990	14,558	11,114	18,098	(7,639)	11,565
Aid to Counties	187,021	33,272	38,238	56,732	15,935	173,787	12,296	13,239	15,131	17,050	32,584	9,154
Aid to Higher Ed	82,399	141,870	69,888	61,498	56,404	111,871	110,389	70,967	62,629	93,036	80,822	66,512
Aid to Non-Gov't	34,426	25,456	35,096	27,482	23,711	25,780	32,684	34,424	28,745	67,297	30,200	20,959
Aid to Other Gov't	29,304	18,742	32,100	17,881	13,948	12,842	13,707	6,781	12,293	12,060	11,944	259
DHS Payments to Individuals	1,180,312	1,179,277	693,649	417,613	714,037	680,923	1,059,375	735,287	658,342	659,075	425,874	502,210
Other Aid to Individuals	97,276	276,384	357,778	117,825	14,480	12,903	13,178	3,970	17,523	7,179	5,018	21,607
Other Expenditures	27,373	27,743	21,617	49,935	26,653	17,432	35,839	22,852	20,509	21,159	23,441	13,342
Total Expenditures	3,058,039	3,756,723	2,828,748	1,989,672	1,631,218	2,887,016	2,900,762	2,400,621	2,687,381	2,712,808	2,207,839	1,803,669
Transfer Out	721,769	663,168	104,631	99,998	221,073	96,203	97,225	140,048	254,017	93,826	94,391	396,004
Transfer Out Debt Service	0	0	0	0	613,425		0	0	0	0	0	0
Total Uses	3,779,808	4,419,891	2,933,380	2,089,670	2,465,716	2,983,218	2,997,988	2,540,668	2,941,398	2,806,634	2,302,230	2,199,673
Sources Less Uses	(1,382,324)	(1,759,264)	297,294	375,669	(346,609)	(18,986)	370,342	(924,816)	(612,187)	1,019,952	(145,031)	2,037,148
High Point	10,761,373	9,318,884	9,025,842	8,657,539	8,726,927	8,111,587	9,244,227	8,516,966	8,088,785	8,718,995	8,107,294	9,712,949
Low Point	9,345,333	7,567,376	7,634,831	7,910,999	7,928,186	7,420,837	7,626,073	7,354,726	6,702,877	6,890,258	7,399,453	7,524,050
Ending Cash Balance	9,361,097	7,601,833	7,899,127	8,274,796	7,928,186	7,909,200	8,279,542	7,354,726	6,742,539	7,762,491	7,617,460	9,654,608

HEALTH CARE ACCESS FUND

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

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

Since January 1, 2015, MinnesotaCare® has operated as a Basic Health Program ("BHP"), an option available to states under the Affordable Care Act. A BHP allows Minnesota to use federal tax subsidies to support coverage of individuals who would otherwise be eligible to purchase coverage through MNsure, Minnesota's health insurance marketplace. Following federal eligibility changes, since January 1, 2014, MinnesotaCare® has served Minnesotans with incomes between 138 percent and 200 percent of Federal Poverty Guidelines.

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

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

Resources	
Projected Unreserved Balance at June 30, 2021	$ 561
Revenues	1,826
Total Resources	$ 2,387
Expenditures	1,556
Projected Unreserved Balance Before Transfers	$831
Transfers to Other Funds	264
Projected Unrestricted Balance at June 30, 2023	$ 567

Minnesota's budget projections were updated in the February 2021 forecast and incorporates 2021 Legislative Sessions changes. While federal resources from the ARPA coupled with state action provides a positive balance in Fiscal Year 2023, the Health Care Access Fund continues to have a structural deficit. Contributing to the structural deficit are annual transfers to the General Fund of $122 million. The 2021 Legislature repealed this transfer starting in Fiscal Year 2026, which will improve the structural deficit in the Health Care Access Fund.

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MINNESOTA DEFINED BENEFIT PENSION PLANS

General Information

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

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

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

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

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

The financial reports include information determined using assumptions and methodologies required by Minnesota Statutes and using assumptions and methodologies required by GASB. Including this information is necessary for the Retirement Systems to comply with both state law and GASB requirements. For Fiscal Year 2020, the external auditors rendered unmodified audit opinions with respect to the financial statements of the three Retirement Systems, each of which contains the dual reporting structure.

As a component of the financial reporting for Minnesota's defined benefit pension plans, the State has implemented accounting standards issued by GASB, including GASB Statement 67 - Financial Reporting for Pension Plans, GASB Statement 68 - Accounting and Financial Reporting for Pensions, and GASB Statement 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date. The GASB 67 standard requires each of the Retirement Systems to determine its net pension liability ("NPL") using assumptions that conform to actuarial standards of practice issued by the Actuarial Standards Board. The NPL is defined as the difference between the total pension

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

liability (the present value of projected benefit payments to employees based on their past service) and the fair value of most assets at the end of each fiscal year set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries.

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

- Until Fiscal Year 2018, the discount rate required by statute for funding purposes has been different from the discount rate used for GASB financial reporting purposes. The discount rate is the rate used to bring the projected pension benefits to the present value of these benefits. Under the statutory "select and ultimate" method investment earnings assumption, effective commencing with the July 1, 2012, actuarial valuation report, the annualized assumed investment return was 8.0 percent for Fiscal Year 2013 through Fiscal Year 2017 and 8.5 percent beginning Fiscal Year 2018 and years thereafter. However, the 2015 Legislature reduced the annualized assumed investment return from 8.5 percent to 8.0 percent for MSRS, PERA, and the Saint Paul Teachers Retirement Fund Association ("SPTRFA") beginning Fiscal Year 2016 and years thereafter. The 2018 Legislature further reduced the annualized assumed investment return to 7.5 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2018 and years thereafter. In contrast, for Fiscal Year 2016, the discount rate used for GASB financial reporting purposes was 7.5 percent for MSRS and PERA and 8.0 percent for TRA, as determined by each Retirement System's management, in consultation with their actuaries, and in accordance with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In Fiscal Year 2017, MSRS and PERA retained the 7.5 percent discount rate, and TRA reduced the discount rate from 8.0 percent to 4.66 percent in Fiscal Year 2016 and to 5.12 percent in Fiscal Year 2017, for GASB financial reporting purposes. In Fiscal Years 2018-2020, MSRS, TRA and PERA all utilized a discount rate of 7.5 percent for GASB financial reporting purposes. See "Retirement Systems Funding" in this APPENDIX B for additional information regarding statutory and financial reporting discount rates.
- The statutory asset valuation method required for funding purposes continues to be different from the GASB asset valuation method required for financial reporting purposes. For funding purposes, Minnesota law requires investment gains and losses to be recognized over a five-year period to "smooth" the volatility that can occur from year to year. For GASB financial reporting purposes, assets are valued at market value as of the end of the fiscal year.

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

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

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

These annual comprehensive financial reports for the Fiscal Year ended June 30, 2020, are available from the following public web sites:

MSRS: https://www.msrs.state.mn.us/annual-reports-fy-2020
PERA: https://mnpera.org/annual-comprehensive-financial-report/
TRA: https://minnesotatra.org/financial/annual-reports/

The Systems' actuarial reports for the Fiscal Year ended June 30, 2020, are available from the following public web sites:

MSRS: https://www.msrs.state.mn.us/annual-reports-fy-2020
PERA: https://mnpera.org/financial/actuarial-valuations/
TRA: https://minnesotatra.org/financial/annual-reports/

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

For additional information on the State's pension systems, refer to Note 8 – Pension and Investment Trust Funds (pages F-87 through F-105) and Required Supplementary Information (pages F-152 through F-167) in the State Financial Statements in APPENDIX E. Pension disclosures in the State's Financial Statements differ from the Retirement Systems' financial statements. The State's Financial Statements disclosures only include the State's proportionate share and there is a one year lag in the disclosures statements in State's Financial Statements compared to the Systems' Annual Comprehensive Financial Reports.

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

Overview – MSRS

MSRS provides retirement coverage for 57,541 active employees, 49,362 retirees, disabilitants, and beneficiaries, and 29,578 members who no longer contribute, but are eligible for future monthly benefits or a refund of their contributions, as of June 30, 2020. These members participate in five unique defined benefit retirement funds. The largest funds include the State Employees Retirement Fund, Correctional Employees Retirement Fund and State Patrol Retirement Fund, which represents 99.0 percent of total assets for MSRS' defined benefit funds.

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

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

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

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

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

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

Membership statistics for each of the MSRS funds, as of June 30, 2020, follow:

	State Employees Retirement Fund	State Patrol Retirement Fund	Correctional Employees Retirement Fund	Judges Retirement Fund	Legislators Retirement Fund	Totals
Benefit Recipients:						
Retirees	37,898	891	3,013	298	281	42,381
Beneficiaries	4,237	152	253	76	79	4,797
Disabilitants	1,784	64	320	16	0	2,184
Terminated members:						
Vested, no benefits	17,333	63	1,426	17	31	18,870
Non-Vested	9,670	30	1,008	0	0	10,708
Active members:						
Vested	34,268	691	3,028	286	17	38,290
Non-Vested	17,474	246	1,495	36	0	19,251
Total Membership	122,664	2,137	10,543	729	408	136,481
Annualized Payroll	*$3,298,283,000*	*$84,530,000*	*$278,479,000*	*$52,298,000*	*$967,000*	*$3,714,557,000*

MSRS also administers four defined contribution funds. These funds include the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund (an Internal Revenue Code Section 457 plan), and the Hennepin County Supplemental Retirement Fund. Net Assets as of June 30, 2020, for the defined contribution funds total $9,526,767,000.

Overview – PERA

PERA administers four separate defined benefit pension funds (including one multi-employer agent plan) and one defined contribution plan. Each has specific membership, contribution, benefit, and pension provisions. As of June 30, 2020, PERA's three multi-employer, cost-sharing, defined benefit plans cover 169,621 members currently employed and earning benefits; 152,142 members who no longer work in PERA-covered positions but who are eligible for future benefits or a refund of their contributions from PERA; and 121,136 persons currently receiving benefits. These three plans represent 99.7% of PERA's defined benefit plan assets. In addition, PERA's multi-employer agent defined benefit plan for volunteer firefighters covers 3,773 active members, 968 members eligible for future benefits and 136 persons currently receiving benefits. In most cases, benefits from the volunteer firefighter plan are paid in a lump-sum at retirement. PERA members are employed by more than 2,100 governmental entities including cities, counties, townships, and school districts throughout the State.

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

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

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

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

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

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

Membership statistics for each of the funds, as of June 30, 2020, follow:

	General Employees Retirement Fund (GERF)	**Public Employees Police & Fire Fund (PEPFF)**	**Public Employees Correctional Fund (PECF)**	**Totals**
Benefit Recipients:				
Retirees	95,830	7,793	1,164	104,787
Beneficiaries	8,981	1,931	72	10,984
Disabilitants	3,681	1,477	207	5,365
Terminated Members:				
Vested, no benefits	64,672	1,686	3,637	69,995
Non Vested	79,069	894	2,184	82,147
Active Members:				
Vested	92,005	9,207	2,095	103,307
Non Vested	61,736	2,818	1,760	66,314
Total Membership	405,974	25,806	11,119	442,899
Annualized Payroll	*$6,698,754,000*	*$1,069,481,000*	*$217,702,000*	*$7,985,937,000*

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

Overview – TRA

TRA had 604 reporting employer units, 83,149 active members and a total of 68,154 retirees, survivors, beneficiaries and disabilitants who were receiving monthly benefits, as of June 30, 2020.

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

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

Membership statistics for the fund, as of June 30, 2020, follow:

Benefit Recipients:	
Retirees	61,748
Disabilitants	469
Beneficiaries	5,937
Terminated Members:	
Vested, deferred	16,203
Non Vested	37,177
Active Members:	
Vested	67,529
Non Vested	15,620
Total Membership	204,683

Annualized Payroll	*$5,166,241,000*

Investments

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

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

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

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

A 17-member Investment Advisory Council, ten members of which must be experienced in general investment matters, advise the SBI on investment policy. The Commissioner of Management and Budget, and the three executive directors of the Retirement Systems also serve as members, as do one retiree and two active employee members. Also, investment consultants are hired to monitor and evaluate investment performance of the investment firms hired by the SBI. Within the requirements defined by State law, the SBI, in conjunction with SBI staff and the Investment Advisory Council, establishes investment policies for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. The SBI, its staff and the Investment Advisory Council have conducted detailed analyses that address investment objectives, asset allocation policy and management structure of each of the funds under SBI's control. The studies guide the ongoing management of these funds and are updated periodically.

The individual pension plans invest in investment pools administered by SBI. The pools function much like mutual funds, with the pension plans purchasing "units" of the pools rather than purchasing individual securities. The Combined Funds represent the assets for both the active and retired public employees in the statewide retirement plans which are administered by the Retirement Systems. The Combined Funds covers active and retired employees and had a market value of $71.1 billion, as of June 30, 2020. The Combined Funds market value was $89.5 billion, as of June 30, 2021 (unaudited).

Assumed Return

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

Asset Allocation

The allocation of assets among stocks, bonds, alternative investments and cash has a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. The asset allocation of the Combined Funds is reviewed periodically. SBI has chosen to incorporate a large commitment to common stocks in the asset allocation policy for the retirement funds. In order to limit the short run volatility of returns exhibited by common stocks, the SBI includes other asset classes such as bonds, real estate, and resource investments in the total portfolio. This diversification is intended to reduce wide fluctuations in investment returns on a year to year basis without impairing the funds' ability to meet or exceed the annualized assumed investment return over the long-term. The Combined Funds has an asset allocation policy based on the investment objectives of the Combined Funds and the expected long-term performance of the capital markets. At the September 2017 SBI meeting, an increase in the Private Markets target allocation from 20 to 25% was approved. Domestic and International Stocks were combined under a new reporting name called Public Equity—with a target allocation of 67% to domestic and 33% to international. In addition, a strategic allocation category framework was adopted. The transition to this framework was complete by June 30, 2019. At its May 2020 meeting, the SBI approved additional asset allocation policy changes to the Fixed Income category for enhanced liquidity management. The changes modify the target allocation to 25% (consisting of the current 20% allocation to Core Bonds and Treasuries, the current 2% allocation to Cash, and a transfer of 3% from Public Equities), and additionally seek structural changes to balance Treasuries with return seeking bond allocation. SBI staff transitioned to this new policy framework throughout Fiscal Year 2021.

The target allocation to each asset class as of June 2021 was as follows:

Total Public Equity	50%
Domestic Stocks – 33.5%	
International Stocks – 16.5%	
Total Fixed Income	25%
Core Bonds – 10%	
Treasuries – 10%	
Cash – 5%	
Private Markets	25%

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

The following table represents the actual asset allocation and the market value for the Combined Funds as of June 30, 2020 and June 30, 2021 (unaudited).

COMBINED FUNDS INVESTMENTS
PERIODS ENDING JUNE 30, 2020 AND JUNE 30, 2021 (UNAUDITED)
($'s in Millions)

	Target Allocation as of June 30, 2020	**Actual Mix 6/30/2020**	**Market Value 6/30/2020[(2)]**	**Target Allocation as of June 30, 2021**	**Actual Mix 6/30/2021 (unaudited)**	**Market Value 6/30/2021[(2)] (unaudited)**
Public Equities	**53%**	50.2%	$35,672	50%	50.05%	$44,792
Total Fixed Income	**20**	20.4	14,463	25	24.29	21,735
Private Markets	**25**	25.0	17,783	25	25.66	22,967
Invested Private Markets		*15.6*	*11,104*		*17.36*	*15,533*
Uninvested Allocation Invested in Public Equities [(1)]		*9.4*	*6,679*		*8.3*	*7,434*
Unallocated Cash [(3)]	**2**	4.4	3,135	0	0.0	0
Total	**100%**	**100%**	**$71,053**	**100%**	**100%**	**$89,494**

(1) Uninvested allocation was reported in Public Equities during Fiscal Year 2020.
(2) Market value based on fair value as defined in GASB 31.
(3) Unallocated Cash is part of the Total Fixed Income in FY21.
Source: SBI Quarterly Board Book Performance and SBI staff, period ended June 30, 2020, and SBI staff for the period ended June 30, 2021 (unaudited).

Investment Results

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

The rate of return in the Combined Funds was 4.2 percent for the Fiscal Year ending June 30, 2020. The rate of return in the Combined Funds was approximately 30.3 percent for the one-year period that began on July 1, 2020, and ended June 30, 2021 (unaudited). Over a 10-year period, the Combined Funds are expected to outperform a composite market index weighted in a manner that reflects the long-term asset allocation over the latest 10-year period.

	Period Ending June 30, 2020									
	2016	**2017**	**2018**	**2019**	**2020**	**3 Yr.**	**5 Yr.**	**10 Yr.**	**20 Yr.**	**30 Yr.**
Combined Funds	**-0.1%**	**15.1%**	**10.3%**	**7.3%**	**4.2%**	**7.3%**	**7.3%**	**9.7%**	**6.3%**	**8.6%**
Composite Index	1.1%	14.4%	9.7%	7.6%	4.0%	7.1%	7.3%	9.5%	6.1%	8.4%
	Period Ending June 30, 2021 (unaudited)									
	2017	**2018**	**2019**	**2020**	**2021**	**3 Yr.**	**5 Yr.**	**10 Yr.**	**20 Yr.**	**30 Yr.**
Combined Funds	**15.1%**	**10.3%**	**7.3%**	**4.2%**	**30.3%**	**13.4%**	**13.1%**	**10.4%**	**8.1%**	**9.3%**
Composite Index	14.4%	9.7%	7.6%	4.0%	28.8%	13.0%	12.6%	10.1%	7.9%	9.0%

Source: SBI Quarterly Board Book for the period ended June 30, 2020 and SBI staff for the period ended June 30, 2021.

Actual Combined Funds returns relative to the total fund composite index are shown above. For the 10-year period ending June 30, 2021 (unaudited), the Combined Funds outperformed the composite index by 0.3 percent points. For the 20-year period ending June 30, 2021 (unaudited), the Combined Funds outperformed the composite index by 0.2 percent points. The annualized rate of return was 9.3 percent for the past 30-year period ending June 30, 2021 (unaudited).

Comparing the Actual Combined Funds returns relative to the 7.5 percent annualized investment return assumption enacted by the 2018 Legislature, for the period ended June 30, 2021 (unaudited), the Actual Combined Funds return exceeded the annualized investment return assumption for the most recent 3-year, 5-year, 10-year, 20-year and 30-year periods.

Fiscal Year 2020 Contribution Summary

As mentioned above, the State is the primary contributing employer for MSRS and is a very small contributing employer for the PERA and TRA plans. The State also makes non-employer contributions to certain plans and makes contributions to PERA, TRA and certain local governments to assist with public pension funding obligations, as described herein. In addition, the State appropriates general (non-pension related) State aid payments to certain local governments and school districts that are contributing employers in these plans. Provided below is a table summarizing the Retirement Systems, including: the types of pension plans (e.g., defined benefit, defined contribution, etc.), whether the State contributes to the pension plan as an employer or otherwise, and the State's FY 2020 employer contributions to the various plans.

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MINNESOTA RETIREMENT SYSTEMS – STATE PARTICIPATION AND CONTRIBUTION SUMMARY

(Defined Benefit Plans in Bold)

($'s in Thousands)

Plans Covered	Type	State Employer Participation	State Provides Other Non-Employer Contributions	FY 2020 State Pension Employer Contributions[1]
Minnesota State Retirement Systems (MSRS)				
State Employees Retirement Fund	**Multiple employer, cost-sharing plans**	Yes[2]	No	$ 202,669
Correctional Employees Retirement Fund	**Multiple employer, cost-sharing plans**	Yes	No	$43,635
Judges Retirement Fund	**Single employer, State plan**	Yes	No	$11,766
Legislators Retirement Fund[3]	**Single employer, State plan**	Yes	No	$0
State Patrol Retirement Fund	**Single employer, State plan**	Yes	No	$21,975
Unclassified Employees Retirement Fund	Defined Contribution	Yes	No	$7,832
Postretirement Healthcare Benefits Fund	Defined Contribution	N/A	N/A	N/A
State Deferred Compensation Fund	Defined Contribution	N/A	N/A	N/A
Hennepin County Suppl. Retirement Fund	Defined Contribution	N/A	N/A	N/A
Public Employees Retirement Association (PERA)				
Plans Covered	**Type**	**State Employer Participation**	**State Provides Other Non-Employer Contributions**	**FY 2020 State Pension Employer Contributions**[1]
General Employees Retirement Fund	**Multiple employer, cost-sharing plan**	Yes[4]	Yes	$3,009
Public Employees Police and Fire Fund	**Multiple employer, cost-sharing plan**	No	Yes[4]	$0
Public Employees Correctional Fund	**Multiple employer, cost-sharing plan**	No	No	$0
Volunteer Firefighter Retirement Fund	Multiple employer, agent plan	N/A	Yes [4]	N/A
Defined Contribution Fund	Defined Contribution	N/A	N/A	N/A
Teachers Retirement Association (TRA)				
Plans Covered	**Type**	**State Employer Participation**	**State Provides Other Non-Employer Contributions**	**FY 2020 State Pension Employer Contributions**[1]
Teachers Retirement Fund	**Multiple employer, cost-sharing plan**	Yes[5]	Yes[5]	$16,003[5]

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

[2] The State is a primary employer for the State Employees Retirement Fund.

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

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

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

Source: MSRS, Annual Comprehensive Financial Report, Fiscal Year ended June 30, 2020; PERA, Schedule Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only, Fiscal Year ended June 30, 2020; TRA, Schedule of Employer and Non-Employer Allocations, Fiscal Year ended June 30, 2020.

Statutory Funding Requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES
DIRECT AID TO PENSION FUNDS
($'s in Thousands)

Fiscal Year Ended June 30th	(Former) Minneapolis Employees Retirement Fund (MERF)(1)	TRA/ MTRFA & DTRFA(2)	St. Paul Teachers Retirement Fund (SPTRFA)(3)	Duluth Teachers Retirement Fund (DTRFA)(4)	TRA/ DTRFA(4)	MSRS Elective State Officers Retirement Fund(5)	MSRS Legislators Retirement Fund(6)	MSRS Judges Retirement Fund (JRF)	PERA Public Employees Police and Fire Fund (PEPFF)	Total
2010	$9,000	$15,454	$2,827	$346	$-	$452	$2,184	$-	$-	$30,263
2011	9,000	15,454	2,827	346	-	461	2,622	-	-	30,710
2012	22,750	15,454	2,827	346	-	459	3,167	-	-	45,003
2013	22,750	15,454	2,827	346	-	476	3,422	-	-	45,275
2014	24,000	15,454	9,827	6,346	-	-	3,891	-	-	59,518
2015	24,000	15,454	9,827	6,000	14,377	-	3,964	-	-	73,622
2016	6,000	29,831	9,827	-	-	-	5,177	-	-	50,835
2017	6,000	29,831	9,827	-	-	-	8,936	3,000	-	57,594
2018	16,000	29,831	9,827	-	-	-	8,961	6,000	-	70,619
2019	16,000	29,831	14,827	-	-	-	8,909	6,000	4,500	80,067
2020	16,000	29,831	14,827	-	-	-	8,850	6,000	4,500	80,008
**2021*	16,000	29,831	14,827	-	-	-	8,695	6,000	9,000	84,353
**2022*	16,000	29,831	14,827	-	-	-	8,886	6,000	9,000	84,544
**2023*	16,000	29,831	14,827	-	-	-	8,878	6,000	9,000	84,536
**2024*	16,000	29,831	14,827	-	-	-	8,869	6,000	9,000	84,527
**2025*	16,000	29,831	14,827	-	-	-	8,904	6,000	9,000	84,562

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

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

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

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

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

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

*Projections for FY 2021-FY 2025 as of the end of the 2021 Legislative Sessions.
Source: MMB General Fund balance analysis

The following table summarizes State General Fund Appropriation pension aid provided to local governments during the last ten fiscal years and estimates for Fiscal Year 2021 through Fiscal Year 2025.

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

Fiscal Year Ended June 30th	Basic Local Police and Fire Association(1)	Local Police and Fire Associations Amortization Aid	PERA Aid(2)	Volunteer Firefighter Relief	Redirected Aid-SPTRFA/TRA	Police-Fire Retirement Supplemental Aid(3)	Total
2010	$80,500	$829	$14,390	$722	$5,890	$-	$102,331
2011	82,005	1,000	14,384	627	4,886	-	102,902
2012	82,338	1,255	14,328	671	2,077	-	100,669
2013	80,696	2,753	14,316	608	-	-	98,373
2014	89,572	2,729	14,187	558	2,094	15,498	124,638
2015	93,936	2,729	14,146	625	2,094	15,498	129,028
2016	98,468	2,729	14,090	531	2,094	15,498	133,410
2017	102,204	2,729	14,068	584	2,094	15,473	137,152
2018	105,252	2,729	14,065	629	2,094	15,498	140,267
2019	110,058	2,729	13,919	705	2,094	15,498	145,003
2020	115,461	2,729	13,900	606	2,094	15,495	150,285
**2021*	121,293	2,729	0	606	2,094	15,500	142,222
**2022*	126,330	2,729	0	612	2,094	15,500	147,265
**2023*	131,420	2,729	0	612	2,094	15,500	152,355
**2024*	136,710	2,729	0	612	2,094	15,500	157,645
**2025*	142,230	2,729	0	612	2,094	15,500	163,165

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

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

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

* Projections for FY 2021-FY 2025 as of the end of the 2021 Legislative Sessions.
Source: MMB General Fund balance analysis

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Retirement Systems Funding

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

Retirement System	Fund	Statutory Funding Date as of the July 1, 2020, actuarial valuation
MSRS	State Employees Retirement Fund	2048
	State Patrol Retirement Fund	2048
	Correctional Employees Retirement Fund	2048
	Judges Retirement Fund	2048
	Legislators Retirement Fund	2026
PERA	General Employees Retirement Fund	2048
	Public Employees Police and Fire Fund	2048
	Public Employees Correctional Fund	2048
TRA	Teachers Retirement Association Fund	2048

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

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

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

- Expected average investment earnings assumption
- Active member salary growth and total covered payroll growth
- Number and timing of members retiring
- Number and timing of employees leaving prior to retirement
- Number of employees opting for lump-sum of their employee contributions, thereby forfeiting future benefit
- Number of new members added
- Life expectancies of both active and retired members

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

- decreasing the price inflation rate from 2.50 percent to 2.25 percent;
- decreasing the payroll growth rate from 3.25 percent to 3.0 percent;

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

Experience studies for MSRS' State Patrol, Correctional Employees, and Judges Retirement Funds for the period July 1, 2015 through June 30, 2019, were completed on June 30, 2020. Based on the results of these studies, several changes in economic and demographic actuarial assumptions were recommended, including:

- decreasing the price inflation rate from 2.50 percent to 2.25 percent;
- decreasing the payroll growth rate;
- adjusting assumed retirement ages;
- adjusting disability rates;
- adjusting merit and seniority pay increase rates;
- adjusting retirement and withdrawal rates;
- minor changes to spouse age difference, percent married, and form of payment assumptions; and
- changing base mortality rates from RP-2014 tables to PUB-2010 tables, with future improvement projected using scale MP-2019.

Any assumption changes require approval of the MSRS Board of Directors and LCPR. For MSRS' State Employees Retirement Fund, the MSRS Board approved the changes in the actuarial assumptions on September 19, 2019. Subsequently, on March 3, 2020, the LCPR adopted the same proposed changes in actuarial assumptions. For MSRS' State Patrol, Correctional Employees, and Judges Retirement Funds, the MSRS Board approved the changes in the actuarial assumptions on September 17, 2020. The LCPR adopted the same proposed changes in the actuarial assumptions on February 23, 2021.

The most recent actuarial experience study for PERA's GERF covered the period July 1, 2014, through June 30, 2018, and was completed in 2019. As a result of the study, several actuarial assumption changes were recommended. The most significant recommendation included a reduction in the assumed general inflation assumption and a reduction in the assumed rate of growth for covered employee payrolls. These changes were adopted by the PERA Board of Trustees at the August 8, 2019 board meeting and the LCPR approved the recommended changes at the March 3, 2020 meeting for implementation in the July 1, 2020 actuarial valuation.

PERA's actuaries completed experience studies for PEPFF on July 14, 2020 and for PECF on July 10, 2020, each covering the period from July 1, 2015 through June 30, 2019. Several assumption changes were recommended for PEPFF and PECF, including payroll growth, disability rates, price inflation and retirement rates. The LCPR approved the proposed assumption changes for both plans at its February 23, 2021 meeting, and the new assumptions will first be reflected in the July 1, 2021 valuations.

The July 1, 2014 through June 30, 2018, actuarial experience study for TRA was completed in June 2019. The report contained only minor recommendations to three member demographic assumptions. The report did not recommend any modifications to the economic assumptions that had been recommended in the 2017 experience study and enacted by the 2018 Legislature. The modifications were passed by the LCPR on March 3, 2020 and were first included in the July 1, 2020 actuarial funding valuation report. The assumption change increased TRA's required contributions by 0.03 percent of active member covered payroll.

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Actuarial Valuation Requirements

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

The other valuation report is the funding valuation report in accordance with Minnesota Statutes. The purpose of the actuarial funding valuation is to calculate the actuarial accrued liability in each of the pension funds which estimates on the basis of demographic and economic assumptions the present value of benefits each of the pension funds will pay to its retired members and active members upon retirement. Independent actuaries provide annual actuarial valuations for each of the pension funds, performed in accordance with State statutes and generally recognized and accepted actuarial principles and practices. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms an Unfunded Actuarial Accrued Liability ("UAAL") of the applicable pension funds. An actuarial valuation will express the percentage that a pension fund is funded through a "Funding Ratio" which represents the quotient obtained by dividing the actuarial value of assets of the pension fund by the actuarial accrued liability of the pension fund. An actuarial valuation will also state an actuarially recommended contribution amount, which is a recommended amount that the State and other sponsoring employers contribute to the applicable pension fund. The actuarially recommended contribution consists of three components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, (2) an amortized portion of the UAAL, and (3) allowance for administrative expenses.

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

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

The actuarial valuations of the pension funds use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the pension funds. For example, the pension funds use an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a five-year period to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2020, the aggregate market value of all of the assets of the Retirement Systems, as determined by the Retirement Systems' actuaries, was approximately $71.187 billion. As of June 30, 2020, the aggregate actuarial value of all assets of the Retirement Systems was $71.729 billion.

The following table provides a summary analysis of the funding status of the Retirement Systems and certain local defined benefit retirement plans where the State provides non-employer general government contributions governed by State statutes as of June 30, 2020, based on the respective annual actuarial valuation reports.

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STATUTORY METHOD
FUNDING STATUS OF DEFINED BENEFIT PENSION FUNDS TO WHICH MINNESOTA PROVIDES GENERAL FUND RESOURCES AS OF JUNE 30, 2020[(1)]

($'s in millions)

		Actuarial Value			Market Value			Membership	
	Actuarial Accrued Liability [2]	Actuarial Value of Assets (AVA) [3]	Unfunded Actuarial Accrued Liability (UAAL) [4]	Funding Ratio [5]	Market Value of Assets (MVA) [6]	Unfunded Liability	Funding Ratio	Active Members	Other Members
1. Funds Where the State Has Custodial Responsibility									
Minnesota State Retirement System (MSRS):									
— State Employees Retirement Fund	$15,184	$13,955	$1,229	91.90%	$13,856	$1,328	91.25%	51,742	70,922
— Correctional Employees Retirement Fund	1,671	1,234	437	73.83%	1,224	447	73.23%	4,523	6,020
— State Patrol Retirement Fund	989	763	226	77.13%	758	231	76.60%	937	1,200
— Judges Retirement Fund	403	218	184	54.22%	217	186	53.83%	322	407
— Legislators Retirement Fund[(7)]	195	0	195	N/A	0	195	N/A	17	391
Subtotal	$18,442	$16,170	$2,271		$16,055	$2,387		57,541	78,940
Public Employees Retirement Association (PERA):									
— General Employees Fund	28,627	22,792	5,835	79.62%	22,631	5,996	79.05%	153,741	252,233
— PERA Police & Fire Fund	10,292	9,036	1,255	87.80%	8,973	1,319	87.18%	12,025	13,781
— Local Correctional Service Fund	814	794	20	97.52%	787	27	96.68%	3,855	7,264
Subtotal	$39,733	$32,622	$7,110		$32,391	$7,342		169,621	273,278
Teachers' Retirement Association (TRA):	$30,129	$22,937	$7,192	76.13%	$22,741	$7,388	75.48%	83,149	121,534
Custodial Subtotal	$88,304	$71,729	$16,573		$71,187	$17,117		310,311	473,752
2. Other Funds to Which the State Contributes									
Local Police & Fire Associations[(8)]	168	215	-47	127.98%	215	-47	127.98%	112	117
St. Paul Teachers' Retirement Fund	1,691	1,090	601	64.46%	1,038	654	61.35%	3,353	9,427
Other Contribution Subtotal	$1,859	$1,305	$554		$1,253	$607		3,465	9,544
TOTAL	**$90,163**	**$73,034**	**$17,127**		**$72,440**	**$17,724**		**313,776**	**483,296**

(1)The information provided in this table reflects the condition of all funds as of June 30, 2020 and is derived from actuarial valuation results as of July 1, 2020. For additional information on the State's pension systems, see "APPENDIX E – State Financial Statements Note 8 – Pension and Investment Trust Funds" (see pages F-87 through F-105) and "Required Supplementary Information" (see pages E-152 through E-167).

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

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

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

(5)The Funding Ratio of each of the pension funds reflects the quotient obtained by dividing the actuarial value of assets of the pension funds by the actuarial accrued liability of the Pension Plan. The Funding Ratio figures depicted in the table are the actuary's computations for each retirement fund, as reported in each fund's July 1, 2020 actuarial valuation report.

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

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

(8)Information for local police and fire associations reflects values as of January 1, 2021 for the Bloomington Fire Relief Association. The Bloomington Fire Relief Association exclusively reports funding status data using market values.

Source: Retirement Systems' annual comprehensive financial reports and actuarial valuation reports, Fiscal Year ended June 30, 2020; St. Paul Teachers' Retirement Fund Association actuarial valuation report, Fiscal Year ended June 30, 2020; Bloomington Fire Relief Association actuarial valuation report, calendar year ended December 31, 2020.

Pension Obligation Reporting: GASB Statements 67 and 68

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

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

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

The Fiscal Year 2020 GASB 67 Reports are based on June 30, 2020 membership data, taking into account actual benefit and expense payments made during the year, any benefit and contribution plan changes and the market value of assets as of June 30, 2020. For the purpose of complying with GASB 67, the actuarial assumptions incorporate the use of market value of assets (as previously described) and the entry age normal ("EAN") actuarial method. The EAN is a funding method for allocating the costs of the plan between the normal cost (the actuarial present value of the benefits allocated to the current year) and the accrued liability. The long-term expected rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio. The return could vary from system to system based on the cash flows associated with the system.

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The following table provides an analysis of funding progress for each of the State's defined benefit pension plans for Fiscal Year 2020 based on the GASB 67 Reports. The NPL is calculated using the plan assets of each system at their market value (Fiduciary Net Position) and a single discount rate (calculated as described above). The data are subject to wide variation year to year due to market volatility. The Plan Fiduciary Net Position values below reflect a plan's market value of assets after an investment return of 4.2 percent for Fiscal Year 2020. The UAAL shown in the table STATUTORY METHOD FUNDING STATUS OF DEFINED BENEFIT PENSION FUNDS TO WHICH MINNESOTA PROVIDES GENERAL FUND RESOURCES, by contrast, uses a smoothing method to determine the Actuarial Value of Assets at the plan's assumed rate of return.

MINNESOTA RETIREMENT SYSTEMS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS USING GASB STATEMENT NO. 67
Actuarial Valuation Date as of July 1, 2020
($'s in Thousands)

	Total Pension Liability	Plan Fiduciary Net Position[1]	NPL	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Covered Payroll[2]	NPL as a Percentage of Covered Payroll
MSRS:						
State Employees	$15,183,843	$13,855,691	$1,328,152	91.25%	$3,298,283	40.27%
State Patrol	989,045	757,590	231,455	76.60%	84,530	273.81%
State Correctional	1,670,854	1,223,537	447,317	73.23%	278,479	160.63%
Judges	402,660	216,737	185,923	53.83%	52,298	355.51%
Legislators[3]	146,789	0	146,789	0.00%	967	15,179.83%
MSRS Totals	$18,393,191	$16,053,555	$2,339,636	87.28%	$3,714,557	62.99%
TRA	$30,133,130	$22,744,996	$7,388,134	75.48%	$5,166,241	143.01%
PERA:						
General Employees	$28,626,916	$22,631,459	$5,995,457	79.06%	$6,698,754	89.50%
Police and Fire	10,291,567	8,973,460	1,318,107	87.19%	1,069,481	123.25%
Local Government Correctional	814,456	787,322	27,134	96.67%	217,702	12.46%
Total PERA	$39,732,939	$32,392,241	$7,340,698	81.52%	$7,985,937	91.92%

[1]Represents the market value of plan assets as of the actuarial valuation date.
[2]As of the actuarial valuation date.
[3]Is currently funded on a pay-as-you-go basis.
Source. Retirement Systems' GASB 67 and 68 Accounting reports, Fiscal Year ended June 30, 2020.

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

GASB 67 also requires an analysis to determine the sensitivity of the NPL to changes in the discount rate if it were calculated 1 percent point lower or 1 percent point higher. The results for Fiscal Year 2020 are as follows:

MINNESOTA RETIREMENT SYSTEMS
SENSITIVITY OF THE FISCAL YEAR 2020 NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE
USING GASB STATEMENT NO. 67
Actuarial Valuation Date as of July 1, 2020
($'s in Thousands)

	With 1% Decrease		**Current Discount Rate**		**With 1% Increase**	
	Rate	**NPL**	**Rate**	**NPL**	**Rate**	**NPL**
MSRS						
State Employees	6.50%	$3,152,613	7.50%	$1,328,152	8.50%	$(190,235)
State Patrol	6.50%	$351,715	7.50%	$231,455	8.50%	$131,896
State Correctional	6.50%	$682,658	7.50%	$447,317	8.50%	$255,253
Judges	6.50%	$226,631	7.50%	$185,923	8.50%	$151,040
Legislators	1.45%	$163,912	2.45%	$146,789	3.45%	$132,500
TRA	6.50%	$11,311,155	7.50%	$7,388,134	8.50%	$4,155,763
PERA						
General Employees	6.50%	$9,608,638	7.50%	$5,995,457	8.50%	$3,014,873
Police and Fire	6.50%	$2,627,177	7.50%	$1,318,107	8.50%	$235,081
Local Government Correctional	6.50%	$168,635	7.50%	$27,134	8.50%	$(86,159)

Source. Retirement Systems' GASB 67 and 68 Accounting reports, Fiscal Year ended June 30, 2020.

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

The majority of the participants in MSRS funds are State employees. See "MSRS – GASB Statements No. 67 and No. 68 Actuarial Valuation Results" in this APPENDIX B for reporting information consistent with GASB 67 and GASB 68 requirements. Actuarial Methods and Assumptions used by the other funds are available directly from the funds and can be provided on request.

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Pension Legislation and Litigation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The 2021 Legislature reduced the postretirement adjustment rate for retirees in the MSRS Judges Retirement Plan from 1.75 percent per year to 1.5 percent per year and removed the automatic triggers that would increase the annual postretirement adjustment rate to 2 percent when the plan reaches a funded ratio of 70 percent in two consecutive years and to 2.5 percent when the plan reaches a funded ratio of 90 percent in two consecutive years. The 2021 Legislature also delayed by one year the implementation of a higher employee contribution rate for the SPTRFA which was set to increase from 7.5 percent to 7.75

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

percent on July 1, 2022. The increase will now go into effect on July 1, 2023. The change aligns with the timing of employee contribution rate increases for the TRA from the 2018 pension bill.

2018 Omnibus Retirement Act

The 2018 Legislature unanimously passed the 2018 Omnibus Retirement Act (Laws of Minnesota 2018, Chapter 211). This act was signed by the then Governor Dayton on May 31, 2018. The act contained a comprehensive set of reforms intended to improve the funding status of Minnesota's public pension funds. Based on estimates provided to the LCPR by the Retirement Systems, the 2018 Omnibus Retirement Act immediately reduced the actuarial accrued liabilities of the three Retirement Systems by approximately $3.3 billion. The description below, adapted from a summary published by the LCPR, provides information about the enacted changes:[1]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MSRS GENERAL AND UNCLASSIFIED PLAN CONTRIBUTION INCREASES

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

MSRS CORRECTIONAL PLAN CONTRIBUTION INCREASES

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

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

MSRS STATE PATROL PLAN CONTRIBUTION INCREASES

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

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

PERA POLICE & FIRE PLAN CONTRIBUTION INCREASES

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

TRA CONTRIBUTION INCREASES

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

SPTRFA CONTRIBUTION INCREASES

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

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

DIRECT STATE AID ($ IN MILLIONS)

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

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

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

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

MSRS – *Statutory Funding Actuarial Valuations*

While MSRS administers five defined benefit pension funds, the three largest funds, the State Employees Retirement Fund, the Correctional Employees Retirement Fund, and the State Patrol Retirement Fund, represent over 99.0 percent of total assets for MSRS's defined benefit funds. Refer to the MSRS Annual Comprehensive Financial Report for further discussion of actuarial valuations for the MSRS defined benefit pension funds as of June 30, 2020.

The State Employees Retirement Fund which includes the General Employees Retirement Plan, the State Fire Marshals Plan, the Military Affairs Plan and the Transportation Pilots Plan, was 91.90 percent funded, with the actuarial value of assets totaling $13.955 billion, and the actuarial accrued liability totaling $15.184 billion, as of July 1, 2020. For purposes of determining the actuarial value of assets, assets are based on a five-year moving average of expected and market values. The State Employees Retirement Fund's funding status, determined on a market value of assets basis, increased from 90.73 percent as of the July 1, 2019 actuarial valuation to 91.25 percent as of the July 1, 2020, actuarial valuation. The improvement is due to increases in employee and employer contributions.

The actuarial valuation also calculates the required contribution rates that are necessary to ensure that the MSRS funds become fully funded. As noted above, the 2018 Omnibus Retirement Act extended the full funding date for these funds to June 30, 2048. The July 1, 2020 actuarial valuation for the State Employees Retirement Fund calculated that statutory contributions currently received from members and employers are 1.69 percent of payroll above the amount required to fully fund the retirement plan by 2048. The contribution changed from a sufficiency of 0.67 percent of payroll as of July 1, 2019, to a sufficiency of 1.69 percent of payroll as of July 1, 2020 (projected annual payroll for the fiscal year beginning on the July 1, 2020 actuarial valuation date was $3.3 billion). The primary reason for the improvement was changes in actuarial assumptions as a result of the most recent experience study.

Actuarial valuation results as of July 1, 2020 show that the MSRS Correctional Employees Retirement Fund is 73.83 percent funded, with the actuarial value of assets totaling $1.234 billion, and the actuarial accrued liability totaling $1.671 billion. The contribution deficiency of 0.57 percent of payroll as of July 1, 2019 was eliminated, resulting in a contribution sufficiency of 0.80 percent of payroll as of July 1, 2020. Funding status, determined on a market value of assets basis, decreased from 74.97 percent as of the July 1, 2019, actuarial valuation to 73.23 percent as of the July 1, 2020, actuarial valuation because there is no smoothing of asset gains and losses using this method.

The State Patrol Retirement Fund is 77.13 percent funded, with the actuarial value of assets totaling $763 million, and the actuarial accrued liability totaling $989 million based on July 1, 2020 actuarial valuation results. The contribution sufficiency increased from 1.74 percent of payroll as of July 1, 2019 to 4.10 percent of payroll as of July 1, 2020. Annual State contributions of $1 million are reflected in the computations of the contribution sufficiency as of the July 1, 2019 and the July 1, 2020 actuarial valuation dates. The funding status, determined on a market value of assets basis, decreased from 78.46 percent as of the July 1, 2019, actuarial valuation to 76.60 percent as of the July 1, 2020, actuarial valuation because there is no smoothing of asset gains and losses using this method.

The Judges Retirement Fund, is 54.22 percent funded, with the actuarial value of assets totaling $218 million and the actuarial accrued liability totaling $403 million based on July 1, 2020 actuarial valuation results. The contribution deficiency for the plan decreased from 0.65 percent of payroll as of the July 1, 2019 actuarial valuation to 0.47 percent of payroll as of the July 1, 2020 actuarial valuation due to more judges now receiving a new tier of lower cost benefits. Funding status, determined on a market value of assets basis, decreased from 54.27 percent as of the July 1, 2019 actuarial valuation to 53.83 percent as of the July 1, 2020 actuarial valuation because there is no smoothing of asset gains and losses using this method.

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

MSRS – Statutory Actuarial Methods and Assumptions

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

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MSRS GENERAL EMPLOYEES RETIREMENT PLAN
STATUTORY ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Cost Method	Individual entry age normal
Rate of Return on the Investment of Present and Future Assets	7.5% per year
Projected Salary Increases	Reported salary at the valuation date increased according to the rate table, to current fiscal year and annually for each future year. Prior fiscal year salary is annualized for members with less than one year of service.
Payroll Growth	3.00% per year
Experience Studies	Period Covered: Fiscal Year 2014-2018
Asset Valuation	Asset valuations are based on market values at the end of the fiscal year, less a percentage of the unrecognized asset return determined at the close of each of the four preceding fiscal years. The unrecognized asset return is the difference between the actual net return on the market value of assets and the asset return expected during the fiscal year based on the assumed interest rate.
Total Unrecognized Investment Return (loss) at June 30, 2020	$(445,017)

Sources: MSRS Annual Comprehensive Report, June 30, 2020, and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2020.

MSRS - Historical Funding

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

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

For the Fiscal Year ended June 30th	*Statutory Actual Contribution Rates*			*Actuarial Recommended Rate*	*Sufficiency/ Deficiency Employee*
	Employee	*Employer*	*Total*		
2011	5.00%	5.00%	10.00%	11.03%	(1.03)%
2012	5.00%	5.00%	10.00%	12.32%	(2.32)%
2013	5.00%	5.00%	10.00%	12.45%	(2.45)%
2014	5.50%	5.50%	11.00%	12.82%	(1.82)%
2015	5.50%	5.50%	11.00%	12.44%	(1.44)%
2016	5.50%	5.50%	11.00%	14.49%	(3.49)%
2017	5.50%	5.50%	11.00%	13.24%	(2.24)%
2018	5.75%	5.88%	11.63%	11.53%	0.10%
2019	6.00%	6.25%	12.25%	11.58%	0.67%
2020	6.00%	6.25%	12.25%	10.56%	1.69%

Sources: MSRS Annual Comprehensive Financial Reports (2011 – 2020) – Schedule of Actual Contribution Rates as Compared to Actuarially Recommended Rates.

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

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

	Aggregate Accrued Liabilities				Portion Covered by Reported Assets			
For the Fiscal Year ended June 30th	**Active Member Contributions (1)**	**Retirees and Beneficiaries (2)**	**Employer Financed Portion (3)**	**Reported Assets**	**% (1)**	**% (2)**	**% (3)**	**Funding Ratio (%)**
2011	$982,365	$4,982,212	$4,611,904	$9,130,011	100	100	68.6	86.3
2012	1,044,810	5,489,756	4,548,661	9,162,301	100	100	57.8	82.7
2013	1,090,373	5,807,381	4,530,887	9,375,780	100	100	54.7	82.0
2014	1,128,164	6,471,998	4,844,964	10,326,272	100	100	56.3	83.0
2015	1,161,369	6,949,000	4,982,333	11,223,285	100	100	62.5	85.7
2016	1,206,968	7,746,511	5,363,407	11,676,370	100	100	50.8	81.6
2017	1,260,721	8,207,943	5,040,486	12,364,957	100	100	57.5	85.2
2018	1,309,528	8,512,016	4,857,945	13,035,350	100	100	66.2	88.8
2019	1,365,782	8,974,283	4,839,075	13,489,773	100	100	65.1	88.9
2020	1,429,966	9,117,035	4,636,842	13,954,562	100	100	73.5	91.9

Source: MSRS Annual Comprehensive Report, June 30, 2020 – Solvency Test for Last Ten Fiscal Years.

The historical funding history of the other defined benefit plans in the Retirement Systems is provided in the MSRS, TRA and PERA Annual Comprehensive Financial Reports for the Fiscal Year ended June 30, 2020. See "General Information" in this APPENDIX B.

MSRS – Eligibility and Benefit Formulas

Provided below is a description of the eligibility and benefit formulas of the MSRS General Employees Retirement Plan, the largest plan of the State Employees Retirement Fund, as of June 30, 2020.

MSRS General Employees Retirement Plan

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

Source: Minnesota State Retirement System 2020 Annual Comprehensive Financial Report.

Eligibility and benefit formulas for the various plans covered under the Retirement Systems are provided in the MSRS, TRA and PERA Annual Comprehensive Financial Reports for the Fiscal Year ended June 30, 2020. See "General Information" in this APPENDIX B.

MSRS - Employer Contributions

The following table summarizes the employer contributions made to the MSRS for the last 10 years. Contributions are made from a variety of State funds, the largest single source being the General Fund. Based on payroll expense data for Fiscal Year 2020, when excluding component units that submit contributions to MSRS separately from the state payroll, approximately 45 percent of State employer contributions came from the General Fund, 14 percent from the Trunk Highway Fund and 5 percent from federal funds. All other State employer contributions were from 98 other funds of the State. Component units receive funding from a variety of State and non-State sources.[1]

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

For the Fiscal Year Ended (June 30th)	Employer Contributions(1)						Total
	State Employees Retirement Fund	Correctional Employees Retirement Fund	Elective State Officers Fund(2)	Judges Retirement Fund(3)	Legislators Retirement Fund(2)	State Patrol Retirement Fund	
2011	$118,563	$23,892	$460	$8,297	$2,805	$9,873	$163,890
2012	115,159	24,188	465	7,922	3,935	11,620	163,289
2013	121,673	24,632	470	8,177	3,399	11,482	169,833
2014	128,037	26,468	N/A	9,426	3,436	11,894(4)	179,261
2015	146,333	29,480	N/A	9,776	3,216	13,763(4)	202,568
2016	151,168	30,678	N/A	10,219	5,087	13,938(4)	211,090
2017	158,352	31,763	N/A	10,758	8,716	15,783(4)	225,372
2018	164,233	32,893	N/A	11,027	8,856	15,952(4)	232,961
2019	182,939	38,245	N/A	11,287	8,798	19,479(4)	260,748
2020	204,006	43,658	N/A	11,767	8,764	21,975(4)	290,170

(1) Other than contributions described in the footnotes below, all other plans are bi-weekly employer contributions. Amounts exclude the State's employer contribution to the Unclassified Employees Retirement Fund (Defined Contribution Plans).

(2) Effective July 1, 2013, the Elective State Officers Fund was merged into the Legislators Retirement Fund. The Legislators Retirement Fund is funded on a pay-as-you-go basis from the State's General Fund.

(3) Employer contributions to the Judges Retirement Fund do not include supplemental State aid totaling $3 million in Fiscal Year 2017 and $6 million in Fiscal Year 2018. This amount is recognized as other income in MSRS' financial statements.

(4) Employer contributions to the State Patrol Retirement Fund do not include the annual $1 million supplemental State aid beginning Fiscal Year 2014. This amount is recognized as other income in MSRS' financial statements.

Sources: MSRS Annual Comprehensive Financial Reports (2011-2020).

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[1] State of Minnesota component units that submitted contributions to MSRS separately from the state payroll included University of Minnesota, Metropolitan Council, and Minnesota Sports Facilities Authority, as reported in the MSRS Annual Comprehensive Financial Report as of June 30, 2020.

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

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

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

MINNESOTA STATE RETIREMENT SYSTEM GENERAL EMPLOYEES RETIREMENT PLAN
GASB 67 ACTUARIAL METHODS AND ASSUMPTIONS FOR FISCAL YEAR 2020

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Long-term Expected Return	7.50 percent
Inflation	2.25 percent
Salary Increases	Reported total salary at the valuation date increased according to the rate table, to current fiscal year and annually for each future year. Prior fiscal year salaries are annualized for members with less than one year of service
Payroll Growth	3.00 percent
Mortality Rates	Pub-2010 General Employee mortality table projected with mortality improvement scale MP-2018. Rates are multiplied by a factor of 0.97 for males and 1.06 for females

Sources: MSRS Annual Comprehensive Report, June 30, 2020 and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2020.

GASB Statements No. 67 and No. 68 actuarial valuation results show that as of June 30, 2020, employers contributing to the MSRS' largest cost-sharing fund, the State Employees Retirement Fund (the General Employees Retirement Plan), incurred NPL of $1.3 billion. Actuaries determined this amount assuming a long-term expected single discount rate of return of 7.5 percent, an inflation rate of 2.25 percent, a payroll growth rate of 3.00 percent and salary increase assumptions based on service related rates (rates that are dependent on the number of years employed). As a result, employers will report pension expense of $318.6 million. Lastly, as of the June 30, 2020 measurement date, Fiduciary Net Position as a percentage of the Total Pension Liability was 91.25 percent.

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GASB actuarial valuation results for all of the MSRS pension plans are depicted in the table below. Based on contributions received during Fiscal Year 2020, the State's proportionate share (including its component units: the University of Minnesota, Metropolitan Council, Minnesota Housing Finance Agency, Minnesota Office of Higher Education and the Minnesota Sports Facilities Authority) of the each MSRS defined benefit fund's NPL and Pension Expense/(Income), and related dollar amounts, are also presented below.

MINNESOTA STATE RETIREMENT SYSTEM
GASB STATEMENTS NO. 67 AND NO. 68 ACTUARIAL VALUATION RESULTS
June 30, 2020
($ in Thousands)

Retirement Fund	Total Pension Liability (TPL)	Plan Fiduciary Net Position (FNP)	Net Pension Liability (NPL)	Plan FNP As a % of TPL	State's Proportionate Share	State's Share of NPL	FY2020 Pension Expense / (Income)	State's Share of Pension Expense/ (Income)
State Employees	$15,183,843	$13,855,691	$1,328,152	91.25%	99.370%	$1,319,784	$318,623	$317,986
State Patrol	989,045	757,590	231,455	76.60%	100.000%	231,455	26,067	26,067
Correctional Employees	1,670,854	1,223,537	447,317	73.23%	99.950%	447,093	25,946	25,933
Judges	402,660	216,737	185,923	53.83%	100.000%	185,923	5,303	5,303
Legislators	146,789	0	146,789	0.00%	100.000%	146,789	15,410	15,410
Totals	$18,393,191	$16,053,555	$2,339,636	87.28%		$2,331,044	$391,349	$390,879

Source: MSRS 2020 Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2020.

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Pension Disclosure in the State's Financial Statements

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

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

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

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

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

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

Summary of State Pension Amounts
As of June 30, 2020
($'s in Thousands)

	State Administered					Non-State Administered	State Administered			
	Multiple Employer					Multiple Employer	Single Employer			
	SERF[1]	CERF[1]	GERF[1]	P&FF[1]	TRF[1]	SPTRF[1]	JRF[1]	LRF[1]	SPRF[1]	Total for All Plans
State's Proportionate Share of the Net Pension Liability as an:										
Employer	$ 1,054,276	$ 394,861	$ 22,829	$ 2,687	$ 226,558	$ 617	$ 178,884	$ 140,185	$ 206,820	$ 2,227,717
Non-Employer Contributing Entity	-	-	166,659	54,801	452,696	205,790	-	-	-	879,946
Total	$ 1,054,276	$ 394,861	$ 189,488	$ 57,488	$ 679,254	$ 206,407	$ 178,884	$ 140,185	$ 206,820	$ 3,107,663
State's Proportionate Share % of the Net Pension Liability as of:										
Current Year Measurement Date	74.94%	99.87%	3.43%	5.40%	10.65%	33.77%	100.00%	100.00%	100.00%	
Prior Year Measurement Date	74.45%	99.89%	3.64%	5.27%	11.02%	27.58%	100.00%	100.00%	100.00%	
Difference between Expected and Actual Experience	$ 31,960	$ 10,342	$ 5,251	$ 2,441	$ 97	$ 599	$ 2,924	$ -	$ 2,297	$ 55,911
Changes in Assumption	1,485,483	134,869	-	47,706	571,620	20,020	4,662	-	94,528	2,358,888
Net Difference Between Projected and Actual Earnings	-	-	-	-	-	-	-	42	-	42
Change in Proportionate Share	32,609	129	60,765	66,343	20,165	22,745	-	-	-	202,756
Contributions Subsequent to the Measurement Date	152,523	43,594	17,949	5,043	47,202	15,701	17,766	8,764	21,975	330,517
Deferred Outflows of Resources	$ 1,702,575	$ 188,934	$ 83,965	$ 121,533	$ 639,084	$ 59,065	$ 25,352	$ 8,806	$ 118,800	$ 2,948,114
Difference between Expected and Actual Experience	$ 3,657	$ 2,248	$ -	$ 8,750	$ 16,494	$ 4,484	$ 1,982	$ -	$ 16,334	$ 53,949
Changes in Assumption	3,303,245	455,370	14,894	64,542	901,119	2,595	17,152	-	140,940	4,899,857
Net Difference Between Projected and Actual Earnings	257,489	28,577	19,207	11,973	56,289	335	5,163	-	18,829	397,862
Change in Proportionate Share	-	242	13,578	-	111,463	2,957	-	-	-	128,240
Deferred Inflows of Resources	$ 3,564,391	$ 486,437	$ 47,679	$ 85,265	$ 1,085,365	$ 10,371	$ 24,297	$ -	$ 176,103	$ 5,479,908
Net Pension Expense	$ 230,975	$ (2,696)	$ 16,451	$ 27,613	$ 111,387	$ 29,863	$ 8,656	$ 9,692	$ 28,189	$ 460,130

(1) Proportionate share was determined based on the State's percentage of employer and non-employer contributing entity contributions into the plan.
Source: Actuary and plan administrator reports for the measurement period are utilized in determining the State's proportionate share of pension amounts.

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

Pension Plans
Actuarial Assumptions

	State Administered					Non-State Administered	State Administered		
	Multiple Employer					Multiple Employer	Single Employer		
	SERF[1][3]	CERF[1]	GERF[1]	P&FF[1]	TRF[1]	SPTRF[1]	JRF[1]	LRF[1]	SPRF[1]
Actuarial Valuation/ Measurement Date	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019
Long-Term Expected Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate[2]	3.13%	3.13%	3.13%	3.13%	3.50%	3.13%	3.13%	3.13%	3.13%
Experience Study Dates	2014 - 2018	2011 - 2018	2014 - 2018	2011 - 2018	2014 - 2018	2011-2016	2011 - 2015	N/A	2011 - 2015
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	Service Related Rates	2.85 - 9.25%	3.00 - 9.00%	2.50%	4.50%	Service Related Rates
Payroll Growth	3.25%	3.25%	3.25%	3.25%	3.00%	3.00%	2.50%	N/A	3.25%

(1) For SERF, CERF, GERF, P&FF, TRF, SPTRF, JRF, LRF, and SPRF mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015 for SERF, CERF, TRF, JRF, LRF, and SPRF, and Scale MP-2018 for GERF, P&FF, and SPTRF. There are various adjustments in each plan to match experience.

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

(3) For SERF, the Pub-2010 General Mortality table for males and females will be used for Fiscal Year 2021 and will be adjusted for mortality improvements based on Scale MP-2018.

See "APPENDIX E – STATE FINANCIAL STATEMENTS Note 8 - Pension and Investment Trusts" (pages E-87 through E-105) and "Required Supplementary Information" (see pages E-152 through E-167), for additional information on pension disclosures related to the implementation of GASB 68. The State's Fiscal Year 2020 financial statements and corresponding pension related disclosures and required supplementary information are based on the June 30, 2019 GASB 67 & 68 Actuarial Report.

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

State's Proportionate Share
Sensitivity of the Net Pension Liability to Changes in the Discount Rate
As of June 30, 2020
($'s in Thousands)

	With a 1% Decrease[5]		Current Discount Rate		With a 1% Increase[5]	
	Rate	NPL[1]	Rate	NPL[1]	Rate	NPL[1]
SERF	6.50%	$ 2,455,502	7.50%	$ 1,054,276	8.50%	$ (108,894)
CERF	6.50%	617,868	7.50%	394,861	8.50%	212,941
GERF	6.50%	311,506	7.50%	189,488	8.50%	88,736
P&FF	6.50%	125,658	7.50%	57,488	8.50%	1,112
TRF	6.50%	1,082,897	7.50%	679,254	8.50%	346,456
SPTRF	6.50%	274,315	7.50%	206,407	8.50%	150,158
JRF	6.50%	218,593	7.50%	178,884	8.50%	144,878
LRF[2][3][4]	2.13%	155,860	3.13% [2]	140,185	4.13%	127,040
SPRF	6.50%	323,003	7.50%	206,820	8.50%	110,562

(1) Net Pension Liability (Asset).

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

(3) The discount rate changed from 3.62 percent for LRF.

(4) The discount rate for Fiscal Year 2021 will change to 2.45 percent for LRF.

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

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POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

Summary of State OPEB Amounts
As of June 30, 2020
($'s in Thousands)

Description	Amount[1]
Total OPEB Liability	$ 630,967
Changes of Assumption	$ 4,992
Transactions Subsequent to the Measurement Date	37,634
Deferred Outflows of Resources	$ 42,626
Difference between Expected and Actual Experience	$ 45,094
Changes of Assumption	25,188
Deferred Inflows of Resources	$ 70,282
Total OPEB Expense	$ 59,456

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

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

OPEB Plan
Actuarial Assumptions

Description	OPEB Plan
Actuarial Valuation[1]	July 1, 2018
Measurement Date[1]	June 30, 2019
Discount Rate: 20 Year Municipal Bond Rate[2]	3.50%
Healthcare Cost Trend Rate	6.6% reduce to 3.8% by 2068
Experience Study Dates	2014 – 2018
Inflation	2.25%
Salary Increases	3.00%

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

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

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

See "APPENDIX E – STATE FINANCIAL STATEMENTS Note 9 – Termination and Postemployment Benefits" (pages E-106 through E-110) and "Required Supplementary Information" (see pages E-152 through E-167), for additional information on other postemployment benefits disclosures related to the implementation of GASB 75.

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

State's Share
Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
As of June 30, 2020
($'s in Thousands)

With a 1% Decrease[2]		Current Discount Rate		With a 1% Increase[2]	
Rate	TOPEBL	Rate[1]	TOPEBL	Rate	TOPEBL
2.5%	$ 675,499	3.5%	$ 630,967	4.5%	$ 588,888

(1) The discount rate changed from 3.87 percent.

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

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

State's Share
Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate
As of June 30, 2020
($'s in Thousands)

With a 1% Decrease[1]		Current Healthcare Trend Rate		With a 1% Increase[1]	
Rate	TOPEBL	Rate	TOPEBL	Rate	TOPEBL
2.8%	$ 567,574	3.8%	$ 630,967	4.8%	$ 705,268

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

APPENDIX C

STATE DEBT

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APPENDIX C

STATE DEBT

Table of Contents

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

Category	Type		Principal Amount		
1	Transportation	$	354,067		
	Refunding Bonds		1,250,995		
	Various Purpose		2,692,083		
	Total Category 1				4,297,145
2	School Loan	$	10,131		
	Rural Finance Authority		91,349		
	Total Category 2			$	101,480
3	Trunk Highway	$	1,774,685		
	Trunk Highway Refunding		439,560		
	Total Category 3			$	2,214,245
	Total Outstanding as of the Date of the Bonds			$	6,612,870

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

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

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

($'s in Thousands)

Purpose of Issue	Law Authorizing	Total Authorization (1)(2)	Previously Issued as Par Bonds	Previously Issued as Premium	Bonds dated September 2021(3)	Remaining Authorization
Various Purpose	X2002, Ch. 1	15,055.0	14,755.0	0.0	0.0	$300.0
Various Purpose	2005, Ch. 20	913,664.8	913,241.4	417.6	0.0	$5.8
Trunk Highway	2008, Ch. 152	1,780,700.4	1,757,573.0	0.0	22,000.0	$1,127.4
Various Purpose	2008, Ch. 179	788,170.9	785,466.9	2,480.1	0.0	$223.9
Various Purpose	2009, Ch. 93	255,226.2	250,134.4	3,400.6	500.0	$1,191.2
Various Purpose	2010, Ch. 189	707,463.9	694,603.079	12,546.728	0.0	$314.1
Various Purpose	X2010, Ch. 1	30,688.3	27,635.1	2,267.9	0.0	$785.3
Various Purpose	X2011, Ch. 12	548,378.9	524,685.3	22,906.5	200.0	$587.1
Trunk Highway	2012, Ch. 287	17,509.9	17,505.0	0.0	0.0	$4.9
Various Purpose	2012, Ch. 293	562,475.5	512,034.8	47,307.2	200.0	$2,933.5
Various Purpose	X2012, Ch. 1	52,462.670	45,636.000	6,569.900	100.0	$156.8
Various Purpose	2013, Ch. 136	171,967.4	150,665.5	20,434.5	800.0	$67.4
Various Purpose	2014, Ch. 294	888,847.9	736,690.3	145,439.7	63.0	$6,654.9
Various Purpose	X2015 Ch. 5	189,742.7	147,554.5	31,915.5	5,420.0	$4,852.7
Trunk Highway	X2015 Ch. 5	140,140.0	140,140.0	0.0	0.0	$0.0
Trunk Highway	X2017, Ch. 3	940,940.0	329,198.0	0.0	185,000.0	$426,742.0
Various Purpose	X2017, Ch. 8	1,038,510.0	751,120.9	163,079.1	69,287.0	$55,023.0
Various Purpose	2018, Ch. 214	888,699.0	507,707.3	117,731.7	146,500.0	$116,760.0
Trunk Highway	2018, Ch. 214	416,608.0	9,860.0	0.0	41,000.0	$365,748.0
Various Purpose	2019, Ch. 2	102,402.0	49,773.9	14,226.1	13,500.0	$24,902.0
Various Purpose	2020, Ch. 67	50,050.0	23,769.1	1,255.9	0.0	$25,025.0
Various Purpose	X2020, Ch. 3	1,392,315.0	0.0	0.0	466,000.0	$926,315.0
Trunk Highway	X2020, Ch. 3	300,300.0	0.0	0.0	58,000.0	$242,300.0
Trunk Highway	X2021, Ch. 5	413,413.0	0.0	0.0	5,000.0	$408,413.0
Totals		$12,605,731.2	$8,389,749.5	$591,979.0	$1,013,570.0	$2,610,432.7

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

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

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

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

	Original Principal				Outstanding Principal 06/30/2021		Outstanding Principal as of Date of Issue	
Bond Issue	Various Purpose	Trunk Highway	Final Maturity after Refunding	Interest Rate Range Outstanding	Various Purpose	Trunk Highway	Various Purpose	Trunk Highway
Series 2009F August 26, 2009 (Refunding)	$297,750	$-	2021	5.00%	$13,640	$-	$-	$-
Series 2009G August 26, 2009 (Refunding)	-	28,360	2021	5.00%	-	1,255	-	-
Series 2012A August 16, 2012	422,000		2032	2.50% - 5.00%	158,705	-	140,270	-
Series 2012B August 16, 2012		234,000	2032	2.00% - 5.00%	-	140,400	-	128,700
Series 2013A August 15, 2013	273,350		2033	4.00% - 5.00%	177,660		163,990	-
Series 2013B August 15, 2013		200,000	2033	4.00% - 5.00%	-	130,000	-	120,000
Series 2013D November 6, 2013	283,820		2033	3.00% - 5.00%	181,545	-	167,580	-
Series 2013E November 6, 2013		112,000	2033	4.00% - 5.00%	-	72,800	-	67,200
Series 2013F November 6, 2013 (Refunding)	373,940		2026	3.125% - 5.00%	197,535	-	159,755	-
Series 2014A August 21, 2014	429,670		2034	5.00%	298,090	-	276,795	-
Series 2014B August 21, 2014		288,000	2034	3.00% - 5.00%	-	201,600	-	187,200
Series 2014C August 21, 2014 (Taxable)	26,040		2033	2.75% - 3.75%	15,760	-	14,545	-
Series 2014D August 21, 2014 (Taxable Refunding)	28,210		2032	2.43% - 4.00%	10,515	-	9,555	-
Series 2014E August 21, 2014 (Refunding)		123,315	2026	2.75% - 4.00%	-	61,470	-	49,300
Series 2015A August 19, 2015	368,225		2035	5.00%	272,775	-	254,590	-
Series 2015B August 19, 2015		310,000	2035	2.95% - 5.00%	-	232,500	-	217,000
Series 2015C August 19, 2015 (Taxable)	7,200		2025	2.55% - 3.00%	3,600	-	2,880	-
Series 2015D August 19, 2015 (Refunding)	376,655		2027	5.00%	261,895	-	223,950	-
Series 2015E August 19, 2015 (Refunding)		14,900	2027	3.00% - 5.00%	-	9,425	-	8,060
Series 2016A August 11, 2016	265,890		2036	5.00%	213,610		196,040	
Series 2016B August 11, 2016		215,000	2036	2.25% - 5.00%	-	172,000		161,250
Series 2016C August 11, 2016 (Taxable)	7,500		2021	1.40%	7,500		-	
Series 2016D August 11, 2016 (Refunding)	310,565		2029	2.25-5.00%	277,625		244,830	
Series 2017A October 11, 2017	312,295		2037	5.00%	266,125	-	250,735	
Series 2017B October 11, 2017		114,000	2037	2.25% - 5.00%	-	96,900		91,200
Series 2017C October 11, 2017 (Taxable)	27,000		2022	2.02%	27,000	-	27,000	
Series 2017D October 11, 2017 (Refunding)	323,770		2030	3.00% - 5.00%	314,275	-	273,350	
Series 2017E October 11, 2017 (Refunding)	-	81,110	2029	3.00% - 5.00%	-	63,835	-	56,430
Series 2018A August 21, 2018	397,720		2038	5.00%	358,400		338,740	
Series 2018B August 21, 2018		206,000	2038	3.00% - 5.00%		185,400		175,100
Series 2018C August 21, 2018 (Taxable)	16,000		2028	3.39%	16,000		16,000	
Series 2019A August 20, 2019	406,900		2039	5.00%	386,780		366,660	
Series 2019B August 20, 2019		190,690	2039	3.00% - 5.00%		181,155		171,620
Series 2019C August 20, 2019 (Taxable)	36,345		2029	1.95% - 3.00%	34,210		32,075	
Series 2019D August 20, 2019 (Refunding)	27,570		2029	5.00%	22,950		18,350	
Series 2020A August 25, 2020	330,360		2040	5.00%	330,360	-	314,065	
Series 2020B August 25, 2020		152,020	2040	1.50 - 4.00%	-	152,020		144,415
Series 2020C August 25, 2020 (Taxable)	20,515		2029	1.35%	20,515	-	20,515	
Series 2020D August 25, 2020 (Refunding)	128,115		2024	5.00%	128,115	-	97,235	
Series 2020E August 25, 2020 (Refunding)		163,380	2030	2.00% - 3.00%	-	163,380		145,580
Series 2020F August 25, 2020 (Taxable Refunding)	223,970		2031	0.47% - 1.35%	223,970	-	223,970	
Series 2020G August 25, 2020 (Taxable Refunding)		180,190	2032	0.40% - 1.32%	-	180,190		180,190
Series 2021A September 23, 2021	565,150		2041	4.00% - 5.00%			565,150	
Series 2021B September 23, 2021		311,000	2041	1.625% - 5.00%				311,000
Totals for Date:	**$6,286,525**	**$2,923,965**			**$4,219,155**	**$2,044,330**	**$4,398,625**	**$2,214,245**

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

DEBT SERVICE PAYMENTS ON GENERAL OBLIGATION BONDS OUTSTANDING AS OF THE DATE OF ISSUE OF THE BONDS[1][2]

($'s in Thousands)

Fiscal		General Fund			Trunk Highway Fund	
Year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2022	-	97,247	97,247	-	37,051	37,051
2023	445,480	187,367	632,847	178,185	72,000	250,185
2024	398,710	167,689	566,399	185,445	65,196	250,641
2025	383,975	149,546	533,521	177,035	58,500	235,535
2026	359,045	132,817	491,862	168,685	51,942	220,627
2027	330,930	117,480	448,410	159,720	45,782	205,502
2028	319,555	102,853	422,408	155,960	40,041	196,001
2029	302,005	89,339	391,344	153,750	34,662	188,412
2030	283,915	77,388	361,303	149,645	29,617	179,262
2031	268,195	66,213	334,408	144,655	24,704	169,359
2032	214,370	56,035	270,405	132,845	19,934	152,779
2033	193,855	46,721	240,576	116,635	15,630	132,265
2034	181,100	37,872	218,972	104,935	11,810	116,745
2035	152,260	29,949	182,209	89,335	8,736	98,071
2036	130,965	23,151	154,116	74,935	6,437	81,372
2037	112,775	17,339	130,114	59,435	4,646	64,081
2038	99,705	12,311	112,016	48,685	3,240	51,925
2039	84,320	7,992	92,312	42,980	2,040	45,020
2040	64,665	4,550	69,215	32,680	1,129	33,809
2041	44,545	2,103	46,648	23,150	538	23,688
2042	28,255	565	28,820	15,550	156	15,706
	$ 4,398,625	$ 1,426,527	$ 5,825,152	$ 2,214,245	$ 533,791	$ 2,748,036

[1] FY 2022 debt service excludes amounts paid prior to the date of issue of the Bonds.

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

Note 10 – Long-Term Commitments (see page E-111)
Note 11 – Operating Lease Agreements (see page E-112)
Note 12 – Long-Term Liabilities (see pages E-113 through E-125).

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

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

In Fiscal Year	General Fund	Trunk Highway Fund	All Other Funds [2]	Transfer Total
2012	190,799	72,601	74,703	$338,103 [3]
2013	222,584	120,305	69,133	$412,022 [3]
2014	619,935	136,488	53,685	$810,108
2015	623,060	154,593	47,607	$825,260
2016	609,285	180,725	45,757	$835,767
2017	529,215	193,539	109,133	$831,887
2018	563,123	211,009	42,801	$816,933
2019	549,785	214,903	42,991	$807,679
2020	540,081	209,821	44,258	$794,160
2021	515,544	177,571	45,776	$738,891
2022 (est)	633,939	226,449	43,221	$903,609
2023 (est)	629,838	261,164	43,939	$934,941

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

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

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

CAPITAL INVESTMENT GUIDELINES

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

The capital investment guidelines are:

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

The capital investment guidelines are intended to:

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

The capital investment guidelines are intended to be a current fiscal year "point in time" calculation. Total State personal income is derived from the IHS Economics data used to develop the February 2021 Forecast and reflects the State's 2021 Fiscal Year.

As of February 26, 2021, the last date of calculation, MMB was in compliance with the capital investment guidelines. The percentages as of that date were:

Guideline #1: Tax-supported principal outstanding as a percent of State personal income: 2.17 percent

Guideline #2: Total principal outstanding (issued, and authorized but unissued) as a percent of State personal income: 3.76 percent

Guideline #3: Of the State's general obligation bonds outstanding on June 30, 2020, 42.2 percent were scheduled to mature within five years and 74.0 percent were scheduled to mature with ten years. Furthermore, of the State's general obligation bonds outstanding on June 30, 2021, 42.3 percent were scheduled to mature within five years and 75.0 percent were scheduled to mature with ten years.

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

MARKET VALUE OF TAXABLE PROPERTY

The market value, as defined by statute, of taxable real and personal property in the State, based upon the January 2020 valuation, was estimated by the Commissioner of Revenue to be $776,796,018,000. This value is based upon certified Property Record Information System of Minnesota (PRISM) adjusted assessment submissions from local assessors and on file with the Commissioner of Revenue. The values shown represent the value of real and personal property in the State subject to ad valorem taxation.

MARKET VALUE OF TAXABLE PROPERTY
($ in Thousands)

Year of Assessment	Real Property	Personal Property	Total Market Value	Percentage Change from Prior Year
2011	$515,531,688	$6,815,342	$522,347,030	(6.79)%
2012	509,008,895	7,294,854	516,303,749	(1.16)
2013	538,667,874	7,639,228	546,307,102	5.81
2014	584,994,974	8,223,550	593,218,524	8.59
2015	602,497,413	9,131,285	611,628,698	3.10
2016	622,191,903	9,956,138	632,148,041	3.35
2017	652,152,583	10,406,895	662,559,478	4.81
2018	689,525,713	10,942,242	700,467,955	5.65
2019	729,187,563	10,370,038	739,557,601	5.58
2020	765,234,223	11,561,794	776,796,018	5.04

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CONTINGENT LIABILITIES

State Continuing Appropriations

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

Minnesota Department of Management and Budget. The 2011 Legislature authorized, in Minnesota Statutes, Section 16A.99, the issuance of State appropriation refunding bonds. MMB issued $656,220,000 aggregate principal amount of State General Fund Appropriation Refunding Bonds, Taxable Series 2012A and Tax-Exempt Series 2012B (the "State Appropriation Refunding Bonds"). Net proceeds of the State Appropriation Refunding Bonds were applied to the prepayment and refunding of tobacco securitization bonds, originally issued in 2011. As of the date of this Official Statement, there are $393,375,000 of State Appropriation Refunding Bonds outstanding. MMB anticipates refinancing outstanding bonds in a current refunding in Winter of 2022. See "Future Financings" in this Official Statement.

The 2012 Legislature authorized, in Minnesota Statutes, Section 16A.965, the issuance of State appropriation bonds. MMB issued $462,065,000 aggregate principal amount of State General Fund Appropriation Bonds, Tax-Exempt Series 2014A and Taxable Series 2014B (the "Minnesota Sports Facility Authority State Appropriation Bonds"). Net proceeds of the State Appropriation Bonds were applied to the financing of a portion of the costs of acquisition, construction, improving and equipping of the professional football stadium project of the Minnesota Sports Facility Authority as provided by Minnesota Statutes, Chapter 473J. As of the date of this Official Statement, there are $398,630,000 of the Minnesota Sports Facility Authority State Appropriation Bonds outstanding. The project is in downtown Minneapolis and was completed for the 2016 National Football League season.

The 2013 Legislature authorized the Commissioner of Administration to enter into a long-term lease purchase agreement for a Legislative Office Facility that provides office and hearing room space as well as parking for the Legislature. The same legislation also authorized the Commissioner of MMB to issue lease revenue bonds or certificates of participation to finance the pre-design, design, and construction and equipping of the building and parking facilities. Certificates of Participation were issued in August 2014 in the amount of $80,100,000 for this project. As of the date of this Official Statement, there are $67,675,000 of the Certificates of Participation outstanding. The lease purchase agreement must not be terminated, except for non-appropriation in respect of lease rental payments. The 2021 Legislature appropriated funds sufficient to pay the lease rental payments of the project through the end of the Current Biennium.

Pursuant to the Minnesota Statutes, Section 16A.967, the Commissioner of MMB may sell State appropriation bonds to finance the land acquisition, design, engineering, easement acquisition and construction of facilities and infrastructure necessary to complete the Lewis and Clark Regional Water System project, including completion of a water transmission pipeline in southwest Minnesota and related facilities to fund up to $22,500,000 in project costs ("Lewis and Clark State Appropriation Bonds"). The State issued $11,790,000 of Lewis and Clark State Appropriation Bonds in November 2016 and an additional $7,570,000 of Lewis and Clark State Appropriation Bonds in November 2017. As of the date of this Official Statement, there are $15,220,000 of Lewis and Clark State Appropriation Bonds outstanding.

The 2019 Legislature authorized, in Minnesota Statutes, Section 16A.968, the Commissioner of MMB to issue State appropriation bonds for the purpose of financing up to $97,720,000 of public infrastructure projects to facilitate redevelopment within a newly created regional exchange district in the City of Duluth ("Duluth Public Infrastructure State Appropriation Bonds"). The State issued $66,300,000 of Duluth Public Infrastructure State Appropriation Bonds in November 2020 to finance $64,810,000 in project costs, of which $66,300,000 of par amount is outstanding as of the date of this Official Statement. In addition, of the aggregate net proceeds of the Bonds as described in more detail in the forepart of this Official Statement, net proceeds in the amount of $7,090,000 would be deposited to the Duluth Construction Account and applied to finance additional portions of the Duluth Project (as such terms are defined in the forepart of this Official Statement).

The 2020 Legislature authorized, in Minnesota Statutes. Section 16A.963, the Commissioner of MMB to issue State appropriation bonds for the purpose of financing up to $2,000,000 for the cost of acquiring and installing electric vehicle charging infrastructure on state-owned property. Of the aggregate net proceeds of the Bonds as described in more detail in the forepart of this Official Statement, net proceeds in the amount of $2,000,000 would be deposited to the EV Infrastructure Construction Account and applied to finance the EV Infrastructure Project (as such terms are defined in the forepart of this Official Statement).

The 2020 Legislature authorized, in Minnesota Statutes, Section 16A.964, the Commissioner of MMB to issue State appropriation bonds for the purpose of financing up to $15,000,000 for grants to public television stations in Minnesota for the cost of acquiring and installing various items of capital equipment. Of the aggregate net proceeds of the Bonds as described in more detail in the forepart of this Official Statement, net proceeds in the amount of $15,000,000 would be deposited to the Public TV Construction Account and applied to finance the Public TV Project (as such terms are defined in the forepart of this Official Statement).

The 2020 Legislature authorized, in Minnesota Statutes, Section 16A.966, the Commissioner of MMB to issue State appropriation bonds for the purpose of financing up to $30,400,000 for the cost of implementing environmental clean-up actions at four Superfund sites in Minnesota. Of the aggregate net proceeds of the Bonds as described in more detail in the forepart of this Official Statement, net proceeds in the amount of $30,400,000 would be deposited to the Environmental Response Construction Account and applied to finance the Environmental Response Project (as such terms are defined in the forepart of this Official Statement).

The 2021 Legislature authorized the Commissioner of Administration to enter into a long-term lease purchase agreement for capital expenditures that address identified critical health, life safety, and security needs of buildings located on the State Capitol complex that were constructed before 1940. The same legislation also authorized the Commissioner of MMB to issue lease revenue bonds or certificates of participation to fund the lease purchase agreement. The legislation states the lease-purchase agreement must not be terminated, except for non-appropriation of money. Planning for eligible projects will begin in 2021, with a legislative report detailing estimated costs and expected project timelines due by January 1, 2022. The exact timing and size of any issuance(s) is not currently known, however it is anticipated that the initial funding would not occur until the Fall of 2023.

University of Minnesota. The Legislature approved State financial assistance for a 50,000-seat, on-campus football stadium for the University of Minnesota (the "U of M"). In 2006, the Legislature appropriated from the General Fund $10,250,000 in each of not more than 25 years, beginning in 2008, to the U of M for the payment of special purpose revenue bonds issued by the U of M to finance a portion of the stadium. The U of M issued $137,250,000 Special Purpose Revenue Bonds (State Supported Stadium Debt), Series 2006 ("Series 2006 Stadium Bonds") for the stadium in December 2006. Transfers from the General Fund to the U of M are conditioned upon satisfaction of certain requirements by the U of M. Pursuant to Minnesota Statutes, Section 137.54, in August 2015, U of M issued the Series 2015A Special Purpose Revenue Refunding Bonds ("Series 2015A Refunding Stadium Bonds") to refund the outstanding Series 2006 Stadium Bonds. In addition, per the Legislation, the Board of Regents allocated sufficient funds from the savings realized from the refunding to provide $10,000,000 to finance the predesign and design of improved health education and clinical research facilities for the Medical School and the Academic Health Center. As of the date of this Official Statement, there are $59,190,000 of the Series 2015A Refunding Stadium Bonds outstanding.

The Minnesota Legislature approved State financial assistance for up to four Biomedical Science Research Facilities for the U of M. In 2008, the Legislature appropriated from the General Fund amounts ranging from $850,000 to $15,550,000 in each year beginning in 2010. In 2020, the Legislature amended the maximum amount to $13,930,000 in each year beginning Fiscal Year 2021 and each year thereafter through Fiscal Year 2039 to reflect actual debt service obligations for the payment of revenue bonds issued by the U of M to finance the facilities. Transfers from the General Fund to the U of M are conditioned upon satisfaction of certain requirements by the U of M. The U of M issued State secured appropriation bonds for the Biomedical Science Research Facilities in the amount of $111,400,000 in September 2010, $52,485,000 in October 2011, and $35,395,000 in November 2013 (together, the "State Supported Biomedical Science Bonds"). In 2020, the Legislature also amended the authorizing statutes to allow the U of M to refund bonds that were issued for a project before January 1, 2019, if refunding was determined to be in the best interest of the U of M. The U of M issued special purpose revenue refunding bonds in the principal amount of $123,485,000 in September 2021 to refund and/or defease the outstanding State Supported Biomedical Science Bonds ("2021 Refunding State Supported Biomedical Science Bonds"). As of the date of this Official Statement, there are $123,485,000 of the 2021 Refunding State Supported Biomedical Science Bonds outstanding.

Minnesota Housing Finance Agency ("MHFA"). The Minnesota Legislature created a program to finance the construction, acquisition, preservation, and rehabilitation of permanent supportive housing for individuals and families who are homeless or at risk of homelessness and of foreclosure or vacant housing to be used for affordable rental housing. In 2008, the Legislature appropriated from the General Fund up to $2,400,000 per year in each of 20 years, beginning in Fiscal Year 2010, to MHFA for the payment of nonprofit housing bonds issued by MHFA for the program. MHFA issued $13,270,000 of bonds to finance this program in 2009 and an additional $21,750,000 in 2011. As of the date of this Official Statement, there are $19,060,000 of the MHFA nonprofit housing bonds outstanding.

In 2012, the Legislature created a new program authorizing MHFA to issue housing infrastructure bonds for the purpose of financing the construction, acquisition, improvement, rehabilitation, adaptive reuse, or new construction of permanent supportive housing, affordable rental housing, community land trust land leased to low- and moderate-income buyers, federally assisted rental housing, single-family housing, senior housing, and manufactured home parks, and any additional purposes as authorized by the Legislature from time to time (the "HIB Act"). The 2012 Legislature also authorized MHFA to issue up to $30,000,000 of housing infrastructure bonds and appropriated from the General Fund up to $2,200,000 per year beginning in Fiscal Year 2014 through Fiscal Year 2036 to MHFA for the payment of these bonds. MHFA issued $15,460,000 of the $30,000,000 in bonds as authorized in this legislation in 2013 and an additional $14,540,000 in 2014. As of the date of this Official Statement, there are $21,185,000 of these MHFA housing infrastructure bonds outstanding.

In 2014, the Legislature authorized MHFA to issue an additional $80,000,000 of housing infrastructure bonds, which the 2017 Legislature increased to $95,000,000, and appropriated from the General Fund up to $6,400,000 per year beginning in Fiscal Year 2016 through Fiscal Year 2038 to MHFA for the payment of these bonds. MHFA issued $37,570,000 of housing infrastructure bonds in February 2015, $31,095,000 in September 2015, $11,335,000 in September of 2016, $12,690,000 in October 2017 and $1,130,000 in September 2018. As of the date of this Official Statement, there are $73,075,000 of these MHFA housing infrastructure bonds outstanding.

In 2015, the Legislature authorized MHFA to issue an additional $10,000,000 of housing infrastructure bonds, which the 2017 Legislature increased to $15,000,000 and appropriated from the General Fund up to $800,000 per year beginning in Fiscal Year 2018 through Fiscal Year 2039 to MHFA for the payment of these bonds. MHFA issued $7,290,000 of these housing infrastructure bonds in September 2016 and $4,980,000 in September 2018. As of the date of this Official Statement, there are $10,370,000 of these MFHA housing infrastructure bonds outstanding.

In 2017, and as amended in 2018, the Legislature authorized MHFA to issue an additional $35,000,000 of housing infrastructure bonds and appropriated from the General Fund up to $2,800,000 per year beginning in Fiscal Year 2020 through Fiscal Year 2041 to MHFA for the payment of these bonds. MHFA issued $19,185,000 of housing infrastructure bonds in September 2018 and $15,815,000 in September 2019. As of the date of this Official Statement, there are $30,880,000 of these MHFA housing infrastructure bonds outstanding.

In 2018, the Legislature authorized MHFA to issue an additional $80,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2021 through Fiscal Year 2042, an amount sufficient to pay debt service on those bonds outstanding. MHFA issued $10,960,000 of these housing infrastructure bonds in September 2019, $64,525,000 of these housing infrastructure bonds in September 2020, and $4,515,000 of these housing infrastructure bonds in September 2021. As of the date of this Official Statement, there are $77,260,000 of these MHFA housing infrastructure bonds outstanding.

In 2019, the Legislature authorized MHFA to issue an additional $60,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2023 through Fiscal Year 2044, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA issued $43,755,000 of these housing infrastructure bonds in September 2020 and $16,245,000 of these housing infrastructure bonds in September 2021. As of the date of this Official Statement, there are $60,000,000 of these MHFA housing infrastructure bonds outstanding.

In 2020, the Legislature authorized MHFA to issue an additional $100,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2023 through Fiscal Year 2044, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA issued $53,845,000 of these housing infrastructure bonds in September 2021. As of the date of this Official Statement, there are $53,845,000 of these MHFA housing infrastructure bonds outstanding.

In 2021, the Legislature authorized MHFA to issue an additional $100,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2023 through Fiscal Year 2044, an amount sufficient to pay debt service on those bonds that are outstanding. This authorization would take effect on January 16, 2022, but only if the federal government does not otherwise appropriate and dedicate federal funds for the same purposes authorized in the HIB Act by December 31, 2021 as part of a federal infrastructure bill.

Lease Purchase Financing For Equipment

The Commissioner of Management and Budget is authorized by Minnesota Statutes, Section 16A.85, to establish a master lease equipment financing program. Pursuant to this authority the Commissioner of Management and Budget has entered into master lease agreements providing for equipment financing and expects to continue this practice. As of September 30, 2021, $46,689,017 of principal is outstanding and unpaid under the master lease program. The master leases and the State's obligation to make rental payments thereunder are not general or moral obligation indebtedness of the State; rather the State is obligated to make rental payments thereunder only to the extent moneys are appropriated from time to time for this purpose.

The Minnesota Department of Commerce is authorized by Minnesota Statutes, Section 16C.144 to establish the Guaranteed Energy Savings Program ("GESP") that utilizes Energy Performance Contracts. The projects, the implementation of energy efficient and renewable energy measures in public facilities by State government agencies, including Minnesota State, will be financed through lease purchase agreements. Payments for the lease purchase will be made through the energy and operational savings achieved by the projects. As of the date of this Official Statement, $27,177,733 of principal is outstanding and unpaid under the GESP program.

Lease Purchase Financing For Real Estate

On March 1, 2000, the City of Bemidji and the State entered into a Lease and Purchase Option Agreement. Under the Lease and Purchase Option Agreement, the City of Bemidji issued $8,275,000 of bonds to finance the design of and to construct, equip, and furnish a satellite laboratory in the City of Bemidji for use by the Minnesota Bureau of Criminal Apprehension. In September 2008, the City of Bemidji issued refunding bonds for this project and in October 2016, the City of Bemidji completed a current refunding in the amount of $2,910,000 to defease the 2008 bonds. The City exercised the Bonds' redemption provisions and on June 1, 2021, the remaining bonds were paid off in full.

On November 1, 2002, the Port Authority of Saint Paul and the State entered into two separate Lease and Option to Purchase Agreements. Under the Lease and Option to Purchase Agreements, the Port Authority has agreed, under certain conditions, to issue bonds to finance the design of and to construct, equip, and furnish two office buildings and related parking facilities, and to lease the buildings and related parking facilities to the State. The buildings are approximately 400,000 square feet and 342,000 square feet in size. The amount of bonds originally sold to finance both of the facilities was $193,105,000. In August 2008 the amount of $3,210,000 was defeased thereby reducing the State's liability. In May 2013 the balance of the original bond issues were refunded. As of the date of this Official Statement, there are $47,385,000 of Port Authority refunding bonds outstanding. The nature of the State's obligation to make rental payments under these Lease and Option to Purchase Agreements is the same as the Lease and Option to Purchase Agreement with the City of Bemidji described above. The Legislature appropriated an annual rental payment from the General Fund up to $13,500,000 per year in each of 20 years, beginning in 2004.

School District Credit Enhancement Program

Minnesota Statutes, Section 126C.55 establishes a school district credit enhancement program. The law authorizes and directs the Commissioner of MMB, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the Commissioner of Education to pay debt service due on school district and intermediate school district certificates of indebtedness issued under Minnesota Statutes, Section 126C.52, certificates of indebtedness and capital notes for equipment, certificates of participation issued under Minnesota Statutes, Section 126C.40, subdivision 6, and school district and intermediate school district general obligation bonds, in the event that the school district or intermediate school district notifies the Commissioner of Education that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Commissioner of Education that it has not received from the school district timely payment of moneys to be used to pay debt service. The legislation appropriates annually from the General Fund to the Commissioner of Education the amounts needed to pay any warrants which are issued.

The amounts paid on behalf of any school district or intermediate school district are required to be repaid by it with interest, by a reduction in State aid payable to the school district or intermediate school district or the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education. Furthermore, the State is subrogated to the rights of a school district or intermediate school district in federal interest subsidy payments, if any, relating to the interest paid by the State under this program, unless and until the State has been reimbursed by the district in full.

Under Minnesota Statutes, Section 126C.52, school districts and intermediate school districts are authorized to issue tax and State aid anticipation certificates of indebtedness in amounts not exceeding 75 percent of ad valorem taxes in the process of collection and 75 percent of State aids in the process of collection. As of September 30, 2021, there are approximately $3,815,000 of aid anticipation certificates of indebtedness enrolled in the program all of which will mature within a 14 month period. The State expects that school districts and intermediate school districts will issue certificates of indebtedness next year and will enroll these certificates in the program in about the same amount of principal as this year.

School districts and intermediate school districts may issue certificates of indebtedness or capital notes to purchase certain equipment. The certificates or notes may be issued by resolution of the board, must be payable in not more than ten years, and are payable from school district and intermediate school district taxes levied within statutory limits.

Under Minnesota Statutes, Section 126C.40, subdivision 6, certain school districts, with the approval of the Commissioner of Education, may issue certificates of participation in installment contracts for the purchase of real or personal property or in lease purchase agreements for the lease with option to purchase of real or personal property. Such certificates of participation, contracts and agreements are not general obligations of such school districts, but are payable from taxes levied annually in amounts necessary to pay the amounts due thereunder.

School districts and intermediate school districts are authorized to issue general obligation bonds only when authorized by school district and intermediate school districts electors or special law, and only after levying a direct, irrevocable ad valorem tax on all taxable property in the school district or intermediate school district for the years and in amounts sufficient to produce sums not less than 105 percent of the principal of and interest on the bonds when due.

As of September 30, 2021, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2050, is approximately $16,825,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of September 30, 2021 is currently estimated at $2,240,000,000, with the maximum amount of principal and interest payable in any one month being $981,350,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts.

Minnesota Laws 2005, Chapter 152, Article 1, Section 39, as amended by Minnesota Laws 2006, Chapter 259, Article 12, Section 15, provides that the Commissioner of Iron Range Resources and Rehabilitation Board ("IRRRB") shall issue revenue bonds payable from certain taconite production tax revenues in a total principal amount of $15,000,000, plus costs of issuance relating thereto, for the purpose of making grants to school districts located in the taconite relief area or taconite assistance area, as statutorily defined, to be used by such school districts for health, safety, and maintenance improvements. Bonds issued under this program are debt obligations subject to the school district credit enhancement program, provided that advances made by the State are not subject to the provisions of the school district credit enhancement program requiring the levy of an ad valorem tax by affected school districts in order to repay the State. Minnesota Laws 2013, Chapter 143 authorized the issuance of an additional $38,000,000 in revenue bonds for the same purpose as previously authorized. The IRRRB issued

$37,830,000 of these bonds in October 2013 for this program. As of the date of this Official Statement, there are $27,355,000 of the bonds outstanding. Laws 2006, Chapter 259, Article 12, Section 15, Minnesota Statutes, Section 298.2211 and an Order of the IRRRB Commissioner authorized the issuance of $7,860,000 in refunding revenue bonds. The proceeds of the bonds were used to refund the remaining outstanding balance of $8,310,000 of the Educational Facilities Revenue Bonds, Series 2006. As of the date of this Official Statement, there are $1,225,000 of the refunding bonds outstanding.

City and County Credit Enhancement Program

Minnesota Statutes, Section 446A.086, establishes a city and county bond credit enhancement program. The law authorizes and directs the Commissioner of MMB, under certain circumstances and subject to the availability of funds, to issue a warrant and authorizes the Minnesota Public Facilities Authority ("MPFA") to pay debt service coming due on: (a) county general obligation bonds, bonds to which the general obligation of a county has been pledged, and certain lease obligations, to provide funds for the construction of (i) jails, (ii) correctional facilities, (iii) law enforcement facilities, (iv) social services and human services facilities; (v) solid waste facilities; or (vi) qualified housing development projects; or (b) city or county general obligation bonds to provide funds for the construction, improvement, or rehabilitation of (i) wastewater facilities, (ii) drinking water facilities, (ii) storm water facilities, or (iv) any publicly owned building or infrastructure improvement that has received partial funding from grants awarded by the Commissioner of Employment and Economic Development related to redevelopment, contaminated site cleanup, bioscience, small cities development programs, and rural business infrastructure programs, for which bonds are issued by the MPFA under Minnesota Statutes, Section 446A.087. See "*Minnesota Public Facilities Authority ("MPFA")*" in this APPENDIX C for more information on MPFA bonds that may be credit enhanced under this program.

To be eligible for the program, a city or county must have entered into an agreement with the MPFA, which requires notifications to the MPFA by the city or county and paying agent when funds are not sufficient to timely pay all or a portion of debt service on obligations issued under the program. The MPFA must notify the Commissioner of Management and Budget of potential defaults, and the Commissioner of MMB then must issue a warrant and authorize the MPFA to pay to the bondholders or paying agent the amount necessary to pay in full debt service on credit-enhanced bonds when due. The law appropriates annually from the General Fund to the MPFA the amounts needed to pay any warrants issued by the Commissioner of MMB for this purpose. The amount of debt outstanding under this program may not exceed $1,000,000,000.

The amounts paid on behalf of any city or county are required to be repaid to the State with interest, either through a reduction of subsequent State-aid payments or by the levy of an ad valorem tax, which may be made with the approval of the MPFA, or will be made mandatory by the MPFA if the State is not repaid in full by November 30 of the following calendar year. Furthermore, the State is subrogated to the rights of a city or county in federal interest subsidy payments, if any, relating to the interest paid by the State under this program, unless and until the State has been reimbursed by the city or county in full.

As of September 30, 2021, the total amount of principal on bonds plus interest on the bonds enrolled in the program, through the year 2051, is approximately $641,800,000. More bonds are expected to be enrolled in the program and these amounts are expected to increase. Based upon the bonds enrolled in the program, during Fiscal Year 2022 the total amount of principal and interest outstanding as of September 30, 2021 is $45,800,000 with the maximum amount of principal and interest payable in any one month currently estimated at $27,700,000.

Over the last ten years the State has made one debt service payment under the program in the amount of $603,000 on behalf of the City of Williams (the "City"). In 2018, the City fully repaid the State. The State does not expect to make any other debt service payments on behalf of cities or counties under the program in the future. If such payments are made, the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the cities or counties.

OBLIGATIONS OF STATE AGENCIES

The University of Minnesota, established as a separate entity by the Minnesota Constitution, and various State agencies or instrumentalities established by the Legislature, are authorized by law to issue various forms of obligations. These obligations may be supported by the full faith and credit of the University or the other issuer, or by various revenue pledges, or both. However, such obligations are not debts of the State and the State is not required to provide moneys for their payment. A description of the various issuers of such obligations and the obligations issued by them and outstanding as of the date of this Official Statement is set forth below.

Minnesota Housing Finance Agency ("MHFA"). The MHFA was established in 1971 and is governed by Chapter 462A of the Minnesota Statutes. Its enabling legislation authorizes the MHFA to issue bonds and notes for any of its authorized purposes but the aggregate principal amount outstanding at any time (excluding the principal amount of any refunded bonds or notes) is limited to $5.0 billion. The proceeds of MHFA bonds and notes may be used to fund an assortment of programs designed to provide housing for low and moderate income residents of the State of Minnesota, which includes the making and purchase of loans for the acquisition, construction and rehabilitation of single and multi- family housing.

The MHFA's notes and bonds may be general or limited obligations of the MHFA but are not a debt or liability of the State. Under Chapter 462A, the MHFA must annually determine and certify to the Governor, and the Governor must include in the State budget submitted to the Legislature, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds so secured to its debt service reserve requirement and any anticipated deficiency in the debt service reserve fund in the following fiscal year. In the opinion of bond counsel and general counsel to the MHFA, the Legislature is legally authorized, but is not legally obligated, to appropriate the amount included in the Governor's proposed budget for the debt service reserve funds. The MHFA has never needed to certify a deficiency to the Governor.

MINNESOTA HOUSING FINANCE AGENCY
Debt Outstanding as of the date of issue of the Bonds
($'s in Thousands)

	Number of Series	Final Maturity	Original Principal Amount	Outstanding Principal Amount
Rental Housing..........................	9	2049	$ 47,840	$ 46,785
Residential Housing Finance.....	58	2052	3,181,135	1,804,515
Multifamily Housing.................	1	2051	15,000	12,920
	68		$3,243,975	$1,864,220

The MHFA has also issued and there were outstanding six series of its conduit multifamily revenue bonds in the approximate aggregate principal amount of $470,080,248 as of June 30, 2021, fifty-seven series of its Homeownership Finance Bonds in the approximate aggregate principal amount of $1,226,361,371 as of October 1, 2021, and three series of its Home Ownership Mortgage-backed Exempt Securities in the approximate aggregate principal amount of $6,621,127 as of September 30, 2021. The MHFA has also issued an Index Bank Note, in a cumulative aggregate principal amount not to exceed $1,100,000,000 and a maximum principal amount outstanding of not to exceed $150,000,000. The Index Bank Note had an outstanding balance of $27,281,472 as of October 1, 2021. These bonds and other obligations (as well as the nonprofit housing bonds and housing infrastructure bonds described under "State Continuing Appropriations – Minnesota Housing Finance Agency") are subject to the MHFA's $5 billion debt limit, and the Homeownership Finance Bonds and the Index Bank Note are also general obligations of the MHFA, but none of these bonds are secured by a debt service reserve fund subject to replenishment from Legislative appropriation as described above.

University of Minnesota. Regents of the University of Minnesota (the "University") was established by Territorial Laws 1851, Chapter 3, adopted by the legislative assembly of the Territory of Minnesota. Pursuant to authorization by Congress on February 26, 1857, the voters of the State approved and adopted a State constitution on October 13, 1857. The State was admitted to the union by act of Congress passed on May 11, 1858.

The State Constitution confirmed and fixed the existence of the University as a separate institution of the State, having all rights, immunities, franchises and endowments previously granted or confirmed, and all lands and donations thereafter given to it. The University is governed by a board of twelve regents who are elected by the Legislature and is dependent upon appropriations by the Legislature to pay much of its instructional costs. The regents are a body corporate with the right to sue and be sued and to make contracts.

Pursuant to this authority the University has sold and issued bonds, in addition to the special purpose revenue bonds previously mentioned, to finance the construction of buildings and structures, remodeling projects, and purchases of land and buildings needed by the University. The par amount of such bonds outstanding as of the date of this Official Statement is approximately $1,120,447,000. The bonds are payable solely from and secured by revenues to be derived from specified facilities and the general funds of the University, and by the full faith and credit of the University. See "CONTINGENT LIABILITIES - State Continuing Appropriations" in this APPENDIX C for additional information concerning other debt issued by the University of Minnesota.

Minnesota Office of Higher Education ("MOHE"). The MOHE was established and is organized and existing under Minnesota Statutes, Sections 136A.01 to 136A.236 and 136A.61 to 136A.88 (the "MOHE Act"). The 2005 Legislature named MOHE as successor for all of the bonds of the Minnesota Higher Education Services Office and the Minnesota Higher Education Coordinating Board. The law authorizes the MOHE to issue revenue bonds and notes to finance loans for students attending eligible post-secondary educational institutions. The amount of such bonds outstanding at any one time, not including refunded bonds or otherwise defeased or discharged bonds, may not exceed $850,000,000. As amended in 2009 and 2011, Section 136A.1787 of the MOHE Act provides that MOHE must annually determine and certify to the Governor, and the Governor shall include in the State budget submitted to the Legislature, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds so secured to its debt service reserve requirement and any anticipated deficiency in the debt service reserve fund in the following fiscal year. If MOHE determines that there is an anticipated deficiency in the debt service reserve fund in the current fiscal year, the Governor shall include and submit the amounts certified in a Governor's supplemental budget if the regular budget for that year has previously been enacted. The Legislature is not legally obligated to appropriate the amount included in the Governor's proposed budget for the debt service reserve funds. As of the date of this Official Statement, MOHE has $498,625,000 of bonds outstanding payable from the Student Educational Loan Fund, which are secured by a debt service reserve fund subject to replenishment from legislative appropriation as described above. MOHE has never certified a deficiency to the Governor. Bonds issued by MOHE are limited obligations of MOHE and are not a debt or liability of the State, but are payable solely from loan repayments, external forms of credit enhancement, loan and investment earnings, other money of the MOHE (including debt service reserve fund amounts), and, if necessary, from proceeds of additional MOHE obligations.

Board of Trustees of the Minnesota State Colleges and Universities ("Minnesota State"). Minnesota State was established and is governed by Minnesota Statutes, Chapter 136F, which authorizes Minnesota State to establish its Revenue Fund and to issue its revenue bonds as secured by the Revenue Fund to finance the construction and improvement of dormitory, residence hall, student union, food service and other revenue producing buildings and related facilities used for the primary benefit of students of the State universities and colleges within the Minnesota State Colleges and Universities System. As of the date of this Official Statement, Minnesota State has $167,860,000 tax exempt bonds and $38,755,000 taxable bonds outstanding that are payable solely from and secured by an irrevocable pledge of revenues to be derived from the operation of the buildings financed from the Revenue Fund and from fees imposed upon students, student facilities or other sources all of which are received in the Revenue Fund. In addition to bonds, the Revenue Fund issues guaranties of debt (other than revenue bonds) incurred to finance Revenue Fund facilities. Two guarantees have been issued to date with outstanding balances of $2,007,392 and the other for $2,030,000. The guarantees are on a parity to right of payment with the revenue bonds.

Minnesota Higher Education Facilities Authority ("MHEFA"). MHEFA was established by Minnesota Statutes, Section 136A.25 to 136A.42, passed in 1971. The law, as amended, authorizes MHEFA to issue revenue bonds to finance the acquisition, construction, improvement and remodeling of nonprofit higher educational institution buildings and structures to be used solely for or to facilitate nonsectarian educational purposes, and to refinance facilities of this type. The amount of such bonds outstanding at any time may not exceed $1,300,000,000. As of the date of this Official Statement, MHEFA has $988,688,593 principal amount of bonds outstanding, primarily for the benefit of private colleges in the State. The bonds are not the general obligation or indebtedness of either

MHEFA or the State and the loan repayment obligation and security for each bond issue is the responsibility of the nonprofit higher educational institution for which the bonds were issued.

Minnesota State Armory Building Commission ("MSABC"). MSABC was established and is governed by Minnesota Statutes, Chapter 193, which authorizes the MSABC to issue its bonds to finance the acquisition, construction, and equipment of National Guard armory buildings. The total principal amount of such bonds outstanding at any time may not exceed $15,000,000. As of the date of this Official Statement, MSABC has $5,775,000 principal amount of bonds outstanding. MSABC is required to lease each armory to the State for use by National Guard Forces, upon lease rentals specified by statute. The bonds are payable from ad valorem taxes levied by the county or municipality where the armory is located, State appropriations to pay lease rentals, and rentals or use charges derived from persons or groups other than the State using the armory where such use will not interfere with the State's use.

Minnesota Rural Finance Authority ("RFA"). In 1986 the Legislature created the Minnesota Rural Finance Authority and authorized it to issue revenue bonds to finance RFA programs, and to establish a program of restructuring farm real estate loans. The 1987 Legislature broadened the RFA's authority by establishing a beginning farmer loan program. The 1988 Legislature further broadened the RFA's authority to include a seller sponsored loan program of purchasing participations in seller sponsored loans to beginning and re-entry farmers. The 1992 Legislature authorized the RFA to establish an expanded agricultural loan program. The 1994 Legislature authorized the RFA to establish a livestock expansion loan program. As of the date of this Official Statement, the RFA has no revenue bonds outstanding for these programs.

The 1991 Legislature also authorized the RFA to establish an aggie bond beginning farmer program and an agricultural business enterprise loan program and authorized the RFA to issue revenue bonds for these programs. As of the date of this Official Statement, the RFA has issued $42,755,000 of revenue bonds for these programs.

Minnesota Public Facilities Authority ("MPFA"). The MPFA was established in 1987 and is governed by Minnesota Statutes, Chapter 446A which authorizes it to make loans to local government units. As of the date of this Official Statement, the MPFA has $505,410,000 State Revolving Fund Revenue Bonds outstanding. The MPFA's bonds are not a debt or liability of the State. The principal amount of MPFA bonds issued and outstanding at any time may not exceed $2,000,000,000, excluding bonds issued under Minnesota Statutes, Section 446A.087.

Minnesota Agricultural and Economic Development Board ("MAEDB"). The MAEDB was established by Minnesota Statutes, Chapter 41A, to provide for agricultural and economic development in the State and is authorized to issue revenue bonds for these purposes. The revenue bonds issued by the MAEDB are not general obligations of the State. As of the date of this Official Statement, MAEDB has called all pooled revenue bonds outstanding, therefore there are no bonds outstanding that are paid for from revenues received from all of the borrowers under all of the pooled bonds and are additionally secured by a pledge of funds maintained in a reserve account created by the MAEDB for such pooled bonds. In addition, the MAEDB has $145,649,262 of revenue bonds outstanding that were issued for the benefit of various entities and which are paid for solely from revenues received from the borrower under each specific bond issue.

Minnesota Department of Management and Budget ("MMB"). The 1999 Minnesota Legislature authorized, in Minnesota Statutes, Section 356.89, the issuance of up to $38,000,000 of State revenue bonds to finance the acquisition, design, construction and equipping of a building and related facilities to be jointly occupied by the Minnesota State Retirement System, the Teachers Retirement Association and the Public Employees Retirement Association. The Commissioner of MMB sold $29,000,000 of the revenue bonds in June 2000. The balance of the original bond issue, $22,900,000, was refunded in a current refunding bond issue in August 2012. As of the date of this Official Statement; there are $6,635,000 of Minnesota State Retirement System bonds outstanding.

Minnesota Department of Transportation ("MnDOT"). The 2020 Minnesota Legislature authorized, in Minnesota Statutes, Section 174.525 (new statute created in MN Laws of 2020, Chapter 69), MnDOT to pursue a loan through the federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) for a specific project on Trunk Highway 14 in Nicollet County. If MnDOT applies for and receives a loan, the debt obligations will be repaid from oversize and overweight transportation permit fee revenues, which the law dedicates to a segregated account in the special revenue fund. As of the date of this Official Statement, MnDOT is working through the application process with the federal government, and if approved anticipates receiving an estimated $42,385,000 in TIFIA loans in state Fiscal Year 2022.

APPENDIX D

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

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SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

RESIDENT POPULATION
(Thousands of Persons)

Year	U.S.	Minnesota	Minnesota Share of U.S.	% Change U.S.	% Change Minnesota
Census (April 1)					
2010	309,322	5,311	1.75%	-	-
2020	331,449	5,706	1.72	-	-
Intercensal Population Estimates (July 1)					
2010	309,322	5,311	1.72%	0.8	0.6
2011	311,557	5,346	1.72	0.7	0.7
2012	313,831	5,377	1.71	0.7	0.6
2013	315,994	5,413	1.71	0.7	0.7
2014	318,301	5,451	1.71	0.7	0.7
2015	320,635	5,482	1.71	0.7	0.6
2016	322,941	5,523	1.71	0.7	0.7
2017	324,986	5,566	1.71	0.6	0.8
2018	326,688	5,606	1.72	0.5	0.7
2019	328,240	5,640	1.72	0.5	0.6
2020	331,449	5,706	1.72	1.0	1.2

*The 2020 data is updated as of the most recent Census data available – April 2021.

Source: U.S. Department of Commerce, U.S. Census Bureau, www.census.gov/popest.
Data extracted by MMB staff in June 2021.

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NON-FARM EMPLOYMENT-MIX OF MINNESOTA AND UNITED STATES FOR 2020
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Total Private	2,369.8	85.4	120,276	84.6
Goods-Producing	438.1	15.8	20,068	14.1
Mining and Logging	6.1	0.2	619	0.4
Construction	123.3	4.4	7,269	5.1
Manufacturing Durables	198.1	7.1	7,580	5.3
Manufacturing Non-Durables	110.6	4.0	4,600	3.2
Private Service Providing	1,931.7	69.6	100,209	70.5
Wholesale Trade	124.4	4.5	5,640	4.0
Retail Trade	273.9	9.9	14,853	10.4
Transportation, Warehousing, Utilities	103.5	3.7	6,096	4.3
Information	42.7	1.5	2,694	1.9
Financial Activities	193.5	7.0	8,724	6.1
Professional and Business Services	358.7	12.9	20,246	14.2
Education and Health Services	532.3	19.2	23,235	16.3
Leisure and Hospitality	203.0	7.3	13,327	9.4
Other Services	99.6	3.6	5,394	3.8
Government	406.4	14.6	21,909	15.4
Total (Non-Farm)	**2,776.2**	**100.0**	**142,185**	**100.0**

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2021.

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EMPLOYMENT-MIX IN DURABLE GOODS INDUSTRIES OF UNITED STATES AND MINNESOTA FOR 2020
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Wood Products	11.6	5.9	395	5.2
Fabricated Metal Products	42.0	21.2	1,395	18.4
Machinery	32.4	16.4	1,061	14.0
Computers and Electronic Products	44.2	22.3	1,072	14.1
Transportation Equipment	10.5	5.3	1,581	20.9
Medical Equipment and Supplies	18.0	9.1	320	4.2
Other Durables	39.4	19.9	1,757	23.2
Total Durable Goods Manufacturing	**198.1**	**100.0**	**7,580**	**100.0**

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2021.

EMPLOYMENT-MIX IN NON-DURABLE GOODS INDUSTRIES OF UNITED STATES AND MINNESOTA FOR 2020
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Food Manufacturing	46.1	41.7	1,617	35.1
Other Non-Durables	64.5	58.3	2,983	64.9
Total Non-Durable Goods	**110.6**	**100.0**	**4,600**	**100.0**

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2021.

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NON-FARM EMPLOYMENT-MIX OF UNITED STATES AND MINNESOTA: 1990, 2000 AND 2010
(Thousands of Jobs)

Category	Minnesota					United States				
				%Change					% Change	
	1990	2000	2010	90-00	00-10	1990	2000	2010	90-00	00-10
Total Private	1,788.0	2,275.5	2,221.3	27.3	(2.4)	91,112	111,235	107,855	22.1	(3.0)
Goods-Producing	428.1	523.7	386.3	22.3	(26.2)	23,723	24,649	17,751	3.9	(28.0)
Mining and Logging	8.4	8.1	6.0	(3.9)	(26.3)	765	599	705	(21.7)	17.7
Construction	77.9	118.9	87.6	52.5	(26.3)	5,263	6,787	5,518	29.0	(18.7)
Manufacturing Durables	217.5	255.6	183.4	17.6	(28.2)	10,737	10,877	7,064	1.3	(35.1)
Manufacturing Non-Durables	124.3	141.4	109.3	13.5	(22.5)	6,958	6,386	4,464	(8.2)	(30.1)
Private Service Providing	1,359.9	1,751.8	1,835.0	28.8	4.8	67,389	86,585	90,104	28.5	4.1
Wholesale Trade	103.5	126.6	119.1	22.3	(5.9)	5,268	5,933	5,387	12.6	(9.2)
Retail Trade	255.8	307.2	271.1	20.1	(9.8)	13,182	15,280	14,446	15.9	(5.5)
Transportation, Warehousing, Utilities	85.9	103.4	89.8	20.4	(13.2)	3,476	4,410	4,179	26.9	(5.2)
Information	54.4	69.3	53.2	27.4	(23.2)	2,688	3,630	2,707	35.0	(25.4)
Financial Activities	129.4	160.8	163.2	24.3	1.4	6,614	7,783	7,695	17.7	(1.1)
Professional and Business Services	217.3	323.7	325.5	49.0	0.6	10,848	16,666	16,783	53.6	0.7
Education and Health Services	241.9	324.5	457.8	34.2	41.1	11,024	15,252	19,975	38.4	31.0
Leisure and Hospitality	180.5	221.7	235.2	22.8	6.1	9,288	11,862	13,049	27.7	10.0
Other Services	91.3	114.7	114.1	25.6	(0.5)	4,261	5,331	5,331	21.3	3.2
Government	347.9	407.6	416.5	17.2	2.2	18,415	20,790	22,490	12.9	8.2
Total (Non-Farm)	**2,135.9**	**2,683.1**	**2,637.9**	**25.6**	**(1.7)**	**109,527**	**132,024**	**130,345**	**20.5**	**(1.3)**

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2021.

MINNESOTA AND UNITED STATES PER CAPITA PERSONAL INCOME

Year	Minnesota	U.S.	Minnesota as % of U.S.
2010	$42,605	$40,546	105.1
2011	$45,345	$42,735	106.1
2012	$47,851	$44,598	107.3
2013	$47,932	$44,851	106.9
2014	$50,243	$47,058	106.8
2015	$52,336	$49,003	106.8
2016	$53,058	$49,995	106.1
2017	$54,930	$52,096	105.4
2018	$57,346	$54,581	105.1
2019	$58,830	$56,474	104.2
2020	$61,540	$59,729	103.0

Note: Per capita personal income is total personal income divided by total midyear population estimates of the Census Bureau.
Note: Current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, https://www.bea.gov/regional/index.htm.
U.S. Department of Commerce, U.S. Census Bureau, www.census.gov/popest.
Data extracted by MMB staff June 2021.

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PERSONAL INCOME GROWTH AND RESIDENT POPULATION IN TWELVE STATE NORTH CENTRAL REGION 1990-2000 AND 2000-2010

State	1990 Personal Income (Millions)	2000 Personal Income (Millions)	1990-2000 Annual Compound Rate of Increase (%)	Regional Growth Rank 1990-2000	2010 Personal Income (Millions)	2000-2010 Annual Compound Rate of Increase (%)	Regional Growth Rank 2000-2010	2000 Census Population (Thousands)	2000 Per Capita Personal Income ($)	2000 Regional Rank	2010 Census Population (Thousands)	2010 Per Capita Personal Income ($)	2010 Regional Rank
Illinois	$240,801	$412,423	5.5	5	$540,493	2.7	10	12,434	$33,169	1	12,841	$42,093	3
Indiana	$98,749	$171,990	5.7	4	$230,109	3.0	9	6,092	$28,233	8	6,491	$35,453	12
Iowa	$49,023	$80,442	5.1	10	$116,247	3.8	5	2,929	$27,463	10	3,051	$38,104	8
Kansas	$45,751	$76,079	5.2	9	$113,077	4.0	4	2,694	$28,244	7	2,858	$39,562	6
Michigan	$177,393	$302,644	5.5	8	$349,578	1.5	12	9,952	$30,409	3	9,878	$35,391	11
Minnesota	$87,514	$160,084	6.2	1	$226,273	3.5	6	4,934	$32,447	2	5,311	$42,605	2
Missouri	$91,909	$157,009	5.5	6	$220,788	3.5	7	5,607	$28,001	9	5,996	$36,822	9
Nebraska	$29,240	$49,736	5.5	7	$74,864	4.2	3	1,714	$29,020	5	1,830	$40,919	5
North Dakota	$10,257	$16,664	5.0	11	$29,345	5.8	1	642	$25,955	12	675	$43,489	1
Ohio	$202,980	$325,803	4.8	12	$422,046	2.6	11	11,364	$28,671	6	11,539	$36,574	10
South Dakota	$11,485	$20,281	5.9	2	$33,596	5.2	2	756	$26,832	11	816	$41,162	4
Wisconsin	$90,431	$159,326	5.8	3	$221,910	3.4	8	5,374	$29,648	4	5,691	$38,996	7
Region	**$1,135,533**	**$1,932,482**	**5.5**		**$2,578,327**	**2.9**		**64,491**	**$29,965**		**66,975**	**$38,497**	
U.S.	**$4,897,821**	**$8,650,325**	**5.9**		**$12,541,995**	**3.8**		**282,162**	**$30,657**		**309,327**	**$40,546**	

Note: Per capita personal income is total personal income divided by Census population.
Note: Current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/index.htm.
U.S. Department of Commerce, U.S. Census Bureau, www.census.gov/popest.
Data extracted by MMB staff June 2021.

PERSONAL INCOME GROWTH IN TWELVE STATE NORTH CENTRAL REGION: 2019-2020
($'s in Millions)

Growth Rank	State	2019 Personal Income	2020 Personal Income	Percent Growth
1	Michigan	$491,632	$528,093	7.4
2	South Dakota	$47,738	$51,128	7.1
3	Iowa	$163,639	$174,685	6.8
4	Nebraska	$105,454	$112,266	6.5
5	Illinois	$744,641	$792,729	6.5
6	Ohio	$586,784	$623,207	6.2
7	Indiana	$327,713	$346,802	5.8
8	Missouri	$298,620	$314,818	5.4
9	Kansas	$155,648	$163,385	5.0
10	Minnesota	$331,802	$348,152	4.9
11	Wisconsin	$309,909	$323,635	4.4
12	North Dakota	$43,614	$45,450	4.2
	Region	**$3,607,193**	**$3,824,351**	**6.0**
	United States	**$18,542,262**	**$19,679,715**	**6.1**

Note: Columns may not add due to rounding
Note: Current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/index.htm
Data extracted by MMB staff June 2021.

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NON-FARM EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION: 1990-2000 AND 2000-2010
(Thousands of Jobs)

State	1990 Non-Farm Employment	2000 Non-Farm Employment	1990-2000 Percent Increase	Regional Growth Rank 1990-2000	2010 Non-Farm Employment	2000-2010 Percent Increase/ (Decrease)	Regional Growth Rank 2000-2010
Illinois	5,288	6,042	14.3	12	5,610	(7.2)	10
Indiana	2,522	3,005	19.1	8	2,800	(6.8)	9
Iowa	1,226	1,479	20.6	7	1,469	(0.6)	4
Kansas	1,092	1,347	23.3	6	1,331	(1.2)	5
Michigan	3,946	4,677	18.5	9	3,867	(17.3)	12
Minnesota	2,136	2,683	25.6	2	2,638	(1.7)	6
Missouri	2,345	2,754	17.4	10	2,669	(3.1)	7
Nebraska	731	913	24.9	3	945	3.5	3
North Dakota	266	328	23.4	5	377	14.8	1
Ohio	4,882	5,625	15.2	11	5,036	(10.5)	11
South Dakota	288	378	31.0	1	403	6.6	2
Wisconsin	2,292	2,832	23.6	4	2,725	(3.8)	8
Region	**27,014**	**32,062**	18.7		**29,869**	(6.8)	
U.S.	**109,526**	**132,011**	20.5		**130,345**	(1.3)	

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Data extracted by MMB staff June 2021.

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NON-FARM EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION: 2018-2019 AND 2019-2020
(Thousands of Jobs)

State	2018 Non-Farm Employment	2019 Non-Farm Employment	2018-2019 Percent Increase	Regional Growth Rank 2018-2019	2020 Non-Farm Employment	2019-2020 Percent Increase	Regional Growth Rank 2019-2020
Illinois	6,102	6,125	0.4	10	5,690	(7.1)	11
Indiana	3,139	3,160	0.7	2	2,987	(5.5)	6
Iowa	1,584	1,587	0.2	12	1,506	(5.1)	5
Kansas	1,416	1,424	0.6	5	1,359	(4.6)	3
Michigan	4,426	4,443	0.4	8	4,033	(9.2)	12
Minnesota	2,964	2,983	0.7	6	2,776	(6.9)	10
Missouri	2,893	2,915	0.8	3	2,774	(4.8)	4
Nebraska	1,024	1,027	0.3	9	989	(3.7)	2
North Dakota	436	441	1.0	1	412	(6.6)	9
Ohio	5,563	5,595	0.6	7	5,254	(6.1)	8
South Dakota	438	441	0.6	4	425	(3.4)	1
Wisconsin	2,980	2,988	0.3	11	2,818	(5.7)	7
Region	**32,963**	**33,127**	**0.5**		**31,023**	(6.4)	
U.S.	**148,908**	**150,905**	**1.3**		**142,185**	(5.8)	

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces. Data extracted by MMB staff June 2021.

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MINNESOTA & UNITED STATES UNEMPLOYMENT RATES (Percent)

	Annual Average	
Year	**Minnesota %**	**U.S. %**
2010	7.4	9.6
2011	6.5	8.9
2012	5.6	8.1
2013	5.0	7.4
2014	4.2	6.2
2015	3.8	5.3
2016	3.9	4.9
2017	3.4	4.4
2018	3.0	3.9
2019	3.1	3.7
2020	6.2	8.1

	Monthly Figures (Seasonally Adjusted)	
Month	**Minnesota %**	**U.S. %**
2020		
January	3.2	3.6
February	3.3	3.5
March	3.5	4.4
April	9.0	14.7
May	11.3	13.3
June	8.9	11.1
July	7.6	10.2
August	6.6	8.4
September	5.8	7.9
October	5.3	6.9
November	5.0	6.7
December	4.7	6.7
2021		
January	4.5	6.3
February	4.4	6.2
March	4.2	6.0
April	4.1	6.1
May	4.0	5.8
June	4.0	5.9
July	3.9	5.4
August	3.8	5.2

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff September 2021.

MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500

($ in millions)

Rank 2020	Rank 2019	Company	Revenues	Assets	Profits	Industry Category	Industry Rank
5	7	UnitedHealth Group	$ 257,141	$ 197,289	$ 15,403	Health Care: Insurance and Managed Care	1
30	37	Target	$ 93,561	$ 51,428	$ 4,368	General Merchandisers	3
66	75	Best Buy	$ 47,262	$ 19,067	$ 1,798	Specialty Retailers: Other	3
96	103	Minnesota Mining & Manufacturing (3M)	$ 32,184	$ 47,344	$ 5,384	Chemicals	2
103	105	Cenex Harvest States (CHS)	$ 28,406	$ 15,994	$ 422	Food Production	3
113	113	U.S. Bancorp	$ 25,241	$ 553,905	$ 4,959	Commercial Banks	8
169	192	General Mills	$ 17,627	$ 30,807	$ 2,181	Food Consumer Products	4
191	208	C.H. Robinson Worldwide	$ 16,207	$ 5,144	$ 506	Transportation and Logistics	2
219	232	Land O'Lakes	$ 13,949	$ 9,186	$ 265	Food Consumer Products	5
237	213	Ecolab	$ 12,749	$ 18,126	$ (1,205)	Chemicals	6
253	245	Ameriprise Financial	$ 11,958	$ 165,883	$ 1,534	Diversified Financials	8
272	276	Xcel Energy	$ 11,526	$ 53,957	$ 1,473	Utilities: Gas and Electric	12
317	337	Hormel Foods	$ 9,609	$ 9,908	$ 908	Food Consumer Products	8
369	368	Thrivent Financial for Lutherans	$ 8,153	$ 110,152	$ 637	Insurance: Life, Health (Mutual)	6
407	442	Polaris Industries	$ 7,108	$ 4,633	$ 125	Transportation Equipment	1
421	455	Securian Financial Group	$ 6,870	$ 68,059	$ 243	Insurance: Life, Health (Stock)	13
479	-	Fastenal	$ 5,647	$ 3,965	$ 859	Wholesalers: Diversified	10
491	-	Patterson Companies Inc.	$ 5,490	$ 2,715	$ (588)	Wholesalers: Healthcare	6

Source: Fortune Magazine, http://fortune.com/fortune500/
Data extracted by MMB staff June 2021.

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APPENDIX E
SELECTED STATE FINANCIAL STATEMENTS
For the Fiscal Year
Ended June 30, 2020

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APPENDIX E
SELECTED STATE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020
Table of Contents

BASIC FINANCIAL STATEMENTS

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

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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA • James Nobles, Legislative Auditor

Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Walz, Governor

Mr. Jim Schowalter, Commissioner, Minnesota Management and Budget

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2020, which collectively comprise the state's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The State of Minnesota's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund and represents 56 percent, 70 percent, and 26 percent, respectively, of the total assets, total net position, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, Office of Higher Education, Public Facilities Authority, Minnesota Sports Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, total net position, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing*

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Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Minnesota's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Minnesota's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The financial statements of the Housing Finance Agency, the National Sports Center Foundation, and the Workers' Compensation Assigned Risk Plan, which are discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the State of Minnesota's basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The Introduction, the Combining and Individual Nonmajor Fund Financial Statements and Schedules, General Obligation Debt Schedule, and the Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Combining and Individual Nonmajor Fund Financial Statements and Schedules and the General Obligation Debt Schedule have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Introduction and Statistical Sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the State of Minnesota's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Lori Leysen, CPA
Deputy Legislative Auditor

Scott Tjomsland, CPA
Audit Director

December 15, 2020

MINNESOTA

2020 Comprehensive Annual Financial Report

Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2020 and identifies changes in the financial position of the state that occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

The focus of Minnesota's financial reporting is on the state as a whole, and on the individual funds that are considered to be major. This reporting focus presents a more comprehensive view of Minnesota's financial activities and financial position and makes the comparison of Minnesota's government to other governments easier.

The financial section of this annual report has four parts:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements – Nonmajor Funds

The report also includes statistical and economic information, which generally provides a ten-year history of various indicators.

The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements that provide more detailed information.

Government-wide Financial Statements

The government-wide financial statements provide an overall view of the state's operations in a manner similar to a private-sector business. Government-wide financial statements consist of the statement of net position and the statement of activities that are prepared using the economic resources measurement focus and the accrual basis of accounting. All current year revenues and expenses are included in the statements regardless of whether the related cash has been received or paid. Revenues and expenses are reported in the statement of activities for some items that will not result in cash flows until future fiscal periods (e.g. uncollected taxes, accounts receivable, and earned but unused vacation leave). This reporting method produces a view of financial activities and position similar to that presented by most private-sector companies. The statements provide both short-term and long-term information about the state's financial position, which assists readers in assessing the state's economic condition at the end of the fiscal year.

The government-wide financial statements are located immediately following this discussion and analysis.

The statement of net position presents all of the state's financial resources along with capital assets and long-term obligations. The statement includes all assets and liabilities of the state. Net position is the difference between assets and liabilities and is one method to measure the state's financial condition.

- An increase or decrease in the state's net position from one year to the next indicates whether the financial position of the state is improving or deteriorating.
- Other indicators of the state's financial condition include the condition of its infrastructure and economic events and trends that affect future revenues and expenses.

The statement of activities presents the changes in net position and reports on the gross and net cost of various activities carried out by the state (governmental, business-type, and component units). These costs are paid by general taxes and other revenues generated by the state. This statement summarizes the cost of providing specific services by the government and includes all current year revenues and expenses.

The statement of net position and the statement of activities segregate the activities of the state into three types:

Governmental Activities

The governmental activities of the state include most basic services such as environmental resources, general government, transportation, education, health and human services, and public safety. Most of the costs of these activities are financed by taxes, fees, and federal grants.

Business-type Activities

The business-type activities of the state normally are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. The operations of the Unemployment Insurance, the State Colleges and Universities, and the Lottery are examples of business-type activities.

Discretely Presented Component Units

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. Discretely presented component units are shown separately from the primary government. Component units are legally separate organizations for which the state is financially accountable, or the nature and significance of the unit's relationship with the state is such that exclusion of the unit would cause the state's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit governing body, and either a) the ability of the state to impose its will, or b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government.

The state's 11 component units are reported as discretely presented component units and reported in two categories: major and nonmajor. This categorization is based on the relative size of an individual component unit's assets, liabilities, revenues, and expenses in relation to the total of all component units and the primary government.

The state's three major component units are:

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

The state's eight nonmajor component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

- Agricultural and Economic Development Board
- Minnesota Comprehensive Health Association
- Minnesota Sports Facilities Authority
- National Sports Center Foundation
- Office of Higher Education
- Public Facilities Authority
- Rural Finance Authority
- Workers' Compensation Assigned Risk Plan

State Fund and Component Unit Financial Statements

A fund is a grouping of related self-balancing accounts used to maintain control over resources that have been segregated for specific activities or objectives. The state of Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state, reporting the state's operations in more detail than in the government-wide statements. Fund financial statements focus on the most significant funds within the state.

The state's funds are divided into three categories:

Governmental Funds

Governmental funds record most of the basic services provided by the state and account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, the fund financial statements focus on how money flows in and out of the funds during a fiscal year and spendable resources available at the end of the fiscal year.

Governmental funds are accounted for using the modified accrual basis of accounting, which recognizes revenues when they are available and measurable. Expenditures are generally recognized in the accounting period when the fund liability is incurred, if measurable. This approach is known as the flow of current financial resources measurement focus. These statements provide a detailed short-term view of the state's finances that assist in determining whether there are more or less resources available and whether these financial resources will be adequate to meet the current needs of the state. Governmental funds include the General, special revenue, capital project, Debt Service, and Permanent funds.

The focus of governmental funds is narrower than that of the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By comparing this financial information, readers may better understand the long-term impact of the state's short-term financing decisions.

The basic financial statements include a reconciliation of governmental funds to governmental activities. These reconciliations follow the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

The state maintains 22 individual state governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Federal funds, which are reported as major funds. Information from the remaining funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

The state adopts a biennial budget with annual appropriations for the majority of the activity reported in the General Fund. A budgetary comparison statement has been provided for the General Fund activity with appropriations included in the biennial budget to demonstrate compliance with this budget.

Proprietary Funds

When the state charges customers for the services it provides, whether to outside customers or to other agencies within the state, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) use accrual accounting which is the same method used by private-sector businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds, a type of proprietary fund, are used to report activities that provide goods and services to outside (non-government) customers, including the general public. Internal service funds are used to accumulate and allocate costs internally for goods and services provided by one program of the state to another. Because the activities reported by internal service funds predominantly benefit governmental functions rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The state maintains 17 individual proprietary funds. The State Colleges and Universities and Unemployment Insurance funds, both of which are considered major funds, are presented separately in the proprietary funds statement of net position and in the proprietary funds statement of revenues, expenses, and changes in net position. Information from the nine nonmajor enterprise funds and the six internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

Fiduciary Funds

Fiduciary funds are used to report activities when the state acts as a trustee or fiduciary to hold resources for the benefit of parties outside the state. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the state to finance its operations. The state must ensure that the assets reported in fiduciary funds are used for their intended purposes.

The state maintains 19 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which account for the transactions, assets, liabilities, and fund equity of the external investment pools), and the Agency Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements included in this report.

Component Units

Component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the discretely presented component units in a single column on the statement of net position. Also, some information on the statement of changes in net position is aggregated for component units. The discretely presented component units' statements of net position and statements of changes in net position provide detail for each major discretely presented component unit and aggregate the detail for nonmajor discretely presented component units. Individual nonmajor discretely presented component unit detail can be found in the combining financial statements included in this report.

Notes to the Financial Statements

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the financial statements are located immediately following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This section includes maintenance data regarding certain portions of the state's infrastructure, actuarial measures of pension and other postemployment benefits, and public employees insurance program development information.

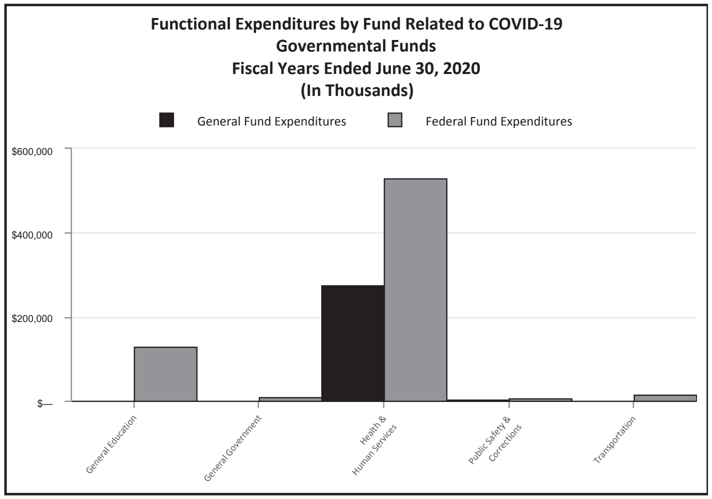
Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

COVID-19 Pandemic Impact on Current Year Governmental Financial Activity

The spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, is having a material impact on global, national, and state economies. The President declared a national emergency and the Governor declared a Peacetime Emergency related to COVID-19 on March 13, 2020. The COVID-19 pandemic has significantly disrupted economic activity and increased public and private health emergency response costs, including within the state. The Governor implemented multiple executive orders and took various actions to protect the health of Minnesotans and prevent the spread of COVID-19, which included closing non-essential businesses and on-site school operations, and implementing a stay at home order, among others.

The following graph shows the majority of the functional expenditures in governmental funds related to the impacts of COVID-19. The Federal Fund expenditures are reimbursed by the federal government and are recorded as Federal Revenue in the governmental funds statement of revenues, expenditures and changes in fund balances and Operating Grants and Contributions in the governmental activities statement of activities.



The General Fund expenditures are primarily attributed to costs associated with laboratories, testing and supplies, emergency childcare and other services, food shelf and small business grants, and housing support related to the impacts of COVID-19. A portion of these expenditures were issued as grants to hospitals, cities, and counties for similar costs and services for laboratories, testing, and supplies. The majority of the federal expenditures were related to medical assistance costs reimbursed by the federal government through an increase in the federal participation rate. Additional federal costs were attributed to the issuance of grants to school districts and hospitals as well as spending approximately $50 million of the Coronavirus Relief funds received by the federal government on testing, supplies, and salaries associated with COVID-19. The Federal Fund expenditures are reimbursed by the federal government and included as federal revenue in the governmental funds statement of revenues, expenditures and changes in fund balances and Operating Grants and Contributions in the governmental activities statement of activities as previously noted.

For the COVID-19 impacts on business-type activities, see the Government-wide Financial Analysis section.

Government-wide Financial Analysis

Net position serves as a useful indicator of a government's financial position over time. The state's combined net position (governmental and business-type activities) totaled $21.2 billion at the end of fiscal year 2020, compared to the same amount of $21.2 billion at the beginning of the year.

Net Position
June 30, 2020, and 2019
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current Assets[1]	$ 22,638,053	$ 20,663,038	$ 3,614,231	$ 3,276,395	$ 26,252,284	$ 23,939,433
Noncurrent Assets:						
Capital Assets	18,631,498	18,009,789	2,172,853	2,184,596	20,804,351	20,194,385
Other Assets	1,054,257	854,992	88,588	123,110	1,142,845	978,102
Total Assets[1]	$ 42,323,808	$ 39,527,819	$ 5,875,672	$ 5,584,101	$ 48,199,480	$ 45,111,920
Deferred Outflows of Resources	$ 2,571,372	$ 4,329,423	$ 435,379	$ 719,330	$ 3,006,751	$ 5,048,753
Current Liabilities[1]	$ 8,842,904	$ 7,424,154	$ 2,072,520	$ 479,414	$ 10,915,424	$ 7,903,568
Noncurrent Liabilities	11,955,025	11,862,933	1,056,875	1,096,959	13,011,900	12,959,892
Total Liabilities[1]	$ 20,797,929	$ 19,287,087	$ 3,129,395	$ 1,576,373	$ 23,927,324	$ 20,863,460
Deferred Inflows of Resources	$ 5,233,770	$ 6,970,065	$ 830,299	$ 1,097,825	$ 6,064,069	$ 8,067,890
Net Position:						
Net Investment in Capital Assets	$ 14,765,807	$ 14,068,082	$ 1,694,373	$ 1,659,114	$ 16,460,180	$ 15,727,196
Restricted	7,187,903	6,895,583	761,014	2,078,645	7,948,917	8,974,228
Unrestricted[1]	(3,090,229)	(3,363,575)	(104,030)	(108,526)	(3,194,259)	(3,472,101)
Total Net Position[1]	$ 18,863,481	$ 17,600,090	$ 2,351,357	$ 3,629,233	$ 21,214,838	$ 21,229,323

[1] 2019 has been restated to be consistent with the 2020 presentation.

The largest portion, $16.5 billion of $21.2 billion, of the state's net position reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets) less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to Minnesotans. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately $7.9 billion of the state's net position represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used. Additional information on the state's net position restrictions is located in Note 16 – Equity in the notes to the financial statements.

The remaining net position balance represents a deficit in unrestricted net position of $3.2 billion. This deficit does not mean that the state lacks resources to pay its bills in the near future. Rather, this deficit primarily reflects three significant factors. First, the state, similar to other states, issues general obligation

bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net position; however, the state is responsible for the repayment of the debt. This practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the noncapital portion of net position for most of its governmental activities' special revenue, debt service, and permanent funds as restricted. Third, the state recognized a net pension liability for defined benefit plans to which the state contributes either on behalf of state employees or for employees of other entities. This liability is long-term in nature and is being managed by the retirement systems and the state Legislature.

The state's combined net position for governmental and business-type activities decreased $14.5 million (0.1 percent) over the course of this fiscal year. This resulted from a $1.3 billion (7.2 percent) increase in net position of governmental activities, and a $1.3 billion (35.2 percent) decrease in net position of business-type activities.

Changes in Net Position
For Fiscal Years Ended June 30, 2020, and 2019
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for Services[(1)]	$ 1,642,634	$ 1,628,053	$ 3,005,326	$ 2,749,401	$ 4,647,960	$ 4,377,454
Operating Grants and Contributions[(1)]	13,175,748	12,578,931	4,436,859	437,587	17,612,607	13,016,518
Capital Grants	238,623	235,522	14	28	238,637	235,550
General Revenues:						
Individual Income Taxes	12,754,820	12,693,113	—	—	12,754,820	12,693,113
Corporate Income Taxes	1,638,366	1,606,928	—	—	1,638,366	1,606,928
Sales Taxes	6,408,680	6,275,369	—	—	6,408,680	6,275,369
Property Taxes	781,471	820,829	—	—	781,471	820,829
Motor Vehicle Taxes	1,622,413	1,626,285	—	—	1,622,413	1,626,285
Fuel Taxes	882,917	931,329	—	—	882,917	931,329
Other Taxes	3,019,463	3,056,301	—	—	3,019,463	3,056,301
Tobacco Settlement	150,729	166,137	—	—	150,729	166,137
Investment/Interest Income	127,253	156,000	53,677	59,959	180,930	215,959
Other Revenues	51,292	137,949	30	732	51,322	138,681
Total Revenues	$ 42,494,409	$ 41,912,746	$ 7,495,906	$ 3,247,707	$ 49,990,315	$ 45,160,453
Expenses						
Agricultural, Environmental and Energy Resources	$ 1,254,084	$ 1,153,557	$ —	$ —	$ 1,254,084	$ 1,153,557
Economic and Workforce Development	787,975	619,817	—	—	787,975	619,817
General Education	10,900,070	10,516,190	—	—	10,900,070	10,516,190
General Government	1,443,784	756,146	—	—	1,443,784	756,146
Health and Human Services	18,485,278	17,514,760	—	—	18,485,278	17,514,760
Higher Education	1,009,104	1,087,101	—	—	1,009,104	1,087,101
Intergovernmental Aid	1,780,630	1,867,341	—	—	1,780,630	1,867,341
Public Safety and Corrections	1,191,908	974,208	—	—	1,191,908	974,208
Transportation	3,441,636	3,283,888	—	—	3,441,636	3,283,888
Interest	239,792	246,462	—	—	239,792	246,462
State Colleges and Universities	—	—	2,088,956	1,795,697	2,088,956	1,795,697
Unemployment Insurance	—	—	6,298,163	731,132	6,298,163	731,132
Lottery	—	—	513,558	477,974	513,558	477,974
Other	—	—	569,862	467,022	569,862	467,022
Total Expenses	$ 40,534,261	$ 38,019,470	$ 9,470,539	$ 3,471,825	$ 50,004,800	$ 41,491,295
Excess (Deficiency) Before Transfers	$ 1,960,148	$ 3,893,276	$ (1,974,633)	$ (224,118)	$ (14,485)	$ 3,669,158
Transfers	(696,757)	(643,065)	696,757	643,065	—	—
Changes in Net Position	$ 1,263,391	$ 3,250,211	$ (1,277,876)	$ 418,947	$ (14,485)	$ 3,669,158
Net Position, Beginning[(1)]	$ 17,600,090	$ 14,349,879	$ 3,629,233	$ 3,210,286	$ 21,229,323	$ 17,560,165
Net Position, Ending[(1)]	$ 18,863,481	$ 17,600,090	$ 2,351,357	$ 3,629,233	$ 21,214,838	$ 21,229,323

[(1)] 2019 has been restated to be consistent with the 2020 presentation.

Approximately 54 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 36 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 9 percent of the total revenues. The remaining 1 percent came from other general revenues.

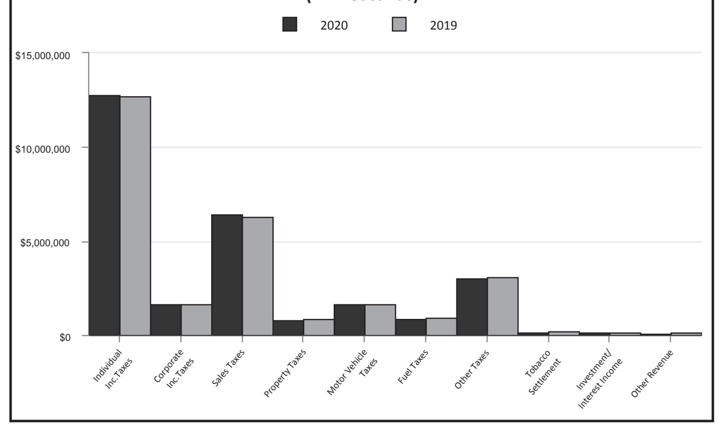
The state's expenses cover a range of services. The largest expenses were for general education and health and human services.

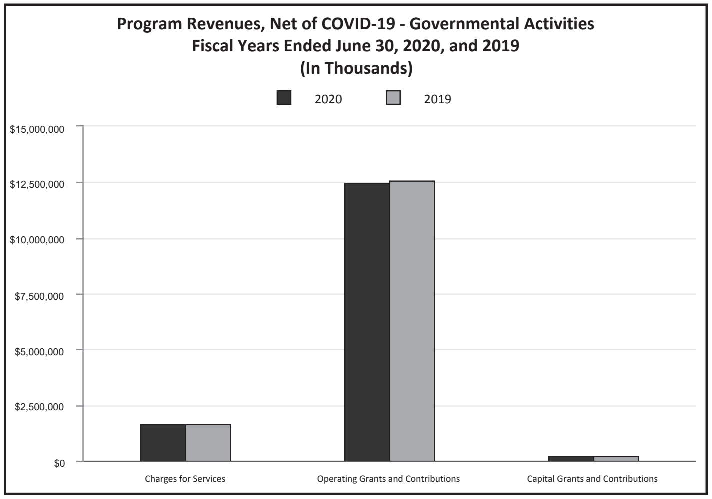
Governmental Activities

Governmental activities increased the state's net position by $1.3 billion in the current year compared to an increase of $3.3 billion in the prior year.

Revenues increased, $581.7 million (1.4 percent) over prior year. The following graphs show revenues for the current year and prior year separating general revenues from program revenues. The program revenues graph is net of the COVID-19 revenue.

General Revenues - Governmental Activities
Fiscal Years Ended June 30, 2020, and 2019
(In Thousands)



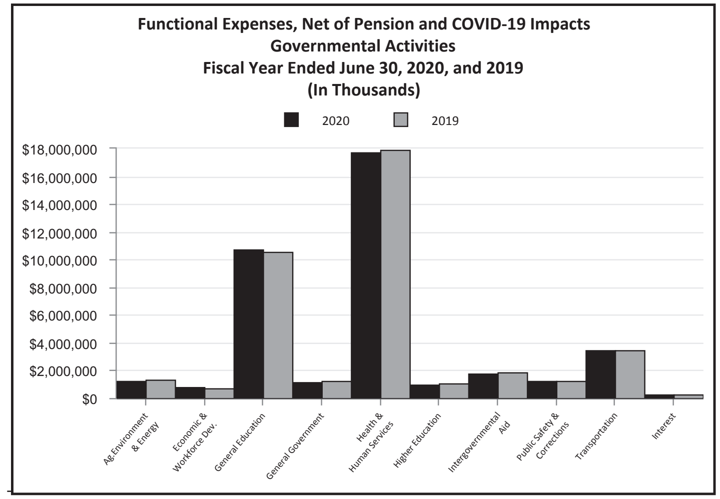


The state's largest general revenues, sales and income taxes, remained relatively flat during the current year. The current year started relatively strong with economic growth in wages and jobs. However, the COVID-19 pandemic declared in March caused a significant slowdown of the state's economy. This offset the economic gains during the first part of the fiscal year. During this pandemic, there was a decrease in travel resulting in a decline in fuel taxes. The decrease in other taxes resulted from a reduction in estate taxes while the decrease in other revenues resulted from a receipt of the excess surplus from the Workers' Compensation Assigned Risk Plan (component unit) in the prior year.

The operating grants and contributions, net of the COVID-19 revenue, decreased slightly over prior year. This was primarily due to a decrease in the federal government's share of the grants to Minnesota Comprehensive Health Association (component unit) for the Minnesota premium security program and transportation infrastructure projects, which was substantially offset by an increase in the federal government's share of the very slight increase in medical assistance expenses.

There was a $2.5 billion (6.6 percent) increase in governmental activities expenses compared to the prior year. This included an increase in expenses of $1.7 billion related to the impacts of pension reporting and an increase in expenses of $967.9 million related to COVID-19 offset by an decrease in non-pension related expenses of $133.6 million. Pension reporting impacted all functional expenses except higher education and intergovernmental aid. See the chart on the Changes in Net Pension Liability and Related Deferred Inflows and Outflows for the impact by functional expenses. COVID-19 impacted primarily health and human services and general education expenses. See the chart on the functional expenditures by fund related to COVID-19.

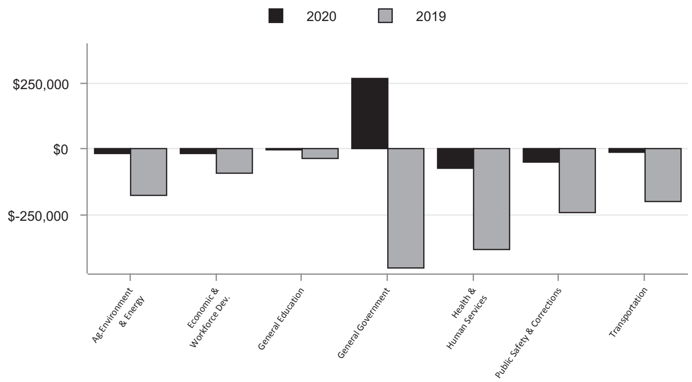
The following graph shows the functional expenses for governmental activities, excluding the impacts of the changes related to pensions and COVID-19 expenses.



The higher education expense decrease related to a decrease in capital grants, which were slightly offset by an increase in operating grants to the University of Minnesota (component unit). The intergovernmental aid expense decrease was the result of a reduction in grants to local governments. The agricultural, environmental and energy resources expense decrease was a result of 11 new pollution remediation sites added in the prior year. These net decreases were substantially offset by an increase in general education primarily due to a two percent per pupil formula increase and an increase in the number of pupils.

The following graph shows the changes in functional expenses for governmental activities related to the impacts of pension reporting.

Changes in Net Pension Liability and Related Deferred Inflows and Outflows - Governmental Activities
Fiscal Year Ended June 30, 2020 and 2019
(In Thousands)



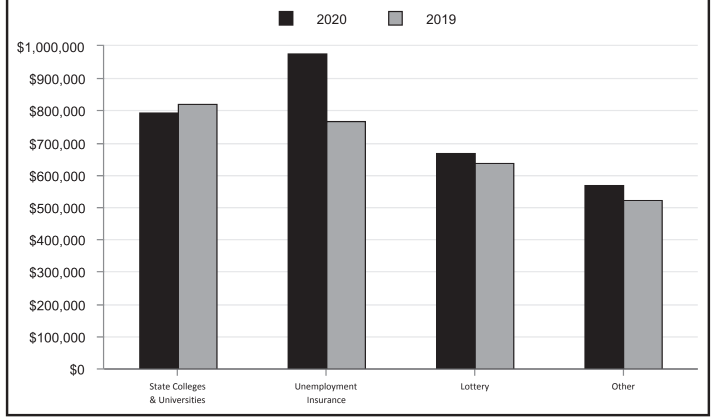
Business-type Activities

Net position for the state's business-type activities decreased by $1.3 billion during the current year compared to an increase of $418.9 million in the prior year. The impacts of pension related reporting on business-type activities resulted in a increase in expenses of $310.9 million during the current year. See chart on expenses net of pension impact - business-type activities for changes in expenses net of these pension reporting impacts.

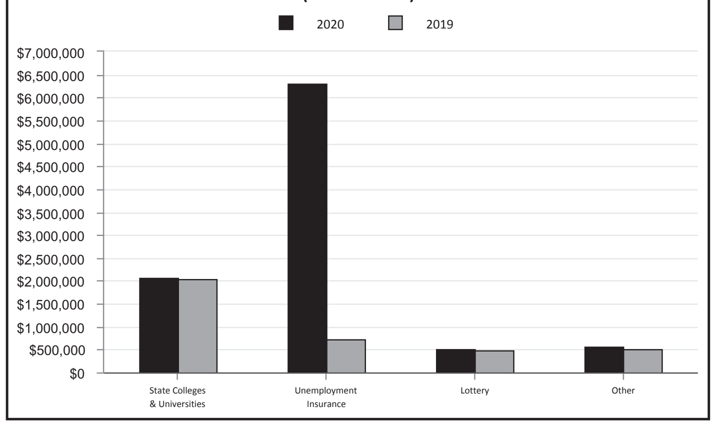
The decrease in the net position of the state's business-type activities primarily resulted from a $25.8 million increase in net position in the State Colleges and Universities Fund and a $1.3 billion decrease in net position in the Unemployment Insurance Fund.

The State Colleges and Universities Fund's net position increased $25.8 million during the current year compared to an increase of $263.4 million in the prior year. Most of this was attributable to a $256.5 million increase in net pension expense as noted above. The Unemployment Insurance Fund's net position decreased $1.3 billion during the current year compared to an increase of $69.0 million in the prior year. COVID-19 has had significant impacts to the Unemployment Insurance Fund. The impact of the Governor's executive order closing restaurants, bars, and many other places of public accommodations and amusement businesses in March 2020 caused a momentous increase in unemployment. A significant portion of this increase was funded through federal government grants. This increase in unemployment benefits were slightly offset by an increase in insurance premiums resulting from a slight increase in the taxable wage base and higher employment through the majority of the fiscal year.

Charges for Services - Business-Type Activities
Fiscal Years Ended June 30, 2020, and 2019
(In Thousands)



Expenses Net of Pension Impact - Business-Type Activities
Fiscal Year Ended June 30, 2020, and 2019
(In Thousands)



Long-Term Liabilities

The state's total long-term liabilities increased by $33.4 million (.2 percent) during the current fiscal year. The increase in Net Pension Liability of $67.1 million is the primary reason for the increase in long-term liabilities, which was offset by paying down claims for reimbursements of supplementary and second injury benefits for old workers' compensation injuries. For additional information on changes in bonds, see the Debt Administration section below.

State Funds Financial Analysis

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term cash inflows and outflows during the fiscal year and balances of spendable resources as of fiscal year end. Such information is useful in assessing the state's financial condition. The unassigned fund balance serves as a useful measure of the state's net resources available for future spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of $12.8 billion, an increase of $126.0 million over the prior year.

The General Fund is the main operating fund of the state. At the end of the current fiscal year, the fund balance of the General Fund was $5.6 billion, an decrease of $130.9 million during the current year.

Because the General Fund is the main operating fund of the state, many of the same variances impacting Governmental Activities impacted the General Fund. As previously noted, the current year started out with strong economic growth in wages and jobs followed by the COVID-19 pandemic which significantly slowed down the state's economy. As a result, sales and income taxes remained relatively flat compared to prior year. The decrease in other taxes resulted from a reduction in estate taxes while the decrease in other revenues resulted from a receipt of the excess surplus from the Workers' Compensation Assigned Risk Plan (component unit) in the prior year.

The General Fund expenditures, net of expenditures related to COVID-19, increased slightly over the prior year. The most significant increase related to general education expenditures as a result of the two percent per pupil formula increase and an increase in the number of pupils. In addition, the General Fund share of the grants to Minnesota Comprehensive Health Association (component unit) for the premium security program increased during the current year due to a decline in the amount reimbursed by the federal government in the Federal Fund (special revenue fund). This program helps keep premiums affordable to individual purchasers within the state. Higher Education expenditures increased due to slight increases in operating grants to the University of Minnesota and the Office of Higher Education (component units). These increases were substantially offset by decreases in health and human services and intergovernmental aid expenditures. The health and human services expenditures declined due to a reduction of the General Fund's share of medical assistance costs as a result of an increase in the federal participation rate due to the COVID-19 pandemic as previously discussed. As a result, the increase in medical assistance cost due to an increase in the average cost per participant was shifted to the Federal Fund as the increased federal participation rate more than offset the growth in medical assistance costs. The decrease in intergovernmental aid expenditures is primarily the result of a decrease in grants to local governments.

During the current year, a fee was imposed in the Petroleum Tank Cleanup Fund (special revenue fund) on tanks containing petroleum products as the fund balance fell below the statutory level during the year causing an increase in license and fees. A small portion of sales taxes shifted from the General Fund to the Trunk Highway, Municipal State-aid Street, and County State-Aid Highway funds (special revenue funds) due to a change in legislation allocating sales taxes on automotive parts to these special revenue funds.

These special revenue funds also had a decline in fuel taxes as a result of the stay at home order declared by the Governor resulting from less travel during the pandemic.

The decrease in transportation expenditures resulted from additional operating and planning costs in the prior year in the Trunk Highway Fund (special revenue fund), which were also partially offset by grants from the federal government in the prior year. A significant reduction in capital grants to the University of Minnesota (component unit) caused a reduction in the Building Fund (capital project fund) higher education expenditures. Economic and workforce development expenditures increased resulting from an increase in capital grants to local governments in the Building Fund as well as paying down claims for reimbursements of supplementary and second injury benefits for old workers' compensation injuries in the Special Compensation Fund (special revenue fund). The payment of these claims also reduced the long-term claims liability on the government-wide statements. See Note 12 – General Long-Term Liabilities – Primary Government in the notes to the financial statements for more information.

Proprietary Funds – Enterprise and Internal Service Funds

The statements for proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Enterprise Funds

The state's enterprise funds are included in the Business-type Activities column of the Statement of Activities. Enterprise funds net position decreased by $1.3 billion during the current year. This primarily resulted from a $25.8 million increase in net position of the State Colleges and Universities Fund and a $1.3 billion decrease in net position of the Unemployment Insurance Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

Internal Service Funds

The state's internal service funds are included in the Governmental Activities column of the Statement of Activities; however, eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made.

The implementation of GASB 68, "Accounting and Financial Reporting for Pensions," which required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions, has caused many of the nonmajor enterprise and internal services funds to end the fiscal year in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and state Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include the pension-related liabilities or deferred inflow and outflows of resources in the rate-setting process for managing these funds as long as the funds are contributing the statutory required contributions. The amounts will continue to be monitored by the retirement systems administering these plans and the state Legislature.

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2020. These are material to understanding changes in General Fund balances that occurred in fiscal year 2020. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes 16A.152, require that the budget be balanced for the biennium. The following highlights material actions taken by the state Legislature and the Governor affecting fiscal year 2020.

Actions Establishing the Fiscal Year 2020 Budget

The budget for state fiscal year 2020 was adopted in May and June 2019. The February 2019 Budget and Economic Forecast projected a budgetary balance of $1.052 billion for the 2020-21 biennium. General Fund revenues for the current biennium were forecast to be $47.941 billion, $2.728 billion (6.0 percent) higher than the previous biennium. General Fund expenditures for the current biennium were expected to be $47.403 billion, $1.895 billion (4.2 percent) higher than the previous biennium. The 2019 Legislative Sessions concluded May 25, 2019, with a balanced budget for the 2020-21 biennium. The enacted budget increased net General Fund revenues by $214 million and appropriated an additional $1.067 billion over the February 2019 Forecast base spending amount; changes were not made to the reserves. After accounting for all revenue and expenditure changes enacted for the current biennium, the General Fund balance at the end of the 2020-21 biennium was estimated to be $242 million.

Investments over base spending in the General Fund included $569 million in new spending in E-12 education, largely due to 2 percent annual increase to the basic education formula, $150 million increase in higher education spending, $132 million higher spending for the courts and public safety, $84 million higher appropriations for transportation spending, a $64 million increase in property tax aids and credits and $184 million in other areas of the budget. The spending increases were offset by a $101 million spending decrease in health and human services due to $270 million in cost shifting to the Health Care Access Fund, which partially offset by other investments in health and human services. Revenue changes included conformity to federal tax law for individual income taxes, pass-through income, and corporate income taxes, which generated additional General Fund revenue. The net tax income increase was then partially offset by a reduction to income tax rates, expansion of the working family credit, and a reduction to the statewide property tax. Transfers from other funds also added resources to the General Fund.

After the 2019 legislative sessions, the enacted budget for fiscal year 2020 included $3.080 billion in carry forward from fiscal year 2019, $23.518 billion in General Fund revenues, $23.950 billion in General Fund spending, $2.425 billion in cash flow and budgetary reserves, $62 million in a stadium reserve account, and a $161 million ending budgetary balance.

Budget and Forecast Actions Impacting Fiscal Year 2020

The November 2019 Budget and Economic Forecast increased the projected balance for the 2020-21 biennium to $1.616 billion. However, under statutory requirements, a portion of any November forecast balance is allocated to the Budget Reserve Account until the statutorily defined target is met. With the November 2019 forecast, $284 million was allocated to the Budget Reserve Account, bringing it to the target level of $2.359 billion. After the reserve allocation, the available General Fund balance was $1.332 billion. The overall forecast gain was driven by a favorable close to fiscal year 2019 which increased resources carried into fiscal year 2020 by $815 million and the General Fund revenue forecast was increased $501 million. Spending estimates were largely unchanged, down $7 million.

With the February 2020 forecast, an improved revenue forecast and lower spending estimates resulted in a $181 million increase in the projected balance compared to the November 2019 forecast. Given this, the 2020-21 biennium was projected to conclude with a budgetary balance of $1.513 billion.

In May 2020, Minnesota Management and Budget released a limited interim budget projection in order to give policy makers updated budget information after the onset of the COVID-19 Pandemic and resulting economic changes. The projection was more limited than the regular November and February budget and economic forecasts. For revenues, only the largest General Fund revenue sources – income, sales, corporate, and select excise taxes – were re-estimated. For expenditures, only Medicaid, including increased federal participation, and other public programs administered by the Department of Human

Services were re-estimated. Legislative action taken prior to the release of the May 2020 Interim Budget Projection was also included.

The COVID-19 Pandemic and resulting economic crisis was estimated to have had direct and immediate impact on the 2020-21 biennium General Fund budget. With the May 2020 Interim Budget Projection, General Fund revenue was projected to be $3.611 billion (7.4 percent) lower than the February 2020 forecast and state spending, including enacted appropriations, was expected to be $391 million higher than the February 2020 forecast. These changes, partially offset by a $63 million lower forecast balance in the Stadium Reserve Account, resulted in a projected deficit of $2.426 billion for the biennium. By law, the $2.359 billion Budget Reserve Account and $350 million Cash Flow Account remained intact with this projection.

Fiscal year 2020 officially closed in August 2020. Actual revenues for fiscal year 2020 were $23.150 billion, $21 million higher than May projection estimates. Tax revenue at close was $103 million lower than previous estimates. Higher non-tax revenue of $50 million and $73 million in higher prior period adjustments more than offset the lower tax revenue. Spending for fiscal year 2020 was $23.778 billion, $413 million below previous estimates; of that however, $246 million of unspent appropriations in fiscal year 2020 were authorized to carry forward into fiscal year 2021. The ending budgetary balance for fiscal year 2020 is $333 million, $187 million higher than prior estimates.

Budget and GAAP Based Financial Outlook

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made, with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Expenditures are recognized when a liability occurs.

On a budgetary basis, the state's General Fund ended fiscal year 2020 with a balance of $1.031 billion. On a GAAP basis, the General Fund reported a balance of $5.555 billion for fiscal year 2020, a difference of $4.524 billion from the budgetary General Fund balance. The difference between the General Fund budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of $2.512 billion. The difference between the GAAP basis and budgetary basis fund balance of the General Fund, excluding these additional funds not reported in the budgetary fund balance, was $2.012 billion. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 18 – Budgetary Basis vs. GAAP of the notes to the financial statements.

When the May Interim budget projection was released, a deficit of $2.426 billion was projected for the current biennium. Subsequent legislative changes in the 2020 regular session and multiple special sessions reduced the projected deficit in the 2020-21 biennium to $2.314 billion. Eight months into the pandemic, the impact on state revenues and spending was not the same as expected in May. The November 2020 forecast showed significant improvement to the state's financial position. A surplus of $636 million was projected for the 2020-21 biennium, an improvement of $2.950 billion compared to estimates published at the end of the October special session.

Revenue in the 2020-21 biennium was projected to reach $47.100 billion, an increase of $1.912 billion (4.2 percent) over end of session estimates. Forecast increases in all major taxes contributed to the overall change.

Reduced spending in fiscal year 2020 combined with reduced estimated spending in fiscal year 2021 resulted in a total of $1.053 billion (2.2 percent) in lower spending projected for the current biennium compared to May estimates, adjusted for legislative changes in the summer and fall. Lower health and human services spending accounted for the majority of change in the spending estimates. Higher federal participation in Medical Assistance combined with lower health care consumption drives the downward forecast adjustment in health and human services. E-12 education spending and debt service spending were also projected to be lower than prior estimates. After adjusting for forecast changes, total spending for the 2020-21 biennium was projected to be $47.627 billion.

Minnesota Statutes 16A.152 directs MMB to allocate funds to the budget reserve account up to the recommended budget reserve level when there is a projected surplus in the current biennium in the November Budget and Economic Forecast. The 2020-21 biennial budget reserve balance of $2.377 billion exceeded this target level so there was no additional allocation to the budget reserve with the November 2020 Budget and Economic Forecast. The 2020-21 biennium projected balance of the stadium reserve account was $81 million, $15 million higher than prior estimates. The Cash Flow account balance was unchanged at $350 million.

The May interim budget projection, adjusted for legislative changes in the summer and fall, estimated that spending would exceed revenue in the 2022-23 biennium by almost $5 billion. Current law reduces the balance of the budget reserve by $491 million in fiscal year 2022 and the stadium reserve growth impacts the General Fund bottom line. After accounting for reserve changes and excluding the impact of the budgetary balance in the current biennium, prior projections estimate a $4.539 billion budgetary shortfall in 2022-23 biennium. With the updated November 2020 Budget and Economic Forecast, the improved revenue outlook and lower spending estimates in the 2020-21 biennium carry through the budget horizon into the 2022-23 biennium, resulting in a projected budgetary shortfall of $1.273 billion for the next biennium. This projected shortfall excludes any balance from the current biennium.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2020, was $25.7 billion, less accumulated depreciation of $4.9 billion, resulting in a net book value of $20.8 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures, internally generated computer software, and equipment. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets
June 30, 2020, and 2019
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Capital Assets not Depreciated:						
Land	$ 2,788,654	$ 2,727,599	$ 94,996	$ 93,226	$ 2,883,650	$ 2,820,825
Buildings, Structures, Improvements	333,834	333,834	—	—	333,834	333,834
Construction in Progress	316,029	283,114	114,572	124,721	430,601	407,835
Development in Progress	231,748	187,427	—	—	231,748	187,427
Infrastructure	11,725,576	11,264,466	—	—	11,725,576	11,264,466
Easements	466,507	440,931	—	—	466,507	440,931
Art and Historical Treasures	7,724	7,724	—	—	7,724	7,724
Total Capital Assets not Depreciated	$ 15,870,072	$ 15,245,095	$ 209,568	$ 217,947	$ 16,079,640	$ 15,463,042
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 3,481,419	$ 3,384,856	$ 3,895,565	$ 3,765,459	$ 7,376,984	$ 7,150,315
Infrastructure	423,225	405,871	28,153	28,153	451,378	434,024
Library Collections	—	—	35,784	37,230	35,784	37,230
Internally Generated Computer Software	434,146	401,329	65,047	64,607	499,193	465,936
Easements	3,897	4,127	—	—	3,897	4,127
Equipment, Furniture, Fixtures	928,644	872,792	347,171	341,996	1,275,815	1,214,788
Total Capital Assets Depreciated	$ 5,271,331	$ 5,068,975	$ 4,371,720	$ 4,237,445	$ 9,643,051	$ 9,306,420
Less: Accumulated Depreciation	(2,509,905)	(2,304,281)	(2,408,435)	(2,270,796)	(4,918,340)	(4,575,077)
Capital Assets Net of Depreciation	$ 2,761,426	$ 2,764,694	$ 1,963,285	$ 1,966,649	$ 4,724,711	$ 4,731,343
Total	$ 18,631,498	$ 18,009,789	$ 2,172,853	$ 2,184,596	$ 20,804,351	$ 20,194,385

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated, and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 3,000 bridges that are maintained by the Minnesota Department of Transportation (MnDOT).

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2019, indicated that the average PQI for principal arterial pavement was 3.5 and 3.3 for all other pavements. The state has maintained a stable condition of pavement over the past several years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2019, indicated that 94.4 percent of principal arterial system bridges and 94.0 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

During the current year, expenditures were fairly consistent with budget. The increase in capitalized pavement expenditures compared to budget primarily related to additional costs on projects associated with a change in scope.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 – Capital Assets of the notes to the financial statements and in the required supplementary information, respectively.

Debt Administration

The authority of the state to incur general obligation debt is described in Article XI, Sections 5 and 7, of the state's constitution. General obligation bonds, issued by the state, are backed by the full faith, credit, and taxing powers of the state.

The state's general obligation bonds were rated on June 30, 2020, as follows:

- AAA by Fitch Ratings
- AAA by Standard & Poor's
- Aa1 by Moody's Investors Service

The Legislature also statutorily authorizes other types of debt.

The state issues revenue bonds, which are payable solely from rentals, revenues, and other income, and charges and monies that were pledged for repayment.

The state issued state General Fund appropriation refunding bonds to refund bonds issued by a blended component unit, Tobacco Securitization Authority, which no longer exists. The state also issued state General Fund appropriation bonds to finance the state and City of Minneapolis shares of the costs of a professional football stadium project and the state financed the Lewis and Clark Regional Water System project.

The Certificates of Participation were issued by the state to finance the statewide systems, integrated tax system, and the legislative office facility.

Outstanding Bonded Debt and Unamortized Premium
June 30, 2020, and 2019
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
General Obligation	$ 7,025,411	$ 6,924,502	$ 214,906	$ 223,190	$ 7,240,317	$ 7,147,692
Revenue	31,410	34,150	266,519	309,803	297,929	343,953
State Appropriation Bonds	944,767	997,488	—	—	944,767	997,488
Certificate of Participation	79,038	81,709	—	—	79,038	81,709
Total	$ 8,080,626	$ 8,037,849	$ 481,425	$ 532,993	$ 8,562,051	$ 8,570,842

During fiscal year 2020, the state issued the following bonds:

- $406.9 million in general obligation state various purpose bonds
- $190.7 million in general obligation state trunk highway bonds
- $36.3 million in taxable state bonds
- $27.6 million in state various purpose refunding bonds
- $13.8 million in revenue bonds for capital assets for State Colleges and Universities

Additional information on the state's long-term debt obligations is located in Note 12 – General Long-Term Liabilities – Primary Government in the notes to the financial statements.

Requests for Information

This financial report is designed to provide Minnesotans, taxpayers, customers, investors, and creditors with a general overview of the state's finances and to demonstrate the state's accountability for the money it receives.

Please contact us if you have questions about this report or to request additional financial information.

Minnesota Management and Budget
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658 Cedar Street
Saint Paul, Minnesota, 55155-1489
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https://www.mn.gov/mmb/

STATE OF MINNESOTA

STATEMENT OF NET POSITION
JUNE 30, 2020
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 13,000,167	$ 2,866,754	$ 15,866,921	$ 1,863,132
Investments	3,242,629	22,925	3,265,554	1,004,616
Accounts Receivable	4,506,276	608,907	5,115,183	551,901
Due from Component Units	8,676	—	8,676	—
Due from Primary Government	—	—	—	264,500
Accrued Investment/Interest Income	28,230	—	28,230	29,068
Federal Aid Receivable	1,752,862	101,896	1,854,758	21,005
Inventories	47,627	24,394	72,021	61,703
Loans and Notes Receivable	18,879	3,881	22,760	366,321
Internal Balances	17,673	(17,673)	—	—
Other Assets	15,034	3,147	18,181	40,175
Total Current Assets	$ 22,638,053	$ 3,614,231	$ 26,252,284	$ 4,202,421
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ —	$ 69,638	$ 69,638	$ 1,116,432
Investments-Restricted	—	304	304	3,515,827
Accounts Receivable-Restricted	—	—	—	44,316
Due from Primary Government-Restricted	—	—	—	425
Due from Primary Government	—	—	—	2,902
Due from Component Units	92,707	—	92,707	—
Investments	—	—	—	5,214,634
Accounts Receivable	747,499	3,323	750,822	551,338
Loans and Notes Receivable	210,911	15,323	226,234	3,035,644
Depreciable Capital Assets (Net)	2,761,426	1,963,285	4,724,711	7,228,151
Nondepreciable Capital Assets	4,144,496	209,568	4,354,064	1,913,344
Infrastructure (Not depreciated)	11,725,576	—	11,725,576	—
Other Assets	3,140	—	3,140	10,281
Total Noncurrent Assets	$ 19,685,755	$ 2,261,441	$ 21,947,196	$ 22,633,294
Total Assets	$ 42,323,808	$ 5,875,672	$ 48,199,480	$ 26,835,715
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Hedging Derivative Instruments	$ —	$ —	$ —	$ 23,605
Bond Refunding	13,968	2,043	16,011	7,596
Deferred Pension Outflows	2,525,487	422,627	2,948,114	564,982
Deferred Other Postemployment Benefits Outflows	31,917	10,709	42,626	61,708
Deferred Derivative Instrument Outflows	—	—	—	726
Total Deferred Outflows of Resources	$ 2,571,372	$ 435,379	$ 3,006,751	$ 658,617
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 5,603,486	$ 744,381	$ 6,347,867	$ 463,137
Due to Component Units	203,344	11	203,355	—
Due to Primary Government	—	—	—	33,068
Unearned Revenue	2,078,454	1,216,002	3,294,456	136,637
Accrued Interest Payable	115,255	42	115,297	60,839
Bonds and Notes Payable	616,291	51,983	668,274	628,838
Capital Leases Payable	10,655	1,754	12,409	5,615
Certificates of Participation Payable	2,290	—	2,290	—
Claims Payable	164,137	27,085	191,222	273,259
Compensated Absences Payable	48,992	20,278	69,270	252,516
Other Liabilities	—	10,984	10,984	4,699
Total Current Liabilities	$ 8,842,904	$ 2,072,520	$ 10,915,424	$ 1,858,608

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ —	$ —	$ —	$ 110,540
Unearned Revenue-Restricted	—	—	—	160,147
Accrued Interest Payable-Restricted	—	—	—	12,774
Due to Primary Government	—	—	—	92,707
Unearned Revenue	111,114	367	111,481	6,608
Interest Rate Swap Agreements	—	—	—	23,605
Bonds and Notes Payable	7,437,122	442,840	7,879,962	7,359,602
Due to Component Units	2,902	—	2,902	—
Capital Leases Payable	41,047	3,597	44,644	26,828
Certificates of Participation Payable	76,748	—	76,748	—
Claims Payable	680,175	1,596	681,771	619,402
Compensated Absences Payable	314,336	143,870	458,206	38,096
Other Postemployment Benefits	549,263	81,704	630,967	385,042
Net Pension Liability	2,742,318	365,345	3,107,663	362,581
Funds Held in Trust	—	—	—	391,066
Other Liabilities	—	17,556	17,556	54,749
Total Noncurrent Liabilities	$ 11,955,025	$ 1,056,875	$ 13,011,900	$ 9,643,747
Total Liabilities	$ 20,797,929	$ 3,129,395	$ 23,927,324	$ 11,502,355
DEFERRED INFLOWS OF RESOURCES				
Bond Refunding	$ 29,957	$ 3,605	$ 33,562	$ 5,693
Capital Lease Restructuring	9,697	—	9,697	—
Deferred Revenue	470,620	—	470,620	33,303
Deferred Pension Inflows	4,662,994	816,914	5,479,908	1,226,960
Deferred Other Postemployment Benefits Inflows	60,502	9,780	70,282	19,176
Total Deferred Inflows of Resources	$ 5,233,770	$ 830,299	$ 6,064,069	$ 1,285,132
NET POSITION				
Net Investment in Capital Assets	$ 14,765,807	$ 1,694,373	$ 16,460,180	$ 6,103,826
Restricted to:				
Improve Agricultural, Environmental and Energy Resources	$ 3,005,629	$ —	$ 3,005,629	$ —
Enhance Arts and Culture	30,486	—	30,486	—
Acquire, Maintain, and Improve Land and Buildings	—	336	336	—
Retire Indebtedness	462,152	119,561	581,713	—
Develop Economy and Workforce	184,429	3,031	187,460	—
Enhance E-12 Education	28,267	—	28,267	—
Enhance State Government	22,282	—	22,282	—
Enhance Health and Human Services	78,065	—	78,065	—
Enhance Higher Education	368	22,125	22,493	—
Enhance 911 Services and Increase Safety	7,509	71,316	78,825	—
School Aid-Expendable	9,585	—	9,585	—
School Aid-Nonexpendable	1,636,505	—	1,636,505	—
Construct Highways and Improve Infrastructure	1,722,626	—	1,722,626	—
Unemployment Benefits	—	460,997	460,997	—
Other Purposes	—	83,648	83,648	—
Component Units	—	—	—	8,155,311
Total Restricted	$ 7,187,903	$ 761,014	$ 7,948,917	$ 8,155,311
Unrestricted	$ (3,090,229)	$ (104,030)	$ (3,194,259)	$ 447,708
Total Net Position	$ 18,863,481	$ 2,351,357	$ 21,214,838	$ 14,706,845

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			
					PRIMARY GOVERNMENT			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBU-TIONS	CAPITAL GRANTS AND CONTRIBU-TIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Primary Government:								
Governmental Activities:								
Agricultural, Environmental and Energy Resources	$ 1,254,084	$ 476,082	$ 567,194	$ 23,422	$ (187,386)		$ (187,386)	
Economic and Workforce Development	787,975	68,912	223,678	—	(495,385)		(495,385)	
General Education	10,900,070	14,146	1,034,432	—	(9,851,492)		(9,851,492)	
General Government	1,443,784	374,497	121,319	—	(947,968)		(947,968)	
Health and Human Services	18,485,278	435,071	10,308,028	—	(7,742,179)		(7,742,179)	
Higher Education	1,009,104	73	470	—	(1,008,561)		(1,008,561)	
Intergovernmental Aid	1,780,630	—	—	—	(1,780,630)		(1,780,630)	
Public Safety and Corrections	1,191,908	186,460	198,097	—	(807,351)		(807,351)	
Transportation	3,441,636	87,393	722,530	215,201	(2,416,512)		(2,416,512)	
Interest	239,792	—	—	—	(239,792)		(239,792)	
Total Governmental Activities	$ 40,534,261	$ 1,642,634	$ 13,175,748	$ 238,623	$ (25,477,256)		$ (25,477,256)	
Business-type Activities:								
State Colleges and Universities	$ 2,088,956	$ 794,020	$ 477,792	$ 14		$ (817,130)	$ (817,130)	
Unemployment Insurance	6,298,163	975,380	3,959,067	—		(1,363,716)	(1,363,716)	
Lottery	513,558	668,547	—	—		154,989	154,989	
Other	569,862	567,379	—	—		(2,483)	(2,483)	
Total Business-type Activities	$ 9,470,539	$ 3,005,326	$ 4,436,859	$ 14		$ (2,028,340)	$ (2,028,340)	
Total Primary Government	$ 50,004,800	$ 4,647,960	$ 17,612,607	$ 238,637	$ (25,477,256)	$ (2,028,340)	$ (27,505,596)	
Component Units:								
Housing Finance	$ 436,542	$ 283,707	$ 202,839	$ —				$ 50,004
Metropolitan Council	1,213,358	404,338	571,861	401,721				164,562
University of Minnesota	4,295,102	1,408,667	1,797,566	119,820				(969,049)
Other	716,042	136,800	249,350	28,765				(301,127)
Total Component Units	$ 6,661,044	$ 2,233,512	$ 2,821,616	$ 550,306				$ (1,055,610)
General Revenues:								
Taxes:								
Individual Income Taxes					$ 12,754,820	$ —	$ 12,754,820	$ —
Corporate Income Taxes					1,638,366	—	1,638,366	—
Sales Taxes					6,408,680	—	6,408,680	—
Property Taxes					781,471	—	781,471	—
Motor Vehicle Taxes					1,622,413	—	1,622,413	—
Fuel Taxes					882,917	—	882,917	—
Other Taxes					3,019,463	—	3,019,463	88,064
Tobacco Settlement					150,729	—	150,729	—
Unallocated Investment/Interest Income					127,253	53,677	180,930	246,725
Other Revenues					51,292	30	51,322	278,999
State Grants Not Restricted					—	—	—	1,098,510
Transfers					(696,757)	696,757	—	—
Total General Revenues and Transfers					$ 26,740,647	$ 750,464	$ 27,491,111	$ 1,712,298
Change in Net Position					$ 1,263,391	$ (1,277,876)	$ (14,485)	$ 656,688
Net Position, Beginning, as Reported					$ 17,506,090	$ 3,629,233	$ 21,135,323	$ 14,050,157
Prior Period Adjustments					94,000	—	94,000	—
Net Position, Beginning, as Restated					$ 17,600,090	$ 3,629,233	$ 21,229,323	$ 14,050,157
Net Position, Ending					$ 18,863,481	$ 2,351,357	$ 21,214,838	$ 14,706,845

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020
(IN THOUSANDS)

		GENERAL		FEDERAL		NONMAJOR FUNDS		TOTAL
ASSETS								
Cash and Cash Equivalents	$	5,192,602	$	1,938,333	$	5,359,376	$	12,490,311
Investments		1,276,168		—		1,966,461		3,242,629
Accounts Receivable		4,528,271		417,321		302,566		5,248,158
Interfund Receivables		90,446		58		51,946		142,450
Due from Component Units		190		20		101,173		101,383
Accrued Investment/Interest Income		21,957		—		6,273		28,230
Federal Aid Receivable		—		1,665,104		87,758		1,752,862
Inventories		—		5,763		41,399		47,162
Loans and Notes Receivable		99,272		4,767		125,751		229,790
Investment in Land		—		—		15,957		15,957
Total Assets	$	11,208,906	$	4,031,366	$	8,058,660	$	23,298,932
LIABILITIES								
Accounts Payable	$	3,152,478	$	1,863,018	$	643,362	$	5,658,858
Interfund Payables		14,594		—		57,932		72,526
Due to Component Units		103,289		93,870		5,517		202,676
Unearned Revenue		118,332		2,056,515		—		2,174,847
Total Liabilities	$	3,388,693	$	4,013,403	$	706,811	$	8,108,907
DEFERRED INFLOWS OF RESOURCES								
Deferred Revenue	$	2,265,512	$	—	$	108,608	$	2,374,120
Total Deferred Inflows of Resources	$	2,265,512	$	—	$	108,608	$	2,374,120
FUND BALANCES								
Nonspendable	$	1,306,394	$	5,763	$	1,677,904	$	2,990,061
Restricted		98,995		12,200		4,725,631		4,836,826
Committed		55,698		—		804,708		860,406
Assigned		2,121,691		—		38,483		2,160,174
Unassigned		1,971,923		—		(3,485)		1,968,438
Total Fund Balances	$	5,554,701	$	17,963	$	7,243,241	$	12,815,905
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$	11,208,906	$	4,031,366	$	8,058,660	$	23,298,932

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020
(IN THOUSANDS)

Total Fund Balance for Governmental Funds			$	12,815,905
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:				
Infrastructure	$	11,725,576		
Nondepreciable Capital Assets		4,128,278		
Depreciable Capital Assets		5,060,637		
Accumulated Depreciation		(2,372,864)		
				18,541,627
Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end.				1,903,500
Net Deferred Outflows (Inflows) resulting from the refunding of debt and restructuring of capital leases included in the Statement of Net Position.				(25,686)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.				344,111
Deferred pension and other postemployment benefits outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.				
Total Deferred Pension and Other Postemployment Benefits Outflows	$	2,503,983		
Total Deferred Pension and Other Postemployment Benefits Inflows		(4,611,738)		
				(2,107,755)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:				
Accrued Interest Payable	$	(115,250)		
General Obligation Bonds Payable		(6,140,544)		
State Appropriation Bonds Payable		(852,780)		
Revenue Bonds Payable		(31,410)		
Loans and Notes Payable		(721)		
Bond Premium Payable		(976,854)		
Due to Component Units		(3,570)		
Capital Leases Payable		(51,702)		
Certificate of Participation Payable		(69,965)		
Certificate of Participation Premium Payable		(9,073)		
Claims Payable		(755,146)		
Compensated Absences Payable		(349,733)		
Other Postemployment Benefits		(541,973)		
Net Pension Liability		(2,709,500)		
				(12,608,221)
Net Position of Governmental Activities			$	18,863,481

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 12,329,724	$ —	$ —	$ 12,329,724
Corporate Income Taxes	1,620,684	—	—	1,620,684
Sales Taxes	5,797,172	—	590,717	6,387,889
Property Taxes	772,876	—	—	772,876
Motor Vehicle Taxes	324,150	—	1,297,956	1,622,106
Fuel Taxes	—	—	884,788	884,788
Other Taxes	2,765,354	—	234,756	3,000,110
Tobacco Settlement	152,282	—	—	152,282
Federal Revenues	52,753	12,230,966	626,353	12,910,072
Licenses and Fees	245,113	5,403	419,910	670,426
Departmental Services	185,483	4,412	202,997	392,892
Investment/Interest Income	206,495	8,500	226,530	441,525
Other Revenues	414,783	46,257	283,496	744,536
Net Revenues	$ 24,866,869	$ 12,295,538	$ 4,767,503	$ 41,929,910
Expenditures:				
Agricultural, Environmental and Energy Resources	$ 357,436	$ 253,207	$ 693,298	$ 1,303,941
Economic and Workforce Development	261,482	221,145	338,454	821,081
General Education	9,895,517	909,004	92,438	10,896,959
General Government	885,550	35,793	88,070	1,009,413
Health and Human Services	8,134,332	10,302,661	100,698	18,537,691
Higher Education	976,077	—	32,999	1,009,076
Intergovernmental Aid	1,780,498	—	132	1,780,630
Public Safety and Corrections	774,862	167,822	246,267	1,188,951
Transportation	500,078	294,707	2,616,867	3,411,652
Total Current Expenditures	$ 23,565,832	$ 12,184,339	$ 4,209,223	$ 39,959,394
Capital Outlay	88,158	84,502	708,867	881,527
Debt Service	42,722	225	927,757	970,704
Total Expenditures	$ 23,696,712	$ 12,269,066	$ 5,845,847	$ 41,811,625
Excess of Revenues Over (Under) Expenditures	$ 1,170,157	$ 26,472	$ (1,078,344)	$ 118,285
Other Financing Sources (Uses):				
Bond Issuance	$ 7,594	$ —	$ 613,753	$ 621,347
Issuance of Refunding Bonds	—	—	27,570	27,570
Payment to Refunded Bonds Escrow Agent	—	—	(27,570)	(27,570)
Bond Issue Premium	1,906	—	128,543	130,449
Transfers-In	206,109	1,673	922,644	1,130,426
Transfers-Out	(1,516,631)	(30,735)	(327,127)	(1,874,493)
Net Other Financing Sources (Uses)	$ (1,301,022)	$ (29,062)	$ 1,337,813	$ 7,729
Net Change in Fund Balances	$ (130,865)	$ (2,590)	$ 259,469	$ 126,014
Fund Balances, Beginning, as Reported	$ 5,591,566	$ 20,553	$ 6,983,772	$ 12,595,891
Prior Period Adjustments	94,000	—	—	94,000
Fund Balances, Beginning, as Restated	$ 5,685,566	$ 20,553	$ 6,983,772	$ 12,689,891
Fund Balances, Ending	$ 5,554,701	$ 17,963	$ 7,243,241	$ 12,815,905

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds		$ 126,014
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded the depreciation in the current period.		
Capital Outlay	$ 881,527	
Depreciation	(221,016)	
		660,511
Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported.		(37,372)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds activities is reported in governmental activities but not included in governmental funds.		328,688
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.		479,397
Bond and loan proceeds provide current financial resources to governmental funds; however, issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Position.		(779,366)
Net changes due to the additions and amortization of deferred inflows and outflows related to the refunding of debt and restructuring of capital leases is reported in the Statement of Activities but not included in governmental funds.		13,275
Net changes in the net pension liability and the additions and amortization of deferred inflows and outflows related to pensions is reported in the Statement of Activities but not included in governmental funds.		(306,608)
Net changes in the other postemployment benefits liability and the additions and amortization of deferred inflows and outflows related to other postemployment benefits is reported in the Statement of Activities but not included in governmental funds.		(19,376)
Repayment of bonds, loans, and capital leases are reported as expenditures in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.		750,317
Net changes in expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.		47,911
Change in Net Position of Governmental Activities		$ 1,263,391

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 12,351,890	$ 12,277,400	$ 12,094,130
Corporate Income Taxes	1,649,609	1,554,822	1,580,275
Sales Taxes	5,799,445	5,649,515	5,718,127
Property Taxes	793,343	726,660	753,318
Other Taxes	2,763,622	2,747,665	2,709,542
Tobacco Settlement	157,113	154,254	152,282
Licenses and Fees	225,679	235,946	240,259
Departmental Services	124,181	115,573	115,748
Investment/Interest Income	87,242	84,224	90,271
Other Revenues	309,840	332,553	369,400
Net Revenues	$ 24,261,964	$ 23,878,612	$ 23,823,352
Expenditures:			
Agricultural, Environmental and Energy Resources	$ 233,407	$ 245,813	$ 221,591
Economic and Workforce Development	211,955	211,913	204,328
General Education	9,894,525	9,867,286	9,851,222
General Government	555,374	991,875	945,702
Health and Human Services	7,921,945	8,227,517	7,576,098
Higher Education	935,830	935,830	929,821
Intergovernmental Aid	1,793,489	1,804,489	1,804,433
Public Safety and Corrections	805,992	808,248	784,755
Transportation	138,020	138,020	135,897
Total Expenditures	$ 22,490,537	$ 23,230,991	$ 22,453,847
Excess of Revenues Over (Under) Expenditures	$ 1,771,427	$ 647,621	$ 1,369,505
Other Financing Sources (Uses):			
Transfers-In	$ 46,779	$ 33,859	$ 33,567
Transfers-Out	(2,329,577)	(1,979,577)	(1,979,577)
Net Other Financing Sources (Uses)	$ (2,282,798)	$ (1,945,718)	$ (1,946,010)
Net Change in Fund Balances	$ (511,371)	$ (1,298,097)	$ (576,505)
Fund Balances, Beginning, as Reported	$ 4,693,595	$ 4,693,595	$ 4,693,595
Prior Period Adjustments	—	—	110,376
Fund Balances, Beginning, as Restated	$ 4,693,595	$ 4,693,595	$ 4,803,971
Budgetary Fund Balances, Ending	$ 4,182,224	$ 3,395,498	$ 4,227,466
Less: Appropriation Carryover	—	—	385,792
Less: Reserved for Long-Term Receivables	—	—	46,198
Less: Budgetary Reserve	—	—	2,764,398
Unassigned Fund Balance, Ending	$ 4,182,224	$ 3,395,498	$ 1,031,078

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 1,049,039	$ 1,517,351	$ 300,364	$ 2,866,754	$ 509,856
Investments	22,925	—	—	22,925	—
Accounts Receivable	60,099	517,999	30,809	608,907	91,764
Interfund Receivables	27,961	—	10,658	38,619	325
Federal Aid Receivable	31,177	70,719	—	101,896	—
Inventories	15,342	—	9,052	24,394	465
Loans and Notes Receivable	3,881	—	—	3,881	—
Prepaid Expenses	2,767	—	380	3,147	15,034
Total Current Assets	$ 1,213,191	$ 2,106,069	$ 351,263	$ 3,670,523	$ 617,444
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 69,638	$ —	$ —	$ 69,638	$ —
Investments-Restricted	304	—	—	304	—
Accounts Receivable	—	—	3,323	3,323	—
Loans and Notes Receivable	15,323	—	—	15,323	—
Depreciable Capital Assets (Net)	1,813,668	—	149,617	1,963,285	73,653
Nondepreciable Capital Assets	189,973	—	19,595	209,568	261
Prepaid Expenses	—	—	—	—	3,140
Total Noncurrent Assets	$ 2,088,906	$ —	$ 172,535	$ 2,261,441	$ 77,054
Total Assets	$ 3,302,097	$ 2,106,069	$ 523,798	$ 5,931,964	$ 694,498
DEFERRED OUTFLOWS OF RESOURCES					
Bond Refunding	$ 2,043	$ —	$ —	$ 2,043	$ —
Deferred Pension Outflows	369,407	—	53,220	422,627	52,998
Deferred Other Postemployment Benefits Outflows	9,828	—	881	10,709	423
Total Deferred Outflows of Resources	$ 381,278	$ —	$ 54,101	$ 435,379	$ 53,421
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 208,610	$ 474,026	$ 61,745	$ 744,381	$ 31,086
Interfund Payables	—	21,995	34,297	56,292	52,265
Due to Component Units	—	—	11	11	—
Unearned Revenue	51,877	1,149,051	15,074	1,216,002	14,721
Accrued Interest Payable	—	—	42	42	5
Bonds and Notes Payable	41,838	—	10,145	51,983	18,648
Capital Leases Payable	1,754	—	—	1,754	—
Claims Payable	2,205	—	24,880	27,085	89,166
Compensated Absences Payable	18,141	—	2,137	20,278	1,551
Other Liabilities	10,981	—	3	10,984	—
Total Current Liabilities	$ 335,406	$ 1,645,072	$ 148,334	$ 2,128,812	$ 207,442

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Noncurrent Liabilities:					
Unearned Revenue	$ —	$ —	$ 367	$ 367	$ —
Bonds and Notes Payable	441,149	—	1,691	442,840	32,456
Capital Leases Payable	3,597	—	—	3,597	—
Claims Payable	1,596	—	—	1,596	—
Compensated Absences Payable	132,759	—	11,111	143,870	12,044
Other Postemployment Benefits	68,182	—	13,522	81,704	7,290
Net Pension Liability	325,889	—	39,456	365,345	32,818
Other Liabilities	17,556	—	—	17,556	—
Total Noncurrent Liabilities	$ 990,728	$ —	$ 66,147	$ 1,056,875	$ 84,608
Total Liabilities	$ 1,326,134	$ 1,645,072	$ 214,481	$ 3,185,687	$ 292,050
DEFERRED INFLOWS OF RESOURCES					
Bond Refunding	$ 3,605	$ —	$ —	$ 3,605	$ —
Deferred Pension Inflows	703,368	—	113,546	816,914	110,953
Deferred Other Postemployment Benefits Inflows	8,285	—	1,495	9,780	805
Total Deferred Inflows of Resources	$ 715,258	$ —	$ 115,041	$ 830,299	$ 111,758
NET POSITION					
Net Investment in Capital Assets	$ 1,536,997	$ —	$ 157,376	$ 1,694,373	$ 25,764
Restricted for:					
Acquire, Maintain, and Improve Land and Buildings	$ 336	$ —	$ —	$ 336	$ —
Retire Indebtedness	119,561	—	—	119,561	—
Develop Economy and Workforce	—	—	3,031	3,031	—
Enhance Higher Education	22,125	—	—	22,125	—
Enhance 911 Services and Increase Safety	—	—	71,316	71,316	—
Unemployment Benefits	—	460,997	—	460,997	—
Other Purposes	—	—	83,648	83,648	—
Total Restricted	$ 142,022	$ 460,997	$ 157,995	$ 761,014	$ —
Unrestricted	$ (37,036)	$ —	$ (66,994)	$ (104,030)	$ 318,347
Total Net Position	$ 1,641,983	$ 460,997	$ 248,377	$ 2,351,357	$ 344,111

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 684,104	$ —	$ —	$ 684,104	$ —
Restricted Student Payments, Net	90,398	—	—	90,398	—
Net Sales	—	—	935,500	935,500	333,595
Insurance Premiums	—	962,052	266,753	1,228,805	1,068,140
Other Income	19,518	13,328	33,673	66,519	11,672
Total Operating Revenues	$ 794,020	$ 975,380	$ 1,235,926	$ 3,005,326	$ 1,413,407
Less: Cost of Goods Sold	—	—	510,524	510,524	—
Gross Margin	$ 794,020	$ 975,380	$ 725,402	$ 2,494,802	$ 1,413,407
Operating Expenses:					
Purchased Services	$ 229,216	$ —	$ 88,354	$ 317,570	$ 198,238
Salaries and Fringe Benefits	1,420,716	—	178,732	1,599,448	(74,408)
Student Financial Aid	95,218	—	—	95,218	—
Unemployment Benefits	—	6,294,342	—	6,294,342	—
Claims	—	—	246,367	246,367	866,341
Depreciation and Amortization	135,954	—	17,962	153,916	21,191
Supplies and Materials	118,157	—	5,515	123,672	20,105
Repairs and Maintenance	23,005	—	990	23,995	15,439
Indirect Costs	—	—	2,725	2,725	2,842
Other Expenses	36,440	—	899	37,339	1,169
Total Operating Expenses	$ 2,058,706	$ 6,294,342	$ 541,544	$ 8,894,592	$ 1,050,917
Operating Income (Loss)	$ (1,264,686)	$ (5,318,962)	$ 183,858	$ (6,399,790)	$ 362,490
Nonoperating Revenues (Expenses):					
Investment Income	$ 15,230	$ 35,628	$ 2,819	$ 53,677	$ 6,407
Federal Grants	343,436	—	—	343,436	—
Private Grants	33,397	—	—	33,397	—
Grants and Subsidies	100,973	3,959,067	—	4,060,040	—
Other Nonoperating Revenues	—	—	2	2	—
Interest and Financing Costs	(19,504)	—	203	(19,301)	(1,547)
Grants, Aids and Subsidies	(10,746)	(3,821)	(17,603)	(32,170)	—
Other Nonoperating Expenses	—	—	(13,952)	(13,952)	(3,387)
Gain (Loss) on Disposal of Capital Assets	73	—	(45)	28	233
Total Nonoperating Revenues (Expenses)	$ 462,859	$ 3,990,874	$ (28,576)	$ 4,425,157	$ 1,706
Income (Loss) Before Transfers and Contributions	$ (801,827)	$ (1,328,088)	$ 155,282	$ (1,974,633)	$ 364,196
Transfers-In	827,595	—	33,520	861,115	—
Transfers-Out	—	(8,377)	(155,981)	(164,358)	(35,508)
Change in Net Position	$ 25,768	$ (1,336,465)	$ 32,821	$ (1,277,876)	$ 328,688
Net Position, Beginning, as Reported	$ 1,616,215	$ 1,797,462	$ 215,556	$ 3,629,233	$ 15,423
Net Position, Ending	$ 1,641,983	$ 460,997	$ 248,377	$ 2,351,357	$ 344,111

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 778,107	$ 779,192	$ 1,207,018	$ 2,764,317	$ 1,379,938
Receipts from Other Revenues	—	—	32,669	32,669	11,672
Receipts from Repayment of Program Loans	4,198	—	—	4,198	—
Financial Aid Disbursements	(100,631)	—	—	(100,631)	—
Payments to Claimants	—	(5,855,770)	(659,602)	(6,515,372)	(866,313)
Payments to Suppliers	(404,883)	—	(138,525)	(543,408)	(255,872)
Payments to Employees	(1,384,486)	—	(176,925)	(1,561,411)	(123,809)
Payments to Others	—	—	(58,793)	(58,793)	(3,387)
Net Cash Flows from Operating Activities	$ (1,107,695)	$ (5,076,578)	$ 205,842	$ (5,978,431)	$ 142,229
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 471,514	$ 5,005,879	$ —	$ 5,477,393	$ —
Grant Disbursements	(7,799)	(3,830)	(17,603)	(29,232)	—
Transfers-In	762,135	—	33,520	795,655	—
Transfers-Out	—	(6,402)	(150,470)	(156,872)	(32,621)
Advances from Other Funds	—	—	—	—	(50,000)
Net Cash Flows from Noncapital Financing Activities	$ 1,225,850	$ 4,995,647	$ (134,553)	$ 6,086,944	$ (82,621)
Cash Flows from Capital and Related Financing Activities:					
Transfers-In	$ 46,463	$ —	$ —	$ 46,463	$ —
Investment in Capital Assets	(134,640)	—	(7,675)	(142,315)	(22,342)
Proceeds from Disposal of Capital Assets	457	—	91	548	2,809
Proceeds from Capital Bonds	32,049	—	—	32,049	—
Proceeds from Loans	3,629	—	—	3,629	22,860
Capital Lease Payments	(4,143)	—	—	(4,143)	—
Repayment of Loan Principal	(589)	—	—	(589)	(17,968)
Repayment of Bond Principal	(56,240)	—	(21,420)	(77,660)	—
Interest Paid	(18,922)	—	(1,578)	(20,500)	(1,621)
Net Cash Flows from Capital and Related Financing Activities	$ (131,936)	$ —	$ (30,582)	$ (162,518)	$ (16,262)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 4,046	$ —	$ —	$ 4,046	$ —
Purchase of Investments	(2,708)	—	—	(2,708)	—
Investment Earnings	10,744	35,628	2,819	49,191	6,407
Net Cash Flows from Investing Activities	$ 12,082	$ 35,628	$ 2,819	$ 50,529	$ 6,407
Net Increase (Decrease) in Cash and Cash Equivalents	$ (1,699)	$ (45,303)	$ 43,526	$ (3,476)	$ 49,753
Cash and Cash Equivalents, Beginning, as Reported	$ 1,120,376	$ 1,562,654	$ 256,838	$ 2,939,868	$ 460,103
Cash and Cash Equivalents, Ending	$ 1,118,677	$ 1,517,351	$ 300,364	$ 2,936,392	$ 509,856

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	$ (1,264,686)	$ (5,318,962)	$ 183,858	$ (6,399,790)	$ 362,490
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization	$ 135,954	$ —	$ 17,962	$ 153,916	$ 21,191
Miscellaneous Nonoperating Revenues	—	—	2	2	—
Miscellaneous Nonoperating Expenses	—	—	(13,952)	(13,952)	(3,387)
Loan Principal Repayments	4,198	—	—	4,198	—
Provision for Loan Defaults	(302)	—	—	(302)	—
Loans Forgiven	607	—	—	607	—
Change in Assets, Liabilities, Deferred Outflows and Inflows:					
Accounts Receivable	(2,153)	(219,288)	(1,103)	(222,544)	(14,948)
Inventories	309	—	(743)	(434)	(92)
Other Assets	—	—	108	108	2,507
Deferred Outflows	240,544	—	43,407	283,951	271,138
Accounts Payable	(8,481)	458,895	6,059	456,473	(20,494)
Salaries Payable	15,011	—	—	15,011	—
Claims Payable	—	—	7,259	7,259	28
Compensated Absences Payable	3,981	—	586	4,567	2,948
Unearned Revenues	(8,055)	2,654	4,792	(609)	(6,849)
Other Postemployment Benefits	(1,872)	—	(1,270)	(3,142)	989
Net Pension Liability	3,183	—	1,741	4,924	(73,684)
Other Liabilities	(1,271)	123	—	(1,148)	—
Deferred Inflows	(224,662)	—	(42,864)	(267,526)	(399,608)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 156,991	$ 242,384	$ 21,984	$ 421,359	$ (220,261)
Net Cash Flows from Operating Activities	$ (1,107,695)	$ (5,076,578)	$ 205,842	$ (5,978,431)	$ 142,229
Noncash Investing, Capital and Financing Activities:					
Loan Liability Transfer	$ —	$ —	$ —	$ —	$ 2,887
Bond Premium Amortization	$ 4,266	$ —	$ 1,691	$ 5,957	$ —

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2020

(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalent Investments	$ 30,993	$ —	$ 192,582
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 4,582,695	$ 38,728	$ —
Investments	78,882,942	1,106,931	—
Accrued Interest and Dividends	120,206	2,113	—
Securities Trades Receivables (Payables)	(582,578)	(10,195)	—
Total Investment Pool Participation	$ 83,003,265	$ 1,137,577	$ —
Receivables:			
Accounts Receivable	$ —	$ —	$ 52,692
Interfund Receivables	11,658	—	—
Other Receivables	128,671	—	—
Total Receivables	$ 140,329	$ —	$ 52,692
Securities Lending Collateral	$ 4,992,478	$ —	$ —
Depreciable Capital Assets (Net)	37,404	—	—
Nondepreciable Capital Assets	429	—	—
Total Assets	$ 88,204,898	$ 1,137,577	$ 245,274
LIABILITIES			
Accounts Payable	$ 24,676	$ —	$ 245,274
Interfund Payables	11,969	—	—
Accrued Expense	54	—	—
Revenue Bonds Payable	8,921	—	—
Bond Interest	4	—	—
Compensated Absences Payable	3,157	—	—
Securities Lending Liabilities	4,992,478	—	—
Other Liabilities	2,092	—	—
Total Liabilities	$ 5,043,351	$ —	$ 245,274
NET POSITION			
Net Position Restricted for Pensions and Pooled Investments	$ 83,161,547	$ 1,137,577	$ —

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

FIDUCIARY FUNDS

STATEMENT OF CHANGES

IN NET POSITION

YEAR ENDED JUNE 30, 2020

(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer	$ 1,486,414	$ —
Member	1,733,470	—
Contributions From Other Sources	10,294	—
Participating Plans	—	12,850
Total Contributions	$ 3,230,178	$ 12,850
Net Investment Income (Loss):		
Investment Income (Loss)	$ 3,472,378	$ 69,109
Less: Investment Expenses	(69,308)	(572)
Net Investment Income (Loss)	$ 3,403,070	$ 68,537
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 88,756	$ —
Securities Lending Rebates and Fees	(64,787)	—
Net Securities Lending Revenue	$ 23,969	$ —
Total Investment Income (Loss)	$ 3,427,039	$ 68,537
Transfers-In	$ 101,985	$ —
Other Additions	14,291	—
Total Additions	$ 6,773,493	$ 81,387
Deductions:		
Benefits	$ 5,425,884	$ —
Refunds and Withdrawals	449,079	41,525
Administrative Expenses	66,605	79
Transfers-Out	22,054	—
Total Deductions	$ 5,963,622	$ 41,604
Net Increase (Decrease)	$ 809,871	$ 39,783
Net Position Restricted for Pensions and Pooled Investments, Beginning, as Reported	$ 82,347,689	$ 1,097,510
Change in Reporting Entity	3,440	831
Change in Fund Structure	547	(547)
Net Position Restricted for Pensions and Pooled Investments, Beginning, as Restated	$ 82,351,676	$ 1,097,794
Net Position Restricted for Pensions and Pooled Investments, Ending	$ 83,161,547	$ 1,137,577

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2019 and JUNE 30, 2020
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 107,071	$ 213,753	$ 827,832	$ 714,476	$ 1,863,132
Investments	1,180	101,740	603,815	297,881	1,004,616
Accounts Receivable	807	27,717	468,222	55,155	551,901
Due from Primary Government	201	99,154	14,700	150,445	264,500
Accrued Investment/Interest Income	13,774	2,237	914	12,143	29,068
Federal Aid Receivable	3,207	16,466	—	1,332	21,005
Inventories	—	39,719	21,936	48	61,703
Loans and Notes Receivable	105,816	—	10,718	249,787	366,321
Prepaid Expenses	—	1,375	—	4,701	6,076
Other Assets	1,296	—	32,669	134	34,099
Total Current Assets	$ 233,352	$ 502,161	$ 1,980,806	$ 1,486,102	$ 4,202,421
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 460,974	$ 303,645	$ 15,397	$ 336,416	$ 1,116,432
Investments-Restricted	3,362,388	—	131,159	22,280	3,515,827
Accounts Receivable-Restricted	—	44,316	—	—	44,316
Due from Primary Government-Restricted	—	425	—	—	425
Due from Primary Government	—	—	—	2,902	2,902
Investments	—	700,857	4,505,545	8,232	5,214,634
Accounts Receivable	—	—	155,486	395,852	551,338
Loans and Notes Receivable	827,841	44,835	62,859	2,100,109	3,035,644
Depreciable Capital Assets (Net)	4,280	3,474,656	2,818,912	930,303	7,228,151
Nondepreciable Capital Assets	—	1,359,168	517,678	36,498	1,913,344
Prepaid Expenses	—	—	—	1,345	1,345
Other Assets	—	—	8,936	—	8,936
Total Noncurrent Assets	$ 4,655,483	$ 5,927,902	$ 8,215,972	$ 3,833,937	$ 22,633,294
Total Assets	$ 4,888,835	$ 6,430,063	$ 10,196,778	$ 5,320,039	$ 26,835,715
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated Decrease in Fair Value of Hedging Derivative Instruments	$ 23,605	$ —	$ —	$ —	$ 23,605
Bond Refunding	15	—	570	7,011	7,596
Deferred Pension Outflows	14,114	213,650	332,242	4,976	564,982
Deferred Other Postemployment Benefits Outflows	97	54,827	6,761	23	61,708
Deferred Derivative Instrument Outflows	—	726	—	—	726
Total Deferred Outflows of Resources	$ 37,831	$ 269,203	$ 339,573	$ 12,010	$ 658,617

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2019 and JUNE 30, 2020
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 48,977	$ 90,930	$ 300,814	$ 22,416	$ 463,137
Due to Primary Government	—	39	1,722	31,307	33,068
Unearned Revenue	—	25,735	64,602	46,300	136,637
Accrued Interest Payable	29,204	4,622	16,150	10,863	60,839
Bonds and Notes Payable	61,790	161,028	318,445	87,575	628,838
Capital Leases Payable	—	900	4,661	54	5,615
Claims Payable	—	12,278	49,030	211,951	273,259
Compensated Absences Payable	329	27,221	224,770	196	252,516
Other Liabilities	—	—	4,393	306	4,699
Total Current Liabilities	$ 140,300	$ 322,753	$ 984,587	$ 410,968	$ 1,858,608
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ —	$ 61,208	$ 49,332	$ —	$ 110,540
Unearned Revenue-Restricted	—	160,147	—	—	160,147
Accrued Interest Payable-Restricted	—	12,774	—	—	12,774
Due to Primary Government	—	—	2,325	90,382	92,707
Unearned Revenue	—	—	75	6,533	6,608
Interest Rate Swap Agreements	23,605	—	—	—	23,605
Bonds and Notes Payable	3,571,859	1,481,101	1,246,933	1,059,709	7,359,602
Capital Leases Payable	—	3,635	23,120	73	26,828
Claims Payable	—	17,729	6,804	594,869	619,402
Compensated Absences Payable	2,551	7,433	27,055	1,057	38,096
Other Postemployment Benefits	1,672	336,289	46,686	395	385,042
Net Pension Liability	8,740	144,118	206,712	3,011	362,581
Funds Held in Trust	100,735	—	290,209	122	391,066
Other Liabilities	—	—	54,499	250	54,749
Total Noncurrent Liabilities	$ 3,709,162	$ 2,224,434	$ 1,953,750	$ 1,756,401	$ 9,643,747
Total Liabilities	$ 3,849,462	$ 2,547,187	$ 2,938,337	$ 2,167,369	$ 11,502,355
DEFERRED INFLOWS OF RESOURCES					
Bond Refunding	$ —	$ —	$ 5,693	$ —	$ 5,693
Deferred Revenue	20,888	—	—	12,415	33,303
Deferred Pension Inflows	29,550	462,501	724,450	10,459	1,226,960
Deferred Other Postemployment Benefits Inflows	184	18,581	368	43	19,176
Total Deferred Inflows of Resources	$ 50,622	$ 481,082	$ 730,511	$ 22,917	$ 1,285,132
NET POSITION					
Net Investment in Capital Assets	$ 4,280	$ 3,390,848	$ 1,742,905	$ 965,793	$ 6,103,826
Restricted-Expendable	1,202,147	564,657	2,692,555	2,081,752	6,541,111
Restricted-Nonexpendable	—	—	1,614,200	—	1,614,200
Unrestricted	(179,845)	(284,508)	817,843	94,218	447,708
Total Net Position	$ 1,026,582	$ 3,670,997	$ 6,867,503	$ 3,141,763	$ 14,706,845

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 and JUNE 30, 2020
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 436,542	$ 1,213,358	$ 4,295,102	$ 716,042	$ 6,661,044
Program Revenues:					
Charges for Services	$ 283,707	$ 404,338	$ 1,408,667	$ 136,800	$ 2,233,512
Operating Grants and Contributions	202,839	571,861	1,797,566	249,350	2,821,616
Capital Grants and Contributions	—	401,721	119,820	28,765	550,306
Net (Expense) Revenue	$ 50,004	$ 164,562	$ (969,049)	$ (301,127)	$ (1,055,610)
General Revenues:					
Taxes	$ —	$ 86,228	$ —	$ 1,836	$ 88,064
Investment Income (Loss)	—	76,068	143,612	27,045	246,725
Other Revenues	612	1,222	271,697	5,468	278,999
Total General Revenues before Grants	$ 612	$ 163,518	$ 415,309	$ 34,349	$ 613,788
State Grants Not Restricted	64,705	—	694,910	338,895	1,098,510
Total General Revenues	$ 65,317	$ 163,518	$ 1,110,219	$ 373,244	$ 1,712,298
Change in Net Position	$ 115,321	$ 328,080	$ 141,170	$ 72,117	$ 656,688
Net Position, Beginning, as Reported	$ 911,261	$ 3,342,917	$ 6,726,333	$ 3,069,646	$ 14,050,157
Net Position, Ending	$ 1,026,582	$ 3,670,997	$ 6,867,503	$ 3,141,763	$ 14,706,845

The notes are an integral part of the financial statements.

MINNESOTA

2020 Comprehensive Annual Financial Report

Index of Notes to the Financial Statements

MINNESOTA

2020 Comprehensive Annual Financial Report

Notes to the Financial Statements

These notes provide disclosures relevant to the basic financial statements on the preceding pages.

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statements for the fiscal year ended June 30, 2020:

- GASB Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance" was issued May 2020. This statement provides temporary relief to governments in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods after June 15, 2018, and later. During the current year, the state delayed the implementation of GASB Statements No. 84 "Fiduciary Activities" and No. 90 "Majority Equity Interests".

Financial Reporting Entity of the State of Minnesota

This report includes the state departments, agencies, institutions, and organizational units that are controlled by or dependent upon the Minnesota Legislature or its constitutional officers. The state of Minnesota, as a primary government, consists of all organizations that make up its legal entity. This report also includes other legally separate organizations as component units. GASB has established criteria for determining which organizations should be included as component units. Legally separate organizations are reported as component units if either the state is financially accountable for the organization or the nature and significance of the organization's relationship with the state are such that exclusion would cause the state's financial statements to be misleading. These criteria include the state's ability to appoint a voting majority of an organization's governing body, and either the state's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. All of the state's component units are discretely presented component units that are shown separately from the primary government. The "Component Units" column in the accompanying financial statements includes the financial data of the state's discretely presented component units. Discretely presented component units are also identified separately in the note disclosures because of their separate legal status. All discretely presented component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting.

Discretely Presented Component Units

The following provides a description of the state's discretely presented component units:

- Housing Finance Agency (HFA) – HFA provides money for loans and technical assistance for constructing and rehabilitating housing for families of low and moderate incomes. The HFA board has seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. The state has the ability to significantly influence the programs, projects, and levels of services provided by HFA. HFA issues bonds in its own name.
- Metropolitan Council (MC) – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members, including the chair, subject to the advice and consent of the Minnesota senate. The state has the ability to significantly influence the projects and levels of services provided by MC. The regional administrator, appointed by the council, is responsible for the administration of council activities. The fiscal year for MC ends December 31.
- University of Minnesota (U of M) – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of U of M's operating budget. The Minnesota Legislature elects the twelve-member board of regents, which governs U of M, but the state does not have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several nonprofit organizations as component units.
- Agricultural and Economic Development Board (AEDB) – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. The state has the ability to significantly influence the programs and projects of AEDB. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.
- Minnesota Comprehensive Health Association (MCHA) – MCHA administers the Premium Security Plan (PSP), a risk mitigation program designed to keep premiums affordable to individual purchasers within the state of Minnesota. The purpose is to promote the public health and welfare of the people of Minnesota by making available certain health insurance plans to residents of the state who are not otherwise able to obtain such coverage in the marketplace. The board has 13 members, seven of whom are selected by commissioners of state departments. The state has appropriated funding for the program and has the ability to approve or reject the parameters for making payments to health carriers. The fiscal year for MCHA ends December 31.
- Minnesota Sports Facilities Authority (MSFA) – MSFA's mission is to provide for the construction, financing, and long-term use of a multi-purpose stadium and related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural, and commercial activities. The board of the authority has five members, including a chair and two members who are appointed by the governor. The state provides administrative funding to MSFA.
- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission (MASC), consisting of 14 members 9 of which are appointed by the state, contracts with NSCF to operate various sports facilities, including the National Sports Center. The facilities are used primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The MASC appoints all foundation board members, approves the foundation's spending

budget, approves all rates and fees, and owns any reserve funds. The fiscal year for NSCF ends December 31.

- Office of Higher Education (OHE) – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE's name with limitations set by the Minnesota Legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints the OHE director with the advice and consent of the senate.
- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. The state provides funding and administrative services for PFA. PFA is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.
- Rural Finance Authority (RFA) – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of the Department of Agriculture, who is a member of the board. The state has issued general obligation bond debt for RFA programs.
- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.

A discretely presented component unit is classified as major or non-major, depending on its significance relative to other component units and the nature and significance of the component unit's relationship to the primary government. HFA, MC, and U of M are classified as major component units for this report.

Additional information is available from the component unit's separately-issued financial statements. Because AEDB and RFA do not issue separately audited financial statements, the combining financial statements include a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows for each of these component units.

Complete financial statements of the discretely presented component units may be obtained from their respective administrative offices as follows:

- Housing Finance Agency, 400 Wabasha Street, Suite 400, St. Paul, Minnesota 55102, *www.mnhousing.gov*
- Metropolitan Council, 390 Robert Street North, St. Paul, Minnesota 55101-1805, *www.metrocouncil.org*
- University of Minnesota, Office of the Controller, 205 West Bank Office Building, 1300 South Second Street, Minneapolis, Minnesota 55454-1075, *www.twin-cities.umn.edu*
- Minnesota Comprehensive Health Assoc., 1650 West End Boulevard, Suite 100, St. Louis Park, Minnesota 55416, *www.mchamn.com*

- Minnesota Sports Facilities Authority, 1005 4th Street South, Minneapolis, Minnesota 55415-1752, *www.msfa.com*
- National Sports Center Foundation, National Sports Center, 1700 105th Avenue Northeast, Blaine, Minnesota 55449-4500, *www.nscsports.org*
- Office of Higher Education, 1450 Energy Park Drive, Suite 350, St. Paul, Minnesota 55108-5227, *www.ohe.state.mn.us*
- Public Facilities Authority, Department of Employment & Economic Development, 1st National Bank Building, 332 Minnesota Street, Suite W820, St. Paul, Minnesota 55101-1378, *www.mn.gov/deed/pfa*
- Workers' Compensation Assigned Risk Plan, Affinity Insurance Services, Inc., 8200 Tower, Suite 1100, 5600 West 83rd Street, Minneapolis, Minnesota 55437-1062, *www.mwcarp.org*

Related Entities – These are entities for which the state is accountable because the state appoints a voting majority of the board but does not have financial accountability or the ability to impose the state's will on the entity. The following are related entities, but are not included in the reporting entity:

- Higher Education Facilities Authority (HEFA) – The governor appoints a majority of the board. HEFA can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of HEFA.
- Joint Underwriting Association – The state commissioner of the Department of Commerce appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.
- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.
- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

The following organizations, which are included in the primary government, prepare and publish separate financial reports, which may contain differences in presentation resulting from differing reporting emphasis. These financial reports may be obtained directly from each organization.

- Minnesota State Lottery, 2645 Long Lake Road, Roseville, Minnesota 55113-1117, *www.mnlottery.com*
- Minnesota State Retirement System, 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103-3000, *www.msrs.state.mn.us*
- State Board of Investment, 60 Empire Drive, Suite 355, St. Paul, Minnesota 55103-3555, *www.mn.gov/sbi*
- Teachers Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-1889, *www.minnesotatra.org*
- Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088*, www.mnpera.org*
- Minnesota State Colleges and Universities, Financial Reporting Unit, 500 Wells Fargo Place, 30 East 7th Street, St. Paul, Minnesota 55101-7804, *www.minnstate.edu*

The financial reports, available from the State Board of Investment, report on investments in investment pools, which include the majority of the state's Fiduciary Funds.

Financial Reporting Structure of the State of Minnesota

The basic financial statements include government-wide and fund financial statements. The government-wide financial statements report on the state as a whole, while the fund financial statements emphasize major individual funds and fund types. Both types of statements categorize activities as either governmental or business-type. Governmental expenditures are classified by function. Each of the state's departments and agencies is included in a functional classification based on its primary mission and objectives.

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the state as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and it's discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the general government function.

The focus of the government-wide statements is on financial information of the state as an entity and the change in the overall financial position of the state as a result of the activities of the fiscal year. Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting government, both current and long-term, are reported in the government-wide statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements. These amounts are reported as expenditures in the governmental fund financial statements. Long-term debt is recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liabilities, rather than as expenditures.

In the government-wide Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis by column. The statement includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports how much of the cost of each functional category (public safety and corrections, transportation, etc.) is supported by general government revenues (sales taxes, income taxes, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues, and by operating and capital grants and contributions.

Program revenues must be directly associated with, or derived directly from, the function or a business-type activity. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Program revenues are applied against program expenses in the Statement of Activities to report the net cost of each program.

General revenues normally cover the net costs (program expenses less program revenues) of all activities. Taxes represent the majority of general revenues. Internally dedicated resources are reported as general revenues, rather than program revenues.

Fund Financial Statements

Fund financial statements report on the financial operations and position of governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. The emphasis in fund financial statements is on the major funds in the governmental or enterprise categories. All remaining governmental, proprietary, and fiduciary funds are aggregated and reported as nonmajor funds.

Governmental funds, including the general, special revenue, capital projects, debt service, and permanent funds, are presented on a current financial resource measurement focus and modified accrual basis of accounting in the fund financial statements. This presentation is deemed most appropriate to demonstrate compliance with legal and bond covenant requirements, the source and use of financial resources, and how the state's actual spending conforms to the budget. Because the governmental fund statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the government-wide statements, reconciliations explaining the adjustments required to restate the fund-based financial statements for the government-wide governmental activities column are included.

Proprietary funds, including the enterprise and internal service funds, are presented on the economic resource measurement focus and full accrual basis of accounting in the fund financial statements. This is the same measurement focus and basis of accounting as the government-wide financial statements.

The state's fiduciary funds are presented in the fund financial statements by type (pension trust, investment trust, or agency). These assets are held for the benefit of others and cannot be used for activities or obligations of the government; therefore, the funds are excluded from the government-wide statements.

The fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate, for governmental, enterprise, and internal service funds.

Classification of Funds

The financial position and results of state operations are organized using individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The state uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

Governmental Fund Types – These funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. The fund types included in this category are the General Fund plus special revenue, capital project, debt service, and permanent funds.

- The General Fund accounts for all financial resources not accounted for and reported in another fund. This fund encompasses many of the primary government's functions.
- Special revenue funds account for revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

- Capital project funds account for financial resources that are restricted, committed, or assigned to capital expenditures, including the acquisition or construction of capital facilities and other capital assets. The state's capital expenditures are reported as capital outlay, whereas capital expenditures for other entities are reported as grant expenditures. Capital project funds exclude capital-related outflows financed by proprietary funds or for assets that will be held in trust.
- The Debt Service Fund accounts for the accumulation of resources for, and the payment of, most long-term debt principal and interest.
- Permanent Funds account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs. The state has only one permanent fund, the Permanent School Fund. Minnesota Constitution, Article XI, Section 8 allows for the distribution of net interest and dividends to school districts. The change in investment value is recorded on the face of the financial statements as "Investment/Interest Income." Amounts that can be authorized for expenditure are classified as restricted on the face of the statements.

The state has two major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund is the state's only major special revenue fund. It receives and disburses federal government grants, reimbursements, recoveries, and premiums.

Proprietary Fund Types – These funds focus on determining net income, changes in net position, financial position, and cash flows. Generally accepted accounting principles, similar to those used by private sector businesses, are followed in accounting for these funds. The fund types included in this category are the enterprise and internal service funds.

- Enterprise funds account for activities that charge a fee to external users for goods or services. Activities of enterprise funds are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.
- Internal service funds account for the financing of goods or services provided by one agency to primarily other state agencies on a cost reimbursement or other basis. The activities reported as internal service funds include motor pool, central services, employee insurance, technology services, plant management, and risk management.

The state has two major enterprise funds, the State Colleges and Universities Fund and the Unemployment Insurance Fund. The State Colleges and Universities Fund accounts for the activities of the Minnesota State Colleges and Universities (MnSCU) system, which is the largest higher education system in the state. The Unemployment Insurance Fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

Fiduciary Fund Types – These funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. Pension trust, investment trust, and the Agency Fund are included in this fund category.

- Pension trust funds report retirement funds administered by independent boards for which the state has a fiduciary role.
- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.
- The Agency Fund accounts for resources held in a custodial capacity for individuals, private organizations, or other governmental units. Some examples include resources held for inmates of correctional facilities or residents of veterans and group homes, sales taxes to be distributed to local governments, and child support collections to be distributed to custodial parents.

Basis of Accounting, Measurement Focus, and Fund Financial Statement Presentation

All governmental funds focus on the flow of current financial resources and use the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) to fund balances. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year-end. The state considers receivables collected after June 30, but by the close of the books in late August, to be available, and recognizes these receivables as current year revenues in governmental funds. Individual income taxes, property taxes, sales taxes, and federal grants are the major revenue sources susceptible to accrual. Receivables not collected by the close of the books in late August are reported as deferred revenue. Revenues collected prior to meeting eligibility requirements (excluding time requirements), including certain federal grant revenues, are reported as unearned revenue until the eligibility requirements are met, at which time revenue is recognized. However, revenues collected prior to meeting only time requirements are reported as deferred revenue. Expenditures and related liabilities are recognized when fund obligations are incurred, except for debt service, compensated absences, capital leases, pension and other postemployment benefits, and claims and judgments, which are recorded when due and expected to be liquidated with available financial resources. The following provides further detail on specific items regarding the modified accrual basis of accounting.

Tax Revenues – Tax revenues, excluding property taxes, are recognized in the period they become both measurable and available to finance expenditures of the current period. Measurable means that taxpayer liability is supported by sufficient documentation and can be reasonably estimated. The state's liability for anticipated refunds of such taxes is estimated and recorded as reductions in revenue in the period when the related tax is recognized.

Property Tax Revenues – Minnesota Statutes 275.025 establishes a state general tax (property tax) against commercial/industrial and seasonal residential recreational properties. Counties, as agents for the state, assess the state general tax. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. Levies are determined based on the formula contained in the laws. The state preliminarily certifies the state general levy rate to each county no later than November 1 of each year for taxes payable in the following calendar year. The state certifies the final state general tax levy on January 1 of each year to each county. Property taxes are due to counties in two installments for each year – May 15 and October 15. The counties pay the state general tax to the state on three dates – June 30, December 1, and a final date of January 25 for any adjustments or changes. Property tax is recognized, net of uncollectible amounts, in the period for which the taxes are levied and the taxes are available.

Federal Revenues – Federal revenues, earned by incurring allowable obligations, are recognized at the same time the related obligation is recognized, with one exception. Trunk Highway Fund (special revenue fund) expenditures incurred by June 30, but not converted to Federal funding by the close of the federal fiscal year, are not recognized as federal revenues until the year they are converted.

Proprietary, pension trust, and investment trust funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for defined benefit and defined contribution pension plans. Agency funds use the accrual basis of accounting but do not have a measurement focus because agency funds do not recognize revenues and expenses.

Proprietary funds distinguish operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expense, and depreciation of capital assets. All other revenues and expenses are reported as nonoperating items.

Cash Equivalents and Investments

Cash Equivalents – Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash equivalents also include management pools and money market funds that are used essentially as demand deposit accounts.

Investments – Investments are reported at fair value, which is defined as the exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The state measures the fair value of investments based on a hierarchy of valuation inputs. Investments in derivative instruments are generally made to manage the overall risk of the individual manager's portfolios to a level satisfactory to the investment management firm and in accordance with the firm's contract with the State Board of Investment. See Note 2 – Cash, Investments, and Derivative Instruments for additional information regarding cash, investments, and derivative instruments.

Inventories

Generally, inventories for governmental funds are recorded as expenditures when purchased and are not a resource available for appropriation. The exception primarily relates to the Trunk Highway Fund (special revenue fund) and inventories are valued using weighted-average cost. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of proprietary funds are valued using the first-in, first-out, average cost, or specific cost methods.

Securities Lending

Securities on loan for cash collateral and the liabilities resulting from the security lending transactions are reported on the Statement of Net Position or the Balance Sheet, as appropriate, for the particular fund type or level of reporting. Securities lending income and rebate and management fees are reported separately on the Statement of Revenues, Expenditures, and Changes in Fund Balances; the Statement of Revenues, Expenses and Changes in Net Position; or the Statement of Changes in Net Position, as appropriate for the particular fund type.

Restricted Net Position

Mandatory asset segregations required by bond covenants and other external restrictions are presented in enterprise funds and discretely presented component units as restricted net position. After liabilities from restricted assets are paid, any remaining restricted assets in the enterprise funds will be used for debt service.

Income Tax Credits

The Minnesota Department of Revenue processes several types of tax credits through the individual income tax system. For financial reporting purposes, income tax credits that are limited by the amount of the individual's tax liability (before considering such credits) are reported as revenue reductions. In contrast, credits for Education, Working Family, and Child and Dependent Care may be received even if they exceed the individual's tax liability. These types of credits are reported as expenditures, rather than revenue reductions, because the income tax system is, essentially, being used as a filing and payment mechanism to make grant payments to individuals.

Grant Expenditures and Liabilities Recognition

Grants are defined as nonexchange transactions because the state gives (or receives) value to another party without receiving (or giving) equal value in return. Grants are normally paid on either a reimbursement basis or an entitlement basis.

Reimbursement type grants may be awarded for specific services provided to eligible recipients or may be made for eligible types of reimbursements. Grants paid on the reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of providing specific services to eligible recipients or makes eligible types of expenditures.

Entitlement type grants may be based on services provided by the grantee. The intent of the grant is to help fund such services, but the grant amount is not based on the cost of providing the service(s). Expenditures and the related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed can be reasonably estimated soon after the end of the state's fiscal year. Other types of entitlement grants are not based on the services provided or action taken by the grantee. Expenditures and the related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Resources received in advance of meeting all eligibility requirements, excluding time requirements, are recorded as liabilities.

Compensated Absences

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated in cash only upon termination from state employment. The current and noncurrent compensated absences liabilities for governmental funds are reported only in the government-wide Statement of Net Position. All other fund types report the liability for compensated absences as a liability of the specific fund.

Capital Assets

Capital assets, which include land, buildings, equipment, infrastructure, intangible assets, and art and historical treasures, are reported in the government-wide financial statements and the fund financial statements for proprietary and fiduciary funds. Capital assets are generally defined by the state as assets with an initial, individual cost of more than $300,000 for buildings and depreciable infrastructure, $30,000 for equipment, $300,000 for non-depreciable infrastructure, $30,000 to $2,000,000 for internally generated computer software depending on the fund and fund type, and $30,000 for art and historical treasures. All land and easement assets are capitalized, regardless of cost. Capital assets must also have an estimated useful life of two or more years.

Capital assets are recorded at cost or, for donated assets, at acquisition value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available; therefore, estimated historical costs have been used in these situations. Permanent School Fund (permanent fund) land is reported at estimated historic cost. The land included in the Permanent School Fund was granted to the state by the federal government in connection with the state being admitted to the United States. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 20-50 years for buildings and depreciable infrastructure, 20-50 years for large improvements, 3-10 years for small improvements, 3-15 years for equipment, 3-10 years for internally generated computer software, and 20-50 years for easements. Transportation infrastructure assets using the modified approach, land, construction, and development in progress, permanent easements with indefinite useful lives, and works of art and historical treasures, such as the state capitol, are not depreciated.

GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" allows an alternative (modified) approach to the recording of infrastructure assets in which costs to maintain and preserve these assets are expensed in lieu of depreciation. The transportation infrastructure capital assets of pavement and bridges are reported using the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state's pavement and bridges are included in Required Supplementary Information Modified Approach for Infrastructure. See Note 6 – Capital Assets for further information on capital assets.

Current and Noncurrent Assets

At the government-wide level, assets are classified as either current or noncurrent. Governmental activity current assets are those considered available for appropriation and expenditure and include cash, various receivables, and short-term investments. Current assets in business-type activities are those that are available or can readily be made available to meet the cost of operating or to pay current liabilities. All other assets are considered noncurrent. Assets are classified as current or noncurrent in proprietary funds, but assets are not classified at the fund level for governmental funds.

Deferred Outflows of Resources

In the government-wide financial statements, the differences between the net carrying amounts and the reacquisition price on refunding bonds are reported as a deferred outflow of resources when the net carrying amount exceeds the reacquisition price. These amounts are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In addition, contributions to pension plans and transactions to other postemployment benefit (OPEB) plans subsequent to the measurement date of the net pension liability and the total OPEB liability before the fiscal year end are reported as deferred outflows of resources. In addition, amounts related to the increases in the net pension liability and the total OPEB liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and net differences between projected and actual investment earnings for pensions are reported as deferred outflows of resources. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable plan, with the exception of the difference between projected and actual earnings, which is amortized over five years.

Current and Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Long-term liabilities are the amount of liabilities not due and payable during the fiscal year resulting from debt issuances, compensated absences, closure and post closure care for landfills, workers' compensation claims, supplementary and second injury benefit claims, pollution remediation obligations, capital leases, net pension, other postemployment benefits, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the government-wide

financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

See Note 12 – Long-Term Liabilities - Primary Government for further information.

Deferred Inflows of Resources

In the governmental funds, when an asset is recorded but the revenue is not available, the amount is reported as a deferred inflow of resources until the revenue becomes available. Amounts that are not permitted to be used until the next fiscal year remain as deferred inflows of resources in the government-wide statements. In addition, differences between the reacquisition price and the net carrying amounts on refunding bonds when the reacquisition price exceeds the net carrying amount as well as the adjustments to the lease obligations on a capital lease restructuring due to the refunding of the debt by the lessor are reported as a deferred inflow of resources on the government-wide financial statements. These amounts are amortized as interest expense over the shorter of the remaining life of the old debt or the life of the new debt. Amounts related to the decreases in the net pension liability and total other postemployment benefits (OPEB) liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and net differences between projected and actual investment earnings for pensions are reported as deferred inflows of resources. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable plan, with the exception of the difference between projected and actual earnings, which is amortized over five years.

Deferred Compensation Plan

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The Minnesota Deferred Compensation Fund (pension trust fund) represents the value of all assets of the plan. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement System. Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with state statute, effective July 1, 1997, contributions are held for the exclusive benefit of the participants and their beneficiaries. These amounts are held in trust, in custodial accounts, or in qualifying contracts, as required by federal law. The State Board of Investment determines the investment options available to plan participants and oversees the activities of the investment managers. The majority of the assets of the plan are invested in various mutual funds. The state is not liable for any investment losses under the plan.

Net Position/Fund Balances and Fund Balance Classification Policies and Procedures

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balances" on governmental fund statements.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets as well as deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of these assets or related debt. Significant unspent related debt proceeds are included in Restricted for Capital Projects.

Restricted Net Position represents the portion of net position that is constrained either externally by parties such as creditors or grantors, or legally through constitutional provisions or enabling legislation. Restricted net position is determined at the fund level. For a fund with more than one revenue stream, restricted net position is determined by the materiality of any restricted revenues in the fund.

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the state is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or, imposed by law through constitutional provisions or enabling legislation. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Minnesota Legislature by passing a bill, which is signed by the Governor, are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Minnesota Legislature removes or changes the specified use by taking the same type of action it employed to commit those amounts. Amounts that are constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed, are classified as assigned fund balances. Intent is expressed by agency heads to whom the Governor has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

The state's policy is that restricted amounts are spent first when expenditures are incurred for purposes for which both restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the state's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by Minnesota Management and Budget and presented to the Minnesota Legislature for approval. Specific appropriations are required for the majority of the expenditures from the General Fund. The accounts not requiring specific appropriations are considered perspective differences in the budgetary basis vs. GAAP reconciliation. Specific appropriations are also required for all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Douglas J. Johnson Economic Protection Trust, Endowment, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

Budgetary control is essentially maintained at the departmental level except for certain programs where control is at the program level. In most departments, upon notifying the governor and legislative leadership, department heads are permitted to revise budgets by transferring amounts between programs within their departments.

Unencumbered appropriation balances generally cancel to the fund at the end of the fiscal year. However, if specifically provided by law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The accounting system maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting point for the financial statements. The second ledger tracks information on a budgetary basis of accounting, which approximates a cash basis with the exception that, at year-end, encumbered amounts are included as expenditures of the year appropriated for budgetary reporting. The budget ledger controls expenditures by appropriation line item as established in the legally adopted

appropriation bills. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from Minnesota Management and Budget.

Interfund Activity and Balances

Generally, internal service fund activity has been eliminated from the government-wide statements. Internal service fund activity from external customers is reported under governmental activities in the government-wide statements. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for residual amounts between governmental and business-type activities. See Note 5 – Interfund Transactions and Balances with Component Units for additional information.

Salary Income

The net pension income during the current fiscal year caused the salary expense in the Internal Service Funds Combining Statement of Revenues, Expenses and Changes in Net Position for the MN.IT Fund (internal service fund), to be in an income position.

Note 2 – Cash, Investments, and Derivative Instruments

Primary Government

Cash and Cash Equivalents

The majority of the primary government's cash is held in the state treasury and commingled in state bank accounts, while the majority of component unit cash is held in separate bank accounts. Cash in individual funds may be invested separately where permitted by statute; however, cash in most funds is invested as part of an investment pool. A fund's investment with the primary government's cash pools is reported as a cash equivalent. Where provided by statute, investment earnings of the primary government's pools are allocated to the individual funds. Earnings for all other participants are credited to the General Fund.

Deposits

Minnesota Statutes 9.031 requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. The statute further requires that the insurance and collateral shall be in an amount sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amounts and the fair value of the collateral.

Investments

The State Board of Investment (SBI) manages the majority of the state's investments. All investments undertaken by SBI are governed by the standards codified in Minnesota Statutes 11A and 356A. Minnesota Statutes 11A.24 broadly restricts investments of the primary government to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds.

Funds not invested by SBI are primarily from the Minnesota State Colleges and Universities. Investments for these funds must also conform to the above statutes and may be further restricted by bond indentures.

Generally, when applicable, the statutes limit investments to those rated by a nationally recognized rating agency within the top four quality ratings categories. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

SBI is authorized to establish, and has established, combined investment funds used by participating public retirement and nonretirement funds. Retirement and nonretirement funds should not be commingled. Each investment fund has its own characteristics, including investment objective and risk characteristics. Within statutory requirements and based on detailed analysis of each fund, SBI has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

Investment Derivative Instruments

Minnesota Statutes 11A.24, provides that any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. This provision applies to foreign currency forward contracts used to offset the currency risk of a security. All other derivative instruments are exchange traded. The purpose of the SBI derivative instrument activity is to equitize cash in the portfolio, to adjust the duration of the portfolio, or to offset current futures positions.

The cash inflows, cash outflows, and changes in fair value of investment derivative instruments are reported as investment income. The June 30, 2020 fair value of investment derivative instruments is reported as investments.

Synthetic Guaranteed Investment Contract (SGIC): SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Pool - Fixed Interest Account of the pension and investment trust funds' portfolio. The investment objective of the Fixed Interest Account is to protect investors in defined contribution and deferred compensation plans from loss of their original investment and to provide a competitive interest rate. On June 30, 2020, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of $1,690,832,000 that is $70,991,000 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool with a fair value of $39,945,000.

The following table summarizes, by derivative instrument type, the investment derivative instrument activity, and June 30 positions for fiscal year 2020.

Primary Government
Derivative Instrument Activity for the Year Ended June 30, 2020
By Derivative Instrument Type
(In Thousands)

Derivative Instrument Type	Change in Fair Value	Year End Fair Value	Year End Notional Amount
Governmental Activities:			
Futures	$ (3,230)	$ —	$ 57,372
Warrants / Stocks Rights	(6)	5	29
Total Governmental Activities	$ (3,236)	$ 5	$ 57,401
Fiduciary Activities:			
Futures	$ 140,012	$ —	$ 253,272
Futures Options Bought	(4,884)	737	1,257
Futures Options Written	7,020	(239)	(4,614)
FX Forwards	(7,680)	341	262,208
Warrants/Stock Rights	(466)	1,659	4,567
Credit Default Swaps Written	(1,598)	608	52,837
Pay Fixed Interest Rate Swaps	(17,986)	(13,637)	225,569
Receive Fixed Interest Rate Swaps	230	187	14,937
Total Fiduciary Activities	$ 114,648	$ (10,344)	$ 810,033

Credit Risk: Minnesota is exposed to credit risk through ten counterparties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state's FX Forward counterparties combined exposes the state to a maximum loss of $2,722,000 should these counterparties fail to perform. These counterparties have Standard & Poor's (S&P) credit ratings of BBB+ or better. The primary government, excluding pension and investment trust funds, had no exposure to counterparty risk.

Foreign Currency Risk: Currency futures and foreign stock index futures are exposed to foreign currency risk. Their currency risks are included in the Foreign Currency Risk schedule of this note.

Component Unit Derivative Instrument Activity: Derivative instrument activity of the state's component units is disclosed in the last section of this note.

Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holders of the investment. Minnesota Statutes limit investments in debt securities to the top four quality rating categories by a nationally recognized rating agency. SBI may also invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories provided that:

Unrated Corporate Obligations

- Aggregate value may not exceed 5 percent of the fair value of the fund for which the state board is investing;
- SBI's participation is limited to 50 percent of a single offering; and
- SBI's participation is limited to 25 percent of the issuer's unrated obligations.

Corporate Stock

- Aggregate value of corporate stock may not exceed 85 percent of the fair market or book value, whichever is less, of a fund; and
- Investment in corporate stock may not exceed 5 percent of the total outstanding shares of any one corporation; with limited exceptions.

The state does not have a credit risk policy that is more stringent than the statutory requirements. The contracts between SBI and investment managers include guidelines or limitations regarding credit risk. The exposure to credit risk is based on the lower of S&P or Moody's Quality Ratings. For clarity of reporting, Moody's ratings are displayed in this exhibit using the comparable S&P rating.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2020
(In Thousands)

Quality Rating	Fair Value
AAA	$ 1,037,518
AA	4,276,878
A	1,332,407
BBB	4,954,300
BB	112,566
B	2,775
Unrated	5,230,198
Agencies	3,543
Total Debt Securities	$ 16,950,185

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2020
(In Thousands)

Quality Rating	Fair Value
AAA	$ 424,022
AA	10,862,969
A	415,963
BBB	2,003,415
BB	875,083
B	102,514
CCC	24,457
CC	12,142
C	2,497
D	680
Unrated	4,162,290
Total Debt Securities	$ 18,886,032

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The state does not have a policy on interest rate risk. The contracts between SBI and investment managers contain the guidelines and limitations regarding interest rate risk. Debt securities are constrained around the quality rating, sector mix, and duration of the Barclays Capital U.S. Aggregate Bond index. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
As of June 30, 2020
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
U.S. Treasury	$ 350,472	8.30
U.S. Agencies	3,395,902	1.22
Mortgage-backed Securities	439,662	6.66
State or Local Government Bonds	89,340	9.97
Corporate Bonds	4,085,465	2.04
Yankee Bonds	460,267	1.82
Foreign Country Bonds	387	0.75
Short Term Notes	8,128,690	0.02
Total Debt Securities	$ 16,950,185	
Equity Investments:		
Corporate Stock	$ 1,945,645	
Other Investments:		
Escheat Property	$ 22,326	
Money Market Accounts	9,701	
Total Other Investments	$ 32,027	
Total Investments	$ 18,927,857 [1]	

[1] Total investments are less than the amount shown on the face of the financial statements as amounts do not include cash on hand.

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
As of June 30, 2020
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
U.S. Treasury	$ 7,880,894	15.78
U.S. Agencies	787,832	8.04
Mortgage-backed Securities	2,724,646	4.29
State or Local Government Bonds	89,643	17.00
Corporate Bonds	2,466,481	10.58
Yankee Bonds	643,639	7.66
Foreign Country Bonds	20,240	10.75
Asset-backed Securities	470,998	5.44
Short Term Notes	3,801,659	0.00
Total Debt Securities	$ 18,886,032	
Equity Investments:		
Corporate Stock	$ 42,595,671	
Alternative Equities	11,104,199	
Stock Rights/Warrants	1,659	
Total Equity Investments	$ 53,701,529	
Other Investments:		
Guaranteed Investment Account:		
Synthetic Guaranteed Investment Contract (SGIC)	$ 1,619,841	
Short Term Investment Pool	39,945	
Total Guaranteed Investment Account	$ 1,659,786	
Mutual Funds	10,123,414	
Total Other Investments	$ 11,783,200	
Total Investments	$ 84,370,761 [1]	

[1] Total Investments do not include $271.53 million of cash that is included in the cash and cash equivalent investments line on the pension and investments trust funds statements.

Fair Value Reporting

GASB Statement No. 72 “Fair Value Measurement and Application” sets forth the framework for measuring the fair value of investments based on a hierarchy of valuation inputs. The statement defines fair value as the exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The hierarchy has three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs for Level 2 include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs reflect SBI’s assumptions about the inputs that market participants would use in pricing an asset or liability.

Investments that do not have a readily determinable fair value are measured using the net asset value (NAV) per share (or its equivalent) as a practical expedient, and not classified in the fair value hierarchy.

All non-cash investments, including derivative instrument investments that are not hedging derivative instruments, are required to be measured at fair value on a recurring basis. SBI maintains investment pools in which participants own a proportionate share of the investment pools. The fair value of the investment pools is priced daily by SBI’s custodian, when a daily price is available, by using independent pricing sources.

Level 3 investments primarily consist of assets where the asset is distressed or there is not an active market. The fair value of the assets measured at the NAV has been determined using the March 31, 2020 values, adjusted for cash flows. The investments measured at the NAV are typically not eligible for redemption. Distributions received as underlying investments within the funds are liquidated over the life of the investment. Cash and a portion of the short-term investments are not leveled under GASB 72.

SBI has 68 investments that are valued at the NAV that are currently in the liquidation mode, totaling three percent of the NAV. The majority of the remaining value of investments in the liquidation mode will be returned to SBI within a time period of three to five years. SBI has a total of $10,047,507,000 in unfunded commitments to the invested value of the NAV. Unfunded commitments is money that has been committed to an investment, but not yet transferred to the investor.

The private equity investment strategy is to establish and maintain a broadly diversified private equity portfolio composed of investments that provide diversification by industry type, stage of corporate development, and location.

The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio composed of investments that provide overall diversification by property type and location. The main components of this portfolio consist of investments in closed-end commingled funds. The remaining portion of the portfolio may include investments in less diversified, more focused (specialty) commingled funds and Real Estate Investment Trusts (REITs).

The strategy for real assets investments is to establish and maintain a portfolio of real assets investment vehicles that provide an inflation hedge and additional diversification. Real assets investments will include oil and gas investments and energy service industry investments that are diversified by geographic area as well as by type.

The strategy for private credit investments is to target funds that typically provide a current return and may have an equity component. Structures such as subordinated debt investments and mezzanine investments are typical private credit investments.

Primary Government
Governmental, Proprietary, and Agency Funds
Fair Value of Investments
As of June 30, 2020
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	$ 1,891,058	$ 1,888,971	$ 2,087	$ —
Real Estate Investment Trust	54,232	54,232	—	—
Equity Total	$ 1,945,290	$ 1,943,203	$ 2,087	$ —
Fixed Income:				
Asset-backed Securities	$ 1,823,986	$ —	$ 584,271	$ 1,239,715
Mortgage-backed Securities	439,256	—	433,335	5,921
Corporate Bonds	2,631,153	—	2,631,153	—
Government Issues	6,358,800	3,866	6,354,934	—
Fixed Income Total	$ 11,253,195	$ 3,866	$ 10,003,693	$ 1,245,636
Total Investments by Fair Value	$ 13,198,485	$ 1,947,069	$ 10,005,780	$ 1,245,636

[1] Total investments are less than the cash, cash equivalent investments, and investments shown on the face of the financial statements since cash and a portion of the short-term investments are not leveled under GASB 72 and are not included in this table.

Primary Government
Pension and Investment Trust Funds
Fair Value of Investments
As of June 30, 2020
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	$ 40,401,451	$ 40,384,916	$ 16,345	$ 190
Real Estate Investment Trust	1,141,520	1,141,520	—	—
Other Equity	1,401,590	877,719	12,223	511,648
Equity Total	$ 42,944,561	$ 42,404,155	$ 28,568	$ 511,838
Fixed Income:				
Asset-backed Securities	$ 771,834	$ —	$ 723,674	$ 48,160
Mortgage-backed Securities	3,079,895	—	3,058,820	21,075
Corporate Bonds	3,641,163	—	3,641,116	47
Government Issues	10,646,405	—	10,622,179	24,226
Other Debt Instruments	604,428	—	604,428	—
Fixed Income Total	$ 18,743,725	$ —	$ 18,650,217	$ 93,508
Investment Derivative Instrument - Options	$ 498	$ 501	$ —	$ (3)
Total Investments by Fair Value	$ 61,688,784	$ 42,404,656	$ 18,678,785	$ 605,343
Investments Measured at Net Asset Value (NAV):	NAV	Number of Investments	Percent of NAV Value	Unfunded Commitments
Private Equity	$ 7,156,974	159	65 %	$ 6,770,646
Real Estate	1,036,972	28	9	1,208,761
Real Assets	1,701,536	36	15	776,144
Private Credit	1,178,837	41	11	1,291,956
Total Investments at NAV	$ 11,074,319	264	100 %	$ 10,047,507
Total Investments by Fair Value and NAV	$ 72,763,103 [(1)]			

[(1)] Total investments are less than the cash, cash equivalent investments, and investments shown on the face of the financial statements since cash and a portion of the short-term investments are not leveled under GASB 72 and are not included in this table.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The state does not have a formal policy regarding concentration of credit risk for rated corporate debt securities that are among the top four quality categories. For other types of investments, Minnesota Statutes 11A.24 established investment parameters which are outlined in the "Credit Risk of Debt Security Investments" section of this note. SBI determined the concentration of credit risk based on security identification number.

The state did have exposure to two single issuers that equaled or exceeded five percent of the overall portfolio as of June 30, 2020. Federal Farm Credit Banks Fund and Wells Fargo Govt MM Sweep both had an aggregate fair value of 7.3 percent of the total debt security total of the Governmental, Proprietary, and Agency Funds.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SBI has established guidelines to be used by investment managers. Managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts to avoid currency losses.

The primary government, excluding pension and investment trust funds, had no exposure to foreign currency risk as of June 30, 2020. The following table shows the foreign currency risk for the pension and investment trust funds.

Pension and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2020
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 572	$ —	$ 610,383
Brazilian Real	252	—	143,929
Canadian Dollar	1,630	24,620	886,259
Danish Krone	17	—	268,814
Euro Currency	3,446	17,703	4,167,159
Hong Kong Dollar	1,668	—	1,042,964
Japanese Yen	11,571	—	2,369,843
New Taiwan Dollar	1,383	—	385,693
Pound Sterling	2,741	2,021	1,321,921
Singapore Dollar	570	—	108,849
South African Rand	182	—	92,813
South Korean Won	91	—	397,092
Swedish Krona	499	—	278,773
Swiss Franc	(8,851)	—	974,517
Yuan Renminbi	354	—	124,643
Other	2,337	—	447,329
Total	$ 18,462	$ 44,344	$ 13,620,981

Custodial Risk – Investments

Custodial risk for investments is the risk that, in the event of a failure of the counterparty, the state will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are held in the state's name and collateral for repurchase agreements is held in the state's name by third party agents. The primary government does not have a formal policy for custodial credit risk.

Securities Lending

Minnesota Statutes do not prohibit the state from participating in securities lending transactions. The state has, by a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to act as agent in lending state securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, State Street lent, on behalf of the state, certain securities held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the federal government. State Street does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to at least 100 percent of the fair value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the state in the event of default by a borrower. There were no failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the state and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a collective investment pool. As of June 30, 2020, the investment pool had an average duration of 1 day and an average weighted maturity of 77.04 days for U.S. dollar collateral.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2020, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

The fair value of collateral held and the fair value of securities on loan for the state as of June 30, 2020, were $6,995,039,000 and $6,813,663,000, respectively. Securities received as collateral for which the state does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Cash collateral of $4,992,478,000 is reported in the Fiduciary Funds Statement of Net Position as an asset and corresponding liability.

Primary Government
Pension and Investment Trust Funds
Securities Loaned
As of June 30, 2020
(In Thousands)

Investment Type		Fair Value
Domestic Equities	$	5,294,745
U.S. Government Bonds		680,351
International Equities		243,887
Domestic Corporate Bonds		594,680
Total	$	6,813,663

Component Units

Housing Finance Agency

As of June 30, 2020, the Housing Finance Agency (HFA) had $568,045,000 of cash and cash equivalents and $3,363,568,000 of investments. As of June 30, 2020, $567,635,000 of deposits and $3,139,726,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 7.7 – 27.5 years.

HFA cash equivalents included $410,000 of investment agreements, which are generally uncollateralized, interest-bearing contracts.

HFA investments had an estimated fair value of $3,363,568,000 as of June 30, 2020. Included in these investments were $5,125,000 in U.S. Treasuries (not rated), and $3,101,256,000 in U.S. Agencies having an S&P rating of AA+ and Moody's Investors Services rating of Aaa. An additional $32,935,000 in municipal debt investments had an S&P rating of AA+ and Moody's Investors Services rating of Aaa.

HFA measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." HFA measured investments of $6,886,000 and $3,132,430,000 using Level 1 and Level 2 inputs, respectively. The remaining investments of $224,252,000 related to premiums/discounts and unrealized appreciation/depreciation.

HFA had investments in single issuers as of June 30, 2020, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of $1,113,726,000 were issued by Federal National Mortgage Association.

HFA entered into interest rate swap agreements that were considered to be derivative instruments under GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." These interest rate swap agreements have been determined to be effective hedges and were reported at fair value as of June 30, 2020, as a liability called "Interest Rate Swap Agreements." The inception-to-date change in fair value as of June 30, 2020, was reported in "Accumulated Decrease in Fair Value of Hedging Derivative Instruments" deferred outflows of resources.

As of June 30, 2020, HFA had interest rate swap agreements with the following counterparties: the Bank of New York Mellon (two agreements), Royal Bank of Canada (five agreements) and Wells Fargo (two agreements) for total notional amounts of $78,985,000, $183,225,000, and $80,000,000, and fair values of ($5,753,000), ($14,492,000), and ($5,273,000), respectively. For these counterparties, the fair values for the fiscal year ended June 30, 2020, decreased $4,023,000, decreased $7,186,000, and decreased $2,830,000, respectively.

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, the Bank of New York Mellon, Royal Bank of Canada, and Wells Fargo have been rated by Moody's as Aa2, Aa2, and Aa2 respectively, and by S&P as AA-, AA-, and A+ respectively.

All swaps are pay-fixed, receive-variable. The initial notional amounts matched the original principal amounts and have terms which reduce the notional amounts to approximately follow the anticipated reductions in outstanding principal. HFA has also purchased the rights on the underlying mortgage loans, generally based upon a 300 percent PSA prepayment rate (the standard prepayment model of the Security Industries and Financial Market Association). This has further reduced the notional balances of the swaps as needed to match outstanding principal amounts of the associated bonds. HFA also has the right to terminate outstanding swaps in whole or in part at any time if it is not in default. The swap contracts may also be terminated by the counterparties, but are generally limited to HFA payment default or other HFA defaults that remain uncured for 30 days.

The variable rate HFA pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month taxable London Inter-Bank Offered Rate (LIBOR) rate or the Securities Industry and Financial Markets Association (SIFMA) index rate. This exposes HFA to basis risk (the risk that the rates do not equal), and this risk will vary over time due to inter-market conditions.

HFA assumes the risk that changes in the tax code may vary from the historical long-term relationship between taxable and tax-exempt short-term interest rates for economic reasons.

Metropolitan Council

As of December 31, 2019, the Metropolitan Council (MC) had $517,398,000 in cash and cash equivalents and $802,597,000 in investments. Of this amount, $1,313,496,000 was subject to rating. Using the Moody's Investors Services rating scale, $1,021,468,000 of these investments were rated Aaa, while $292,028,000 were not rated. The net outstanding checks of $6,499,000 comprise the remaining cash and investment amount.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. MC has a custodial credit risk exposure of $1,948,000 because the related securities are held by a custodial agent in the broker's name.

MC measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." MC measured investments of $440,389,000 and $475,799,000 using Level 1 and Level 2 inputs, respectively. MC measured another $172,250,000 of investments at the net asset value, while the remaining $6,499,000 was cash and cash equivalents. MC also held $207,950,000 in the Internal Equity Pool and $17,108,000 in a cash fund with the State Board of Investment (SBI) was a trust account for other post-employment benefits (OPEB).

MC has adopted a simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2019. The investment portfolio excluding the cash and escrow accounts and the OPEB trust portfolio has an average yield of 1.67 percent, weighted average maturity of 1.36 years, effective duration of 0.78 years, and convexity of -0.49.

The following table presents the estimated fair value of MC investments subject to interest rate risk using the simulation model.

Major Component Unit
Metropolitan Council
Fair Value of Investments
As of December 31, 2019
(In Thousands)

Fair Value of Portfolio		Estimated Fair Value
Before Basis Point Increase	$	1,326,392
After Basis Point Increase of:		
50 Points	$	1,323,056
100 Points		1,318,380
150 Points		1,312,218
200 Points		1,306,046

MC has used commodity futures as an energy forward pricing mechanism permitted by Minnesota Statutes 473.1293. Statutorily, MC may not hedge more than 100 percent of the projected consumption of any of its commodities and only up to 23 months into the future. Since 2004, MC has hedged most of its annual diesel fuel consumption. The hedging transactions are separate from fuel purchase transactions. For calendar year 2019, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2019, MC had 288 New York Mercantile Exchange (NYMEX) heating oil futures contracts (12.10 million gallons) acquired from April 03, 2018, through December 19, 2019, to terminate on dates from January 31, 2020, through October 29, 2021. As of December 31, 2019, the heating oil futures contracts had a fair value of $23,413,000.

MC is using NYMEX heating oil futures to hedge its diesel fuel consumption. MC will be exposed to basis risk if the prices significantly deviate from each other. Historically, there has been a strong correlation between the two products.

University of Minnesota

As of June 30, 2020, the University of Minnesota (U of M), including its discretely presented component units, had $843,229,000 of cash and cash equivalents and $5,240,519,000 of investments. U of M's discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of $674,772,000 and investments of $2,154,301,000.

As of June 30, 2020, U of M's bank balance of $124,005,000 was uninsured and uncollateralized.

U of M maintains centralized management for substantially all of its cash and investments. The Board of Regents establishes U of M's investment policies and objectives. U of M uses internal investment pools designed to meet respective investment objectives within established risk parameters for each pool.

U of M has established policies to address the various types of investment risks. U of M uses S&P ratings and duration as a measure of a debt investment's exposure to fair value changes arising from changing interest rates. As of June 30, 2020, $1,143,836,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $848,323,000 was rated AA or better
- $48,220,000 was rated BBB to A
- $14,676,000 was rated BB or lower
- $232,617,000 was not rated

The securities subject to interest rate risk were comprised of the following:

- $355,218,000 in government agencies with weighted average maturities of 0.9 to 1.5 years
- $66,161,000 in mortgage-backed securities with a weighted average maturity of 15.9 years
- $240,293,000 in cash and cash equivalents with a weighted average maturity of 0.0 years
- $209,651,000 in mutual funds with a weighted average maturity of 5.2 years
- 39,896,000 in corporate bonds with a weighted average maturity of 2.5 years

As of June 30, 2020, U of M had $51,613,000 of equity investments subject to foreign currency risk. The two components of this amount are $36,017,000 in Euro Currency and $15,596,000 in British Pound Sterling.

As of June 30, 2020, several U of M investment holdings are subject to custodial credit risk. The fair value of investments the U of M held in the custodial accounts was $714,494,000 in Temporary Investment Pool (TIP); $77,332,000 in Consolidated Endowment Fund (CEF); and $26,519,000 in Group Income Pool (GIP), respectively.

U of M measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." U of M measured investments of $213,689,000, $517,076,000, and $8,560,000 using Level 1, 2 and 3 inputs, respectively. U of M measured another $1,414,976,000 of investments at the net asset value.

Nonmajor Component Units

Nonmajor Component Units
Cash, Cash Equivalents, and Investments
As of December 31, 2019, or June 30, 2020, as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 1,775	$ 22,280
Minnesota Comprehensive Health Association	440	—
Minnesota Sports Facilities Authority	56,368	4,999
National Sports Center Foundation	2,329	—
Office of Higher Education	590,847	—
Public Facilities Authority	366,874	9,004
Rural Finance Authority	22,003	—
Workers' Compensation Assigned Risk Plan	10,256	292,110
Total	$ 1,050,892	$ 328,393

Note 3 – Disaggregation of Receivables

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2020
(In Thousands)

	Governmental Activities			
Description	General Fund[2]	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 2,708,037	$ —	$ —	$ 2,708,037
Sales and Use	471,388	—	27,248	498,636
Property	437,463	—	—	437,463
Health Care Provider	439,451	—	—	439,451
Motor Vehicle/Fuel	—	—	92,716	92,716
Other	64,759	—	31,562	96,321
Child Support	29,317	27,791	140	57,248
Workers' Compensation	—	—	72,026	72,026
Other	378,167	389,530	84,180	851,877
Net Receivables	$ 4,528,582	$ 417,321	$ 307,872	$ 5,253,775

	Business-type Activities			
Description	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	$ —	$ 517,999	$ —	$ 517,999
Tuition and Fees[3]	60,099	—	—	60,099
Other	—	—	34,132	34,132
Net Receivables	$ 60,099	$ 517,999	$ 34,132	$ 612,230
Total Government-wide Net Receivables				$ 5,866,005

[1] Includes $91.764 million for Internal Service Funds, less Internal Service Fund eliminations of $86.458 million among Governmental Activities.

[2] Includes $311 thousand Interfund Receivables from Fiduciary Funds reclassified to Accounts Receivable on the Government-wide Statement of Net Position.

[3] The revenue associated with tuition and fees is reduced by a scholarship allowance of $294.370 million.

Accounts receivable are reported net of allowances for uncollectible amounts. Significant uncollectible amounts are:

- Corporate and Individual Taxes $185,013,000
- Sales and Use Taxes $42,845,000
- Child Support $127,425,000

Receivable balances not expected to be collected within one year are:

- Corporate and Individual Taxes $256,673,000
- Sales and Use Taxes $95,824,000
- Child Support $54,966,000
- Health Care Provider $106,286,000
- Other Receivables $237,073,000

Note 4 – Loans and Notes Receivable

Primary Government
Loans and Notes Receivable, Net of Allowance
As of June 30, 2020
(In Thousands)

Loan Purpose	General Fund	Federal Fund	Nonmajor Special Revenue Funds	State Colleges and Universities Fund	Total Loans and Notes Receivable
Student Loan Program	$ —	$ —	$ —	$ 17,588	$ 17,588
Economic Development	92,722	4,767	39,314	—	136,803
Agricultural, Environmental and Energy Resources	—	—	83,256	—	83,256
Transportation	—	—	2,681	—	2,681
Other	6,550	—	500	1,616	8,666
Total	$ 99,272	$ 4,767	$ 125,751	$ 19,204	$ 248,994

Component Units
Loans and Notes Receivable
As of December 31, 2019, or June 30, 2020, as applicable
(In Thousands)

Component Unit	Loans and Notes Receivable
Housing Finance Agency	$ 933,657
Metropolitan Council	44,835
University of Minnesota	73,577
Agricultural and Economic Development Board	118
National Sports Center Foundation	634
Office of Higher Education	469,552
Public Facilities Authority	1,782,098
Rural Finance Authority	97,494
Total	$ 3,401,965

Note 5 – Interfund Transactions and Balances with Component Units

Primary Government

During normal operations, the state processes routine transactions between funds, including loans, expenditures, and transfers of resources for administrative and program services, debt service, and compliance with legal mandates.

In the fund financial statements, these transactions are generally recorded as transfers in/out and interfund receivables/payables. Transfers generally represent legally authorized transfers between funds authorized to receive revenue and funds authorized to make expenditures, and do not represent reimbursement of expenditures.

Primary Government
Interfund Receivables and Payables
As of June 30, 2020
(In Thousands)

Description		Amount
Due to the General Fund From:		
Nonmajor Governmental Funds	$	7,024
Nonmajor Enterprise Funds		31,171
Internal Service Funds		51,940
Fiduciary Funds		311
Total Due to General Fund From Other Funds	$	90,446
Due to the Federal Fund From:		
Unemployment Insurance Fund	$	58
Total Due to Federal Fund From Other Funds	$	58
Due to the State Colleges and Universities Fund From:		
Nonmajor Governmental Funds	$	27,961
Total Due to State Colleges and Universities Fund From Other Funds	$	27,961
Due to Nonmajor Enterprise Funds From:		
General Fund	$	10,658
Total Due to Nonmajor Enterprise Funds From Other Funds	$	10,658
Due to the Internal Service Funds From:		
Internal Service Funds	$	325
Total Due to Internal Service	$	325
Due to Fiduciary Funds From:		
Fiduciary Funds	$	11,658
Total Due to Fiduciary Funds From Other Funds	$	11,658
Due to Nonmajor Governmental Funds From:		
General Fund	$	3,936
Unemployment Insurance Fund		21,937
Nonmajor Governmental Funds		22,947
Nonmajor Enterprise Funds		3,126
Total Due to Nonmajor Governmental Funds From Other Funds	$	51,946

Primary Government
Interfund Transfers
Year Ended June 30, 2020
(In Thousands)

Description		Amount
Transfers to the General Fund From:		
Federal Fund	$	30,735
Nonmajor Governmental Funds		25,338
Nonmajor Enterprise Funds		124,508
Internal Service Funds		25,528
Total Transfers to General Fund From Other Funds	$	206,109
Transfers to the Federal Fund From:		
Unemployment Insurance Fund	$	60
Nonmajor Governmental Funds		1,613
Total Transfers to Federal Fund From Other Funds	$	1,673
Transfers to the State Colleges and Universities Fund From:		
General Fund	$	758,929
Nonmajor Governmental Funds		68,666
Total Transfers to State Colleges and Universities Fund From Other Funds	$	827,595
Transfers to Fiduciary Funds From:		
General Fund	$	79,931
Fiduciary Funds		22,054
Total Transfers to Fiduciary Funds From Other Funds	$	101,985
Transfers to Nonmajor Governmental Funds [1] From:		
General Fund	$	645,751
Unemployment Insurance Fund		8,317
Nonmajor Governmental Funds		230,010
Nonmajor Enterprise Funds		31,473
Internal Service Funds		9,980
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	925,531
Transfers to Nonmajor Enterprise Funds From:		
General Fund	$	32,020
Nonmajor Governmental Funds		1,500
Total Transfers to Nonmajor Enterprise Funds From Other Funds	$	33,520

[1] Includes a transfer of a $2.887 million loan from Plant Management (Internal Service Fund) to Governmental Activities.

Component Units

Primary Government and Component Units
Receivables and Payables
As of December 31, 2019, or June 30, 2020, as applicable
(In Thousands)

Component Units	Due from Primary Government	Due to Primary Government
Major Component Units:		
Housing Finance Agency	$ 201	$ —
Metropolitan Council	99,579	39
University of Minnesota	14,700	4,047
Total Major Component Units	$ 114,480	$ 4,086
Nonmajor Component Units	153,347	121,689
Total Component Units	$ 267,827	$ 125,775

Primary Government	Due from Component Units	Due to Component Units
Major Governmental Funds:		
General Fund	$ 190	$ 103,289
Federal Fund	20	93,870
Total Major Governmental Funds	$ 210	$ 197,159
Nonmajor Governmental Funds	101,173	5,517
Nonmajor Enterprise Funds	—	11
Total Primary Government	$ 101,383	$ 202,687 [(1)]

[(1)] Due to Component Units on the Government-wide Statement of Net Position totals $206.257 million and includes $3.570 million of loans payable to the Public Facilities Authority (component unit) that are not fund level liabilities.

The Due to Primary Government balance exceeds the Due from Component Units balance by $24,392,000 because the Metropolitan Council, the Workers' Compensation Assigned Risk Plan, and the National Sports Center Foundation use a different fiscal year end than the primary government. The $65,140,000 difference between the Due from Primary Government balance and the Due to Component Units balance is also due to these different fiscal year ends as well as the $3,570,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government
Capital Asset Activity
Government-wide Governmental Activities
Year Ended June 30, 2020
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Governmental Activities:				
Capital Assets not Depreciated:				
Land	$ 2,727,599	$ 71,279	$ (10,224)	$ 2,788,654
Buildings, Structures, Improvements	333,834	—	—	333,834
Construction in Progress	283,114	171,870	(138,955)	316,029
Development in Progress	187,427	79,501	(35,180)	231,748
Infrastructure	11,264,466	477,446	(16,336)	11,725,576
Easements	440,931	26,012	(436)	466,507
Art and Historical Treasures	7,724	—	—	7,724
Total Capital Assets not Depreciated	$ 15,245,095	$ 826,108	$ (201,131)	$ 15,870,072
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 3,384,856	$ 99,449	$ (2,886)	$ 3,481,419
Infrastructure	405,871	18,410	(1,056)	423,225
Internally Generated Computer Software	401,329	32,817	—	434,146
Easements	4,127	—	(230)	3,897
Equipment, Furniture, Fixtures	872,792	98,186	(42,334)	928,644
Total Capital Assets Depreciated	$ 5,068,975	$ 248,862	$ (46,506)	$ 5,271,331
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,503,791)	$ (90,760)	$ 1,512	$ (1,593,039)
Infrastructure	(124,916)	(13,378)	511	(137,783)
Internally Generated Computer Software	(164,918)	(70,274)	—	(235,192)
Easements	(1,365)	(114)	230	(1,249)
Equipment, Furniture, Fixtures	(509,291)	(67,681)	34,330	(542,642)
Total Accumulated Depreciation	$ (2,304,281)	$ (242,207)	$ 36,583	$ (2,509,905)
Total Capital Assets Depreciated, Net	$ 2,764,694	$ 6,655	$ (9,923)	$ 2,761,426
Governmental Act. Capital Assets, Net	$ 18,009,789	$ 832,763	$ (211,054)	$ 18,631,498

Capital outlay expenditures in the governmental funds totaled $881,527,000 for fiscal year 2020. Donations of general capital assets received were valued at $23,736,000. Transfers of $147,365,000 were primarily from construction in progress for completed projects. Internal service funds had additions of $22,342,000.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2020, consisted of buildings with a cost of $180,005,000.

Primary Government
Capital Asset Activity
Government-wide Business-type Activities and Fiduciary Funds
Year Ended June 30, 2020
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Business-type Activities:				
Capital Assets not Depreciated:				
Land	$ 93,226	$ 1,810	$ (40)	$ 94,996
Construction in Progress	124,721	119,853	(130,002)	114,572
Total Capital Assets not Depreciated	$ 217,947	$ 121,663	$ (130,042)	$ 209,568
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 3,765,459	$ 132,193	$ (2,087)	$ 3,895,565
Infrastructure	28,153	—	—	28,153
Library Collections	37,230	4,490	(5,936)	35,784
Internally Generated Computer Software	64,607	900	(460)	65,047
Equipment, Furniture, Fixtures	341,996	13,031	(7,856)	347,171
Total Capital Assets Depreciated	$ 4,237,445	$ 150,614	$ (16,339)	$ 4,371,720
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,949,627)	$ (121,004)	$ 2,085	$ (2,068,546)
Infrastructure	(16,607)	(1,436)	—	(18,043)
Library Collections	(22,304)	(5,112)	5,936	(21,480)
Internally Generated Computer Software	(22,912)	(6,785)	460	(29,237)
Equipment, Furniture, Fixtures	(259,346)	(19,579)	7,796	(271,129)
Total Accumulated Depreciation	$ (2,270,796)	$ (153,916)	$ 16,277	$ (2,408,435)
Total Capital Assets Depreciated, Net	$ 1,966,649	$ (3,302)	$ (62)	$ 1,963,285
Business-type Act. Capital Assets, Net	$ 2,184,596	$ 118,361	$ (130,104)	$ 2,172,853
Fiduciary Funds:				
Capital Assets not Depreciated:				
Land	$ 429	$ —	$ —	$ 429
Total Capital Assets not Depreciated	$ 429	$ —	$ —	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,763	$ —	$ —	$ 29,763
Internally Generated Computer Software	36,020	—	—	36,020
Equipment, Furniture, Fixtures	6,867	1,128	(409)	7,586
Total Capital Assets Depreciated	$ 72,650	$ 1,128	$ (409)	$ 73,369
Accumulated Depreciation for:				
Buildings	$ (13,433)	$ (739)	$ —	$ (14,172)
Internally Generated Computer Software	(12,711)	(3,069)	—	(15,780)
Equipment, Furniture, Fixtures	(5,715)	(609)	311	(6,013)
Total Accumulated Depreciation	$ (31,859)	$ (4,417)	$ 311	$ (35,965)
Total Capital Assets Depreciated, Net	$ 40,791	$ (3,289)	$ (98)	$ 37,404
Fiduciary Funds, Capital Assets, Net	$ 41,220	$ (3,289)	$ (98)	$ 37,833

Transfers-in for Business-type Activities totaling $129,962,000 primarily related to construction in progress for completed projects.

Primary Government
Depreciation Expense
Government-wide
Year Ended June 30, 2020
(In Thousands)

Function	Depreciation Expense
Governmental Activities:	
Agricultural, Environmental & Energy Resources	$ 16,144
Economic and Workforce Development	2,573
General Education	5,343
General Government	64,489
Health and Human Services	40,264
Public Safety and Corrections	46,975
Transportation	45,228
Internal Service Funds	21,191
Total Governmental Activities	$ 242,207
Business-type Activities:	
State Colleges and Universities	$ 135,954
Lottery	574
Other	17,388
Total Business-type Activities	$ 153,916

Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2020
(In Thousands)

Description	Administration	Transportation
Authorization	$ 767,451	$ 2,019,785
Less: Expended (through June 30)	(650,119)	(1,598,721)
Less: Unexpended Commitment	(53,157)	(331,524)
Remaining Available Authorization	$ 64,175	$ 89,540

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation. Total acres on June 30, 2020, were 2,512,957.

Component Units

Component Units
Capital Assets
As of December 31, 2019, or June 30, 2020, as applicable
(In Thousands)

Asset Category	Major Component Units: Housing Finance Agency	Major Component Units: Metropolitan Council	Major Component Units: University of Minnesota	Nonmajor Component Units	Total
Capital Assets not Depreciated:					
Land	$ —	$ 263,466	$ 229,801	$ 35,643	$ 528,910
Construction in Progress	—	1,095,702	37,878	855	1,134,435
Leased Buildings	—	—	152,281	—	152,281
Museums and Collections	—	—	97,713	—	97,713
Easements	—	—	5	—	5
Total Capital Assets not Depreciated	$ —	$ 1,359,168	$ 517,678	$ 36,498	$ 1,913,344
Capital Assets Depreciated:					
Buildings, Structures, Improvements	$ —	$ 4,982,588	$ 4,752,008	$ 870,451	$10,605,047
Infrastructure	—	—	471,328	32,917	504,245
Library	—	—	174,941	—	174,941
Internally Generated Computer Software	11,940	—	198,962	—	210,902
Equipment, Furniture, Fixtures	3,318	1,352,979	856,548	236,341	2,449,186
Other Intangibles	—	—	6,903	—	6,903
Total Capital Assets Depreciated	$ 15,258	$ 6,335,567	$ 6,460,690	$ 1,139,709	$13,951,224
Total Accumulated Depreciation	$ (10,978)	$ (2,860,911)	$ (3,730,612)	$ (209,406)	$ (6,811,907)
Total Capital Assets Depreciated, Net[(1)]	$ 4,280	$ 3,474,656	$ 2,730,078	$ 930,303	$ 7,139,317
Component Units Capital Assets, Net	$ 4,280	$ 4,833,824	$ 3,247,756	$ 966,801	$ 9,052,661

(1) In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of $88.834 million as of June 30, 2020.

Note 7 – Disaggregation of Payables

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2020
(In Thousands)

Description	Governmental Activities: General Fund	Federal Fund	Nonmajor Governmental Funds[(1)]	Total
School Aid Programs	$ 1,054,309	$ 254,283	$ 3,444	$ 1,312,036
Tax Refunds	684,006	—	—	684,006
Medical Care Programs	693,582	1,258,338	11,777	1,963,697
Grants	373,987	213,276	288,788	876,051
Salaries and Benefits	132,504	26,271	66,158	224,933
Vendors/Service Providers	214,090	110,850	217,823	542,763
Net Payables	$ 3,152,478	$ 1,863,018	$ 587,990	$ 5,603,486

Description	Business-type Activities: State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 146,253	$ —	$ 11,241	$ 157,494
Vendors/Service Providers	62,357	474,026	50,504	586,887
Net Payables	$ 208,610	$ 474,026	$ 61,745	$ 744,381
Total Government-wide Net Payables				$ 6,347,867

(1) Includes $31.086 million for Internal Service Funds, less Internal Service Fund eliminations of $86.458 million among Governmental Activities.

Note 8 – Pension and Investment Trust Funds

Primary Government Administered Plans

The state performs a fiduciary role for several pension and investment trust funds. For some of these funds, the state contributes as an employer and/or a non-employer contributing entity and performs only a fiduciary role for other funds. These trust funds are categorized as either defined benefit or defined contribution (pension trust funds) or investment trust funds.

Three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary information, and Minnesota State Colleges and Universities (MnSCU), which publishes a stand-alone pension statement, provide the pension fund information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below.

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund Correctional Employees Retirement Fund Judges Retirement Fund Legislators Retirement Fund State Patrol Retirement Fund Hennepin County Supplemental Retirement Fund Health Care Savings Fund Unclassified Employees Retirement Fund Minnesota Deferred Compensation Fund
Public Employees Retirement Association (PERA)	General Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Volunteer Firefighter Retirement Fund Defined Contribution Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Minnesota State Colleges and Universities (MnSCU)	State Colleges and Universities Retirement Fund

See Note 1 – Summary of Significant Accounting and Reporting Policies for addresses of MSRS, PERA, and TRA. The address of the administrative agent (TIAA-CREF), for MnSCU is included in the "Defined Contribution Funds" section of this note.

Basis of Accounting and Valuation of Investments

The plan administrators prepare financial statements using the accrual basis of accounting which is the basis used to determine the fiduciary net position used by the plans. Member and employer contributions are recognized in the period in which they are earned and become due. Expenses are recognized when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the statutory terms of each plan.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing "units" in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in security trade receivables and payables. These unsettled security trades are an essential element in determining the fair value of each pension trust fund's pooled investment balance; therefore, the trades are reported in the Combining Statement of Net Position of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2020, this presentation resulted in a negative asset within the total investment pool participation.

Non-Primary Government Administered Plan

The state contributes as a non-employer contributing entity into the St. Paul Teachers' Retirement Fund, but does not perform any other fiduciary responsibilities. Separately-issued financial statements for the St. Paul Teachers' Retirement Fund Association may be obtained at St. Paul Teachers' Retirement Association, 1619 Dayton Avenue, Room 309, St. Paul, MN 55104.

Defined Benefit Plans

Primary Government Administered Multiple-Employer Cost Sharing Plans

The State Employees Retirement Fund (SERF) covers most state employees, the University of Minnesota (component unit) non-faculty employees, and selected metropolitan agency employees. Fourteen employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	Members hired before July 1, 1989: Step or Level formula, whichever is greater. Members hired on or after July 1, 1989: Level formula. Step formula: 1.2 percent of the high-five average salary for each of the first 10 years of allowable service, and 1.7 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater). Level formula: 1.7 percent of the high-five average salary for all years of allowable service, with full benefits at normal retirement age. Not eligible for benefits under the Rule of 90.
Annual Benefit Increase	1.0 percent through December 31, 2023 and 1.5 percent thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

The Correctional Employees Retirement Fund (CERF) primarily covers state employees who have direct contact with inmates or patients in Minnesota correctional facilities, the state operated forensic service program, or the Minnesota sex offender program. Three employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	Members hired before July 1, 2010: 2.4 percent of the high-five average salary for each year of allowable service. Members hired on or after July 1, 2010: 2.2 percent of the high-five average salary for each year of allowable service.
Annual Benefit Increase	1.5 percent fixed rate.

The General Employees Retirement Fund (GERF) covers employees of various governmental units and subdivisions, including counties, cities, school districts, and related organizations. Approximately 2,100 employers participate in this plan. The plan provides retirement, survivor, and disability benefits. Minneapolis Employees Retirement Fund (MERF) merged into GERF on January 1, 2015.

Membership Types	Basic membership: Participants who are not covered by the Social Security Act. Coordinated membership: Participants who are covered by the Social Security Act.
Benefit Formula	Members hired before July 1, 1989: Step or Level formula, whichever is greater. Members hired on or after July 1, 1989: Level formula. Step Formula: 1.2 percent of the high-five average salary for each of the first 10 years of allowable service, then 1.7 percent for each year thereafter for Coordinated members. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater). Level Formula: 1.7 percent of the high-five average salary for all years of allowable service for Coordinated members, and 2.7 percent for Basic members. Full benefits at normal retirement age. Not eligible for benefits under the Rule of 90. Former MERF members: 2.0 percent of the high-five average salary for each of the first 10 years of allowable service and 2.5 percent for each year thereafter.
Annual Benefit Increase	50 percent of the Social Security Administration increase, but not less than 1.0 percent or more than 1.5 percent. The benefit increase of 1.25 percent is projected for all years. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental units and subdivisions. Approximately 440 employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	3.0 percent of the high-five average salary for each year of allowable service. Members hired after June 30, 2014 limited to 33 years of allowable service.
Annual Benefit Increase	1.0 percent fixed rate.

The Public Employees Correctional Fund (PECF) covers employees in county and regional correctional facilities who are responsible for the security, custody, and control of the facilities and inmates. Eighty employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	1.9 percent of the high-five average salary for each year of allowable service.
Annual Benefit Increase	100 percent of the Social Security Administration increase, but not less than 1.0 percent or more than 2.5 percent. If the plan's funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will change to 1.5 percent maximum permanently. The benefit increase of 2.0 percent is projected for all years.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state except those teachers employed by the City of St Paul and the University of Minnesota. Approximately 600 employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Membership Types	Basic membership: Participants who are not covered by the Social Security Act. Coordinated membership: Participants who are covered by the Social Security Act.
Benefit Formula	Members hired before July 1, 1989: Step or Level formula, whichever is greater. Members hired on or after July 1, 1989: Level formula. Step Formula: Coordinated members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service prior to July 1, 2006, and 1.4 percent for any of the first 10 years after that date. For allowable years of service after the first ten years, Coordinated members receive 1.7 percent for each year prior to July 1, 2006 and 1.9 percent for years after that date. Basic members receive 2.2 percent of the high-five average salary for each of the first 10 years of allowable service, and 2.7 percent for each year thereafter. The Step formula also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater). Level Formula: Coordinated members receive 1.7 percent of the high-five average salary for all years of allowable service prior to July 1, 2006 and 1.9 percent for years thereafter. Basic members receive 2.7 percent of the high-five average salary for all years of allowable service. The Level formula provides full benefits at normal retirement age. Not eligible for benefits under the Rule of 90.
Annual Benefit Increase	1.0 percent through December 31, 2023, then increase by 0.1 percent each year over five years, and 1.5 percent thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Statutory Contribution Rates
(In Thousands)

Description	SERF	CERF[(1)]	GERF	P&FF	TRF[(2)]
Minnesota Statutory Authority	352.04	352.92	353.27 353.505	353.65	354.42 354.435,436
Required Contribution Rate:					
Active Members	6.0%	9.6%	6.5-9.75%	11.8%	7.5-11.0%
Employer(s)	6.25%	15.85%	7.5-11.78%	17.7%	7.92-11.92%
Non-Employer Contributing Entity	$ —	$ —	$ 16,000	$ 4,500	$ 31,087
Primary Government Contributions – Reporting Period	$ 152,523	$ 43,594	$ 17,949	$ 5,043	$ 47,202

(1) Additional supplemental employer contributions increase from 1.45 percent to 2.95 and 4.45 percent of salary annually in fiscal years 2021 and 2022 respectively. The 4.45 percent will remain in effect until the plan is 100 percent funded.

(2) An additional contribution of 3.64 percent of salary from Special School District No.1 brings the top of the Employer contribution range to 15.56 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2024. Employer contribution rate increases by 0.83 percent over the next four years.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Summary of Pension Amounts
As of June 30, 2020
(In Thousands)

Description	SERF[(1)]	CERF[(1)]	GERF[(1)]	P&FF[(1)]	TRF[(1)]	Total
Primary Government's Proportionate Share of the Net Pension Liability as an:						
Employer	$ 1,054,276	$ 394,861	$ 22,829	$ 2,687	$ 226,558	$ 1,701,211
Non-Employer Contributing Entity	—	—	166,659	54,801	452,696	674,156
Total	$ 1,054,276	$ 394,861	$ 189,488	$ 57,488	$ 679,254	$ 2,375,367
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:						
Current Year Measurement Date	74.94%	99.87%	3.43%	5.40%	10.65%	
Prior Year Measurement Date	74.45%	99.89%	3.64%	5.27%	11.02%	
Deferred Outflows of Resources	$ 1,702,575	$ 188,934	$ 83,965	$ 121,533	$ 639,084	$ 2,736,091
Deferred Inflows of Resources	$ 3,564,391	$ 486,437	$ 47,679	$ 85,265	$ 1,085,365	$ 5,269,137
Net Pension Expense	$ 230,975	$ (2,696)	$ 16,451	$ 27,613	$ 111,387	$ 383,730

(1) Proportionate share was determined based on the primary government's percentage of employer and non-employer contributing entity contributions into the plan.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Actuarial Assumptions

Description	SERF[(1)(3)]	CERF[(1)]	GERF[(1)]	P&FF[(1)]	TRF[(1)]
Actuarial Valuation/ Measurement Date	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019
Long-Term Expected Rate	7.50%	7.50%	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate[(2)]	3.13%	3.13%	3.13%	3.13%	3.50%
Experience Study Dates	2008-2018	2011-2018	2014-2018	2011-2018	2014-2018
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	Service Related Rates	2.85-9.25%
Payroll Growth	3.25%	3.25%	3.25%	3.25%	3.00%

(1) For SERF, CERF, GERF, P&FF, and TRF mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015 for SERF, CERF, and TRF, and Scale MP-2018 for GERF and P&FF. There are various adjustments in each plan to match experience.

(2) Source: Fidelity Index for SERF, CERF, GERF, and P&FF and Bond Buyers for TRF.

(3) For SERF, the Pub-2010 General Mortality table for males and females will be used for fiscal year 2021 and will be adjusted for mortality improvements based on Scale MP-2018.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Outflows of Resources
As of June 30, 2020
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
Difference Between Expected and Actual Experience	$ 31,960	$ 10,342	$ 5,251	$ 2,441	$ 97	$ 50,091
Changes in Assumption	1,485,483	134,869	—	47,706	571,620	2,239,678
Change in Proportionate Difference Between Actual Contributions and Proportionate Share of Contributions	32,609	129	60,765	66,343	20,165	180,011
Contributions Subsequent to the Measurement Date	152,523	43,594	17,949	5,043	47,202	266,311
Total	$1,702,575	$ 188,934	$ 83,965	$ 121,533	$ 639,084	$2,736,091

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Inflows of Resources
As of June 30, 2020
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
Difference Between Expected and Actual Experience	$ 3,657	$ 2,248	$ —	$ 8,750	$ 16,494	$ 31,149
Changes in Assumption	3,303,245	455,370	14,894	64,542	901,119	4,739,170
Net Difference Between Projected and Actual Earnings on Investment	257,489	28,577	19,207	11,973	56,289	373,535
Change in Proportionate Share of Contributions	—	242	13,578	—	111,463	125,283
Total	$ 3,564,391	$ 486,437	$ 47,679	$ 85,265	$ 1,085,365	$ 5,269,137

Primary Government Administered Multiple-Employer Cost Sharing Plans
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense
or a Reduction in Net Pension Liability
As of June 30, 2020
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
2021	$ 137,649	$ (32,459)	$ 15,969	$ 12,719	$ 20,824	$ 154,702
2022	(1,487,113)	(182,806)	12,129	8,546	(42,025)	(1,691,269)
2023	(677,122)	(127,873)	(9,998)	(6,256)	(274,377)	(1,095,626)
2024	12,247	2,041	237	16,193	(190,941)	(160,223)
2025	—	—	—	23	(6,964)	(6,941)
Net Pension Expense	$ (2,014,339)	$ (341,097)	$ 18,337	$ 31,225	$ (493,483)	$ (2,799,357)
Deferred Outflow of Resources as a Reduction to Net Pension Liability	152,523	43,594	17,949	5,043	47,202	266,311
Net Deferred Outflows (Inflows) of Resources	$ (1,861,816)	$ (297,503)	$ 36,286	$ 36,268	$ (446,281)	$ (2,533,046)

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan

The St. Paul Teachers' Retirement Fund (SPTRF) covers teachers and other related professionals employed by St. Paul Public Schools, St. Paul College, charter schools within the City of St. Paul, and SPTRF staff. The plan provides retirement, survivor, and disability benefits.

Membership Types	Basic membership: Participants who are not covered by the Social Security Act. Coordinated membership: Participants who are covered by the Social Security Act.
Benefit Formula	Members hired before July 1, 1989: Tier 1 or Tier 2 formula, whichever is greater. Members hired on or after July 1, 1989: Tier 2 formula. Tier 1 Formula: Coordinated members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service prior to July 1, 2015, and 1.4 percent for any of the first 10 years after that date. For allowable years of service after the first ten years, Coordinated members receive 1.7 percent for each year prior to July 1, 2015 and 1.9 percent for years after that date. Basic members receive 2.0 percent of the high-five average salary for all years of allowable service. The Tier 1 formula also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater). Tier 2 Formula: Coordinated members receive 1.7 percent of the high-five average salary for all years of allowable service prior to July 1, 2015 and 1.9 percent for years thereafter. Basic members receive 2.5 percent of the high-five average salary for all years of allowable service. The Tier 2 formula provides full benefits at normal retirement age. Not eligible for benefits under the Rule of 90.
Annual Benefit Increase	No benefit increases through December 31, 2020, and 1.0 percent thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Statutory Contribution Rates
(In Thousands)

Description	SPTRF[1]
Minnesota Statutory Authority	354A.12
Required Contribution Rate:	
Active Members	7.5-10.0%
Employer(s)	8.17-11.67%
Primary Government as Non-Employer Contributing Entity - Statutory Requirement	$ 15,663
Primary Government Contributions - Reporting Period	$ 15,701

(1) An additional contribution of 3.64 and 3.84 percent of salary for basic and coordinated members, respectively, of St. Paul Teachers Retirement Fund Association brings the top of the Employer contribution to 15.31 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2023 and Employer contribution rates increase by 0.83 percent over the next four years.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Summary of Pension Amounts
As of June 30, 2020
(In Thousands)

Description	SPTRF[1]
Primary Government's Proportionate Share of the Net Pension Liability as an:	
Employer	$ 617
Non-Employer Contributing Entity	205,790
Total	$ 206,407
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:	
Current Measurement Date	33.77%
Prior Measurement Date	27.58%
Deferred Outflows of Resources	$ 59,065
Deferred Inflows of Resources	$ 10,371
Net Pension Expense	$ 29,863

(1) Proportionate share was determined based on the Primary Government's percentage of employer and non-employer contributing entity contributions into the plan.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Actuarial Assumptions

Description	SPTRF[1]
Actuarial Valuation/Measurement Date	June 30, 2019
Long-Term Expected Rate	7.50%
20 Year Municipal Bond Rate[2]	3.13%
Experience Study Dates	2011-2016
Inflation	2.50%
Salary Increases	3.00-9.00%
Payroll Growth	3.00%

(1) For mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2018. There are various adjustments to match experience.

(2) Source: Fidelity Index 20-Year Municipal GO AA Index.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Outflows of Resources
As of June 30, 2020
(In Thousands)

Description	SPTRF
Difference Between Expected and Actual Experience	$ 599
Changes in Assumption	20,020
Change in Proportionate Share of Contributions	22,745
Contributions Subsequent to the Measurement Date	15,701
Total	$ 59,065

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Inflows of Resources
As of June 30, 2020
(In Thousands)

Description	SPTRF
Difference Between Expected and Actual Experience	$ 4,484
Changes in Assumption	2,595
Net Difference Between Projected and Actual Earnings on Investment	335
Change in Proportionate Share of Contributions	2,957
Total	$ 10,371

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense or a Reduction in Net Pension Liability
As of June 30, 2020
(In Thousands)

Description	SPTRF
2021	$ 16,720
2022	14,763
2023	11
2024	1,499
Net Pension Expense	$ 32,993
Deferred Outflow of Resources as a Reduction to Net Pension Liability	15,701
Net Deferred Outflows (Inflows) of Resources	$ 48,694

Primary Government Administered Multiple-Employer Agent Plan

The Volunteer Firefighter Retirement Fund (VFRF) was established on January 1, 2010, as a lump-sum defined benefit plan largely funded by fire state aid and covers volunteer firefighters. Members do not contribute to the plan. Employer contributions are determined annually. There are 175 employers participating in this plan. The plan provides retirement and survivor benefits only. If fire state aid plus investment income are not expected to cover the normal cost of benefits during the next calendar year, an employer contribution is calculated and payable by the end of the next calendar year. Benefits are determined by employee years of service multiplied by a benefit level chosen by the entity sponsoring the fire department from possible levels ranging from $500 to $10,000 per year of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent. The plan is established and administered in accordance with Minnesota Statutes 353G. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

Primary Government Administered Single-Employer Plans

The Judges Retirement Fund (JRF) covers judges of the Supreme Court, appellate, and district courts. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	Judges appointed or elected before July 1, 2013: 2.7 percent of the high-five average salary for each year of allowable service prior to July 1, 1980, and 3.2 percent for each year thereafter, up to 76.8 percent. Judges appointed or elected on or after July 1, 2013: 2.5 percent of the high-five average salary for each year of allowable service. There is no maximum benefit.
Annual Benefit Increase	1.75 percent, if the plan is funded at least 70 percent for two consecutive years, the increase changes to 2.0 percent, and if the plan is funded at least 90 percent for two consecutive years, the increase changes to 2.5 percent. The benefit increase of 1.75 percent is projected through 2039, 2.0 percent through 2056, and 2.5 percent thereafter. For the prior measurement period the benefit increase of 1.75 percent was projected through 2037, 2.0 percent through 2051, and 2.5 percent thereafter.

The Legislators Retirement Fund (LRF) covers constitutional officers and certain members of the state's House of Representatives and Senate who were first elected prior to July 1, 1997 and chose to retain coverage under this plan. The plan provides retirement and survivor benefits. This plan is closed to new entrants.

Benefit Formula	5.0 percent of high-five average salary for the first eight years of service prior to January 1, 1979, then 2.5 percent for subsequent years.
Annual Benefit Increase	1.0 percent through December 31, 2023, and 1.5 percent thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

The State Patrol Retirement Fund (SPRF) covers state troopers, conservation officers, and certain crime bureau and gambling enforcement agents. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	3.0 percent of the high-five average salary for each year of allowable service up to 33 years. Members with at least 28 years of service as of July 1, 2013 are not subject to this limit.
Annual Benefit Increase	1.0 percent fixed rate.

Primary Government Administered Single-Employer Plans
Statutory Contribution Rates
(In Thousands)

Description	JRF	LRF	SPRF
Minnesota Statutory Authority	490.123	3A.03	352B.02
Required Contribution Rate:			
Active Members	7.0-9.0%	9.0%	14.9% (2)
Employer	22.5% (3)	N/A (1)	23.1% (2)
Primary Government Contributions – Reporting Period	$ 17,766	$ 8,764	$ 21,975

(1) Employer contributions are funded on a pay-as-you-go basis.

(2) Member contribution rate increases by 0.5 percent in fiscal year 2021. Additional supplemental employer contributions of 3.0 percent bring the top of the Employer contribution range to 26.1 percent. Additional supplemental employer contributions increase to 5.0 and 7.0 percent of salary annually effective for fiscal years 2021 and 2022 respectively. The 7.0 percent will remain in effect until plan is 100 percent funded.

(3) Employer contributions include an additional $6 million each year until the earlier of the plan is fully funded or July 1, 2048.

Primary Government Administered Single-Employer Plans
Membership Statistics

Description	JRF	LRF	SPRF
Members (or their beneficiaries) Currently Receiving Benefits	383	370	1,078
Members Entitled To, But Not Receiving Benefits	19	32	56
Active Members	315	17	943

Primary Government Administered Single-Employer Plans
Summary of Pension Amounts
As of June 30, 2020
(In Thousands)

Description	JRF	LRF	SPRF	Total
Net Pension Liability	$ 178,884	$ 140,185	$ 206,820	$ 525,889
Deferred Outflows of Resources	25,352	8,806	118,800	152,958
Deferred Inflows of Resources	24,297	—	176,103	200,400
Net Pension Expense	8,656	9,692	28,189	46,537

Primary Government Administered Single-Employer Plans
Actuarial Assumptions

Description	JRF[1]	LRF[1]	SPRF[1]
Actuarial Valuation / Measurement Date	June 30, 2019	June 30, 2019	June 30, 2019
Long-Term Expected Rate	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate[2]	3.13%	3.13%	3.13%
Experience Study Dates	2011-2015	N/A	2011-2015
Inflation	2.50%	2.50%	2.50%
Salary Increases	2.50%	4.50%	Service Related Rates
Payroll Growth	2.50%	N/A	3.25%

(1) For mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015. There are various adjustments in each plan to match experience.

(2) Source: Fidelity Index 20-Year Municipal GO AA Index.

Primary Government Administered Single-Employer Plans
Schedule of Net Pension Liability
As of June 30, 2020
(In Thousands)

Description	JRF	LRF	SPRF	Total
Total Pension Liability (TPL):				
Service Cost	$ 9,881	$ 496	$ 19,375	$ 29,752
Interest on the Total Pension Liability	27,769	4,894	68,227	100,890
Difference Between Expected and Actual Experience of the Total Pension Liability	804	(2,441)	2,757	1,120
Changes in Assumptions	—	6,722	—	6,722
Benefit Payments, Including Refunds of Member Contributions	(25,233)	(8,853)	(60,803)	(94,889)
Net Change in Total Pension Liability	$ 13,221	$ 818	$ 29,556	$ 43,595
Total Pension Liability, Beginning	$ 377,925	$ 139,367	$ 930,408	$ 1,447,700
Total Pension Liability, Ending	$ 391,146	$ 140,185	$ 959,964	$ 1,491,295
Fiduciary Net Position (FNP):				
Contributions – Employer	$ 17,287	$ 8,798	$ 20,479	$ 46,564
Contributions – Member	4,049	91	12,038	16,178
Net Investment Income	14,491	—	51,823	66,314
Benefit Payments, Including Refunds of Member Contributions	(25,233)	(8,853)	(60,803)	(94,889)
Pension Plan Administrative Expenses	(87)	(36)	(191)	(314)
Other Changes	—	—	(1)	(1)
Net Change in Plan Fiduciary Net Position	$ 10,507	$ —	$ 23,345	$ 33,852
Plan Fiduciary Net Position, Beginning	$ 201,755	$ —	$ 729,799	$ 931,554
Plan Fiduciary Net Position, Ending	$ 212,262	$ —	$ 753,144	$ 965,406
Net Pension Liability (NPL)	$ 178,884	$ 140,185	$ 206,820	$ 525,889

Primary Government Administered Single-Employer Plans
Deferred Outflows of Resources
As of June 30, 2020
(In Thousands)

Description	JRF	LRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 2,924	$ —	$ 2,297	$ 5,221
Changes in Assumption	4,662	—	94,528	99,190
Net Difference Between Projected and Actual Earnings on Investment	—	42	—	42
Contributions Subsequent to the Measurement Date	17,766	8,764	21,975	48,505
Total	$ 25,352	$ 8,806	$ 118,800	$ 152,958

Primary Government Administered Single-Employer Plans
Deferred Inflows of Resources
As of June 30, 2020
(In Thousands)

Description	JRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 1,982	$ 16,334	$ 18,316
Changes in Assumption	17,152	140,940	158,092
Net Difference Between Projected and Actual Earnings on Investment	5,163	18,829	23,992
Total	$ 24,297	$ 176,103	$ 200,400

Primary Government Administered Single-Employer Plans
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense
or a Reduction in Net Pension Liability
As of June 30, 2020
(In Thousands)

Description	JRF	LRF	SPRF	Total
2021	$ (14,707)	$ 42	$ (2,460)	$ (17,125)
2022	(1,710)	—	(10,701)	(12,411)
2023	(553)	—	(44,860)	(45,413)
2024	259	—	(21,716)	(21,457)
2025	—	—	459	459
Net Pension Expense	$ (16,711)	$ 42	$ (79,278)	$ (95,947)
Deferred Outflow of Resources as a Reduction to Net Pension Liability	17,766	8,764	21,975	48,505
Net Deferred Outflows (Inflows) of Resources	$ 1,055	$ 8,806	$ (57,303)	$ (47,442)

Summary of Defined Benefit Plans

Summary of Defined Benefit Plans
As of June 30, 2020
(In Thousands)

Description	Primary Government Administered Multiple-Employer Cost Sharing Plans	Non-Primary Government Administered Multiple-Employer Cost Sharing Plan	Primary Government Administered Single-Employer Plans	Total
Net Pension Liabilities	$ 2,375,367	$ 206,407	$ 525,889	$ 3,107,663
Deferred Outflows of Resources	2,736,091	59,065	152,958	2,948,114
Deferred Inflows of Resources	5,269,137	10,371	200,400	5,479,908
Net Pension Expense	383,730	29,863	46,537	460,130

The State Board of Investment, which manages the investments of MSRS, PERA, and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method using both long-term historical returns and long-term capital market expectations from a number of investments management and consulting organizations. Best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates, and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Primary Government Administered Plans
Asset Class Target Allocation and Expected Return
As of June 30, 2020

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Geometric Mean)
Domestic Stocks	35.50 %	5.10 %
International Stocks	17.50 %	5.30 %
Bonds	20.00 %	0.75 %
Alternative Assets	25.00 %	5.90 %
Unallocated Cash	2.00 %	0.00 %
Total	100.00 %	

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

Primary Government Proportionate Share
Sensitivity of the Net Pension Liability to Changes in the Discount Rate
As of June 30, 2020
(In Thousands)

	With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Plan	Rate	NPL[1]	Rate	NPL[1]	Rate	NPL[1]
SERF	6.50 %	$ 2,455,502	7.50 %	$ 1,054,276	8.50 %	$ (108,894)
CERF	6.50 %	617,868	7.50 %	394,861	8.50 %	212,941
GERF	6.50 %	311,506	7.50 %	189,488	8.50 %	88,736
P&FF	6.50 %	125,658	7.50 %	57,488	8.50 %	1,112
TRF	6.50 %	1,082,897	7.50 %	679,254	8.50 %	346,456
SPTRF	6.50 %	274,315	7.50 %	206,407	8.50 %	150,158
JRF	6.50 %	218,593	7.50 %	178,884	8.50 %	144,878
LRF[3][4]	2.13 %	155,860	3.13 % [2]	140,185	4.13 %	127,040
SPRF	6.50 %	323,003	7.50 %	206,820	8.50 %	110,562

(1) Net Pension Liability (Asset).

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

(3) The discount rate changed from 3.62 percent for LRF.

(4) The discount rate for fiscal year 2021 will change to 2.45 percent for LRF.

Defined Contribution Plans

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds. The benefits received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer or solely with employee contributions, depending on the fund. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial accrued benefit liability or actuarially required contribution.

Plan Descriptions and Contribution Information

The Hennepin County Supplemental Retirement Fund (HCSRF), authorized by Minnesota Statutes 383B.46 to 383B.52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employer (Hennepin County and Hennepin Healthcare System) and employee contribution rate is 1.0 percent of the employee's salary. Benefits are the participant's account balance, which includes investment earnings/losses.

Health Care Savings Fund (HCSF), authorized by Minnesota Statutes 352.98, creates a post-retirement health care savings plan by which public employees may save to cover post-retirement health care costs. Contributions to the plan are defined in a personnel policy or in a collective bargaining agreement. Contributions to the plan, by or on behalf of an employee, are held in trust for reimbursement of employee and dependent health-related expenses following termination of public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted. Benefits are the participant's account balance, which includes investment gains/losses and must be used for qualifying health-related expenses. The employee contributions were $155,367,000 for the fiscal year ended June 30, 2020.

The Unclassified Employees Retirement Fund (UERF), authorized by Minnesota Statutes 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state, specified employees of various statutorily designated entities, or judges who exceed the maximum benefit cap under the Judges Retirement Fund (pension trust fund). Statutory contribution rates are 6.0 percent of employee's salary for employee and 6.25 percent for the employer. However, contribution rates for participating judges are 8.0 percent of employee's salary with no state contribution. Benefits are either an annuity based on age, value of the participant's account, and the effective actuarial assumptions, or the participant's account balance withdrawals.

The Minnesota Deferred Compensation Fund (DCPF) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes 352.965. The plan is primarily composed of employee contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. The employee contributions were $313,601,000 for the fiscal year ended June 30, 2020.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. The statutory contribution rate is 5.0 percent of employee's salary for both the employee and employer (local units of government, elected officials, and physicians). For other participants, the contribution rate is determined by the employer with a fixed percentage for the employee. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes 354B and 354C, covers unclassified teachers, librarians, administrators, and certain other staff members. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and administrators, participate in the IRAP. The employer and employee statutory contribution rates are 6.0 and 5.15 percent, respectively. Member contribution rates increase by 2.6 percent over the next four years. For the SRP, the statutorily required contribution rate is 5.0 percent of salary for both the employer and employees with contribution maximums between $1,700 and $2,700 depending on the member group. Minnesota Statutes allow additional employer and employee contributions under specific circumstances.

Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) is the administrative agent for the State Colleges and Universities Retirement Fund. Separately-issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

Primary Government
Defined Contribution Plans Contributions
As of June 30, 2020
(In Thousands)

Description	HCSRF	UERF	DCF	CURF
Member Contributions	$ 88	$ 7,438	$ 2,002	$ 45,178
Employer Contributions:				
Primary Government Contributions	$ —	$ 7,289	$ —	$ 45,555
Other Employer Contributions	88	543	2,160	—
Total Employer Contributions	$ 88	$ 7,832	$ 2,160	$ 45,555

Investment Trust Funds

The Supplemental Retirement and the Investment Trust funds (investment trust funds) are administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). These funds are investment pools for external participants.

Component Units

The following component units are participants in the State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF), and the Unclassified Employees Retirement Funds (UERF):

- Housing Finance Agency (HFA)
- Metropolitan Council (MC)
- University of Minnesota (U of M)
- Minnesota Sports Facilities Authority (MSFA)
- Office of Higher Education (OHE)
- Public Facilities Authority (PFA)

Component Units
Summary of Pension Amounts
State Employee Retirement Fund
As of December 31, 2019 or June 30, 2020, as applicable
(In Thousands)

Description	Major Component Units HFA	MC	U of M	Non-Major Component Units MSFA	OHE	PFA	Total
Proportionate Share of the Net Pension Liability	$ 8,740	$ 131,471	$ 199,773	$ 225	$ 1,896	$ 890	$ 342,995
Deferred Outflows of Resources	14,114	200,708	316,030	477	3,061	1,438	535,828
Deferred Inflows of Resources	29,550	445,863	705,997	1,042	6,409	3,008	1,191,869
Net Pension Expense (Income)	1,914	29,673	26,669	(107)	416	195	58,760

Major Component Units
Summary of Pension Amounts
Police and Fire Fund
As of December 31, 2019 or June 30, 2020, as applicable
(In Thousands)

Description	MC	U of M	Total
Proportionate Share of the Net Pension Liability	$ 12,647	$ 6,939	$ 19,586
Deferred Outflows of Resources	12,942	16,212	29,154
Deferred Inflows of Resources	16,638	18,453	35,091
Net Pension Expense	2,683	1,415	4,098

Note 9 – Termination and Postemployment Benefits

Primary Government – Termination Benefits

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. A liability and expense for voluntary termination benefits are recognized when the offer is accepted, and the amount can be estimated. A liability and expense for involuntary termination benefits are recognized when a plan of termination has been approved, the plan has been communicated to the employees, and the amount can be estimated.

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Faculty members who meet a combination of age and years of service plus certain eligibility requirements are eligible to receive an early retirement incentive cash payment based on base salary plus health insurance paid for one year after separation or up to age 65, depending on the contract. Approximately 70 former faculty members and staff currently receive this benefit. The cost of the benefits was $1,876,000 during fiscal year ended June 30, 2020, with a remaining liability as of June 30, 2020, of $2,238,000.

Primary Government Single Employer – Postemployment Benefits Other Than Pensions

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit healthcare plan, as allowed by Minnesota Statutes 43A.27, Subdivision 3, and Minnesota Statutes 471.61, Subdivision 2a, and required under the terms of selected employment contracts. All pre-age-65 state retirees with at least 5 years of allowable pension service who are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state's health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100 percent of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy.

The state also subsidizes the healthcare and dental premium rates for certain employees, primarily conservation officers, correctional officers at state correctional facilities, and state troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer's premium contribution rate is frozen at the date of the employee's retirement and is payable by the state until the retiree is age 65. The retiree is responsible for any other portion of the premiums. Coverage and rate subsidies end at the retiree's attainment of age 65.

The state does not issue a separate financial report for its OPEB as the state does not fund an OPEB plan and operates on a pay-as-you-go basis. The amount paid for OPEB benefits during fiscal year 2020 was $37,634,000.

Primary Government Single-Employer Plan
Employee Statistics

Description	Employees
Inactive Employees (or their beneficiaries) Currently Receiving Benefits	3,477
Active Employees	47,911

Primary Government Single-Employer Plan
Summary of OPEB Amounts
As of June 30, 2020
(In Thousands)

Description	Amount[1]
Total OPEB Liability	$ 630,967
Deferred Outflows of Resources	42,626
Deferred Inflows of Resources	70,282
Total OPEB Expense	59,456

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

Single-Employer Plan
Actuarial Assumptions

Description	OPEB Plan
Actuarial Valuation[1]	July 1, 2018
Measurement Date[1]	June 30, 2019
Discount Rate: 20 Year Municipal Bond Rate[2]	3.50%
Healthcare Cost Trend Rate	6.6% reduced to 3.8% by 2068
Experience Study Dates	2014 - 2018
Inflation	2.25%
Salary Increases	3.00%

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

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

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

Single-Employer Plan
Schedule of Total OPEB Liability
As of June 30, 2020
(In Thousands)

Description	Primary Government's Share[1]	Component Unit's Share[1]	Plan Total
Total OPEB Liability:			
Service Cost	$ 47,430	$ 43	$ 47,473
Interest	24,881	82	24,963
Differences Between Expected and Actual Experience	(16,791)	(55)	(16,846)
Changes in Assumptions or Other Inputs	(2,436)	(8)	(2,444)
Benefit Payments	(34,916)	(114)	(35,030)
Net Changes in Total OPEB Liability	$ 18,168	$ (52)	$ 18,116
Total OPEB Liability, Beginning	612,799	2,119	614,918
Total OPEB Liability, Ending	$ 630,967	$ 2,067	$ 633,034

(1) The primary government's total proportionate share is 99.7 percent and the component unit's proportionate share is 0.3 percent of the state's single employer defined benefit OPEB plan.

Primary Government Single-Employer Plan
Deferred Outflows and Deferred Inflows of Resources
Related to OPEB
As of June 30, 2020
(In Thousands)

Description	Deferred Outflows of Resources[1]	Deferred Inflows of Resources[1]
Difference between Expected and Actual Experience	$ —	$ 45,094
Changes of Assumption	4,992	25,188
Transactions Subsequent to the Measurement Date	37,634	NA
Total	$ 42,626	$ 70,282

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

Primary Government Single-Employer Plan
Net Deferred Outflows (Inflows) of Resources
Recognized as OPEB Expense or a Reduction to the Total OPEB Liability
As of June 30, 2020
(In Thousands)

Description	Amount[1]
2021	$ (12,766)
2022	(12,766)
2023	(12,766)
2024	(13,147)
2025	(9,991)
Thereafter	(3,854)
Net OPEB Expense	$ (65,290)
Deferred Outflow of Resources as a Reduction of the Total OPEB Liability	37,634
Net Deferred Outflows (Inflows) of Resources	$ (27,656)

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

The following tables present the total OPEB liability (TOPEBL) for the defined benefit plan for the primary government's proportionate share of the TOPEBL, calculated using the corresponding discount rate and healthcare trend rate as well as what the TOPEBL would be if the rates were one percentage point higher or lower.

Primary Government
Sensitivity of the Total OPEB liability to Changes in the Discount Rate
As of June 30, 2020
(In Thousands)

With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Rate	TOPEBL	Rate[1]	TOPEBL	Rate	TOPEBL
2.5%	$ 675,499	3.5%	$ 630,967	4.5%	$ 588,888

(1) The discount rate changed from 3.87 percent.

Sensitivity of the Total OPEB liability to Changes in the Healthcare Trend Rates
As of June 30, 2020
(In Thousands)

With a 1% Decrease		Current Healthcare Trend Rate		With a 1% Increase	
Rate	TOPEBL	Rate	TOPEBL	Rate	TOPEBL
2.8%	$ 567,574	3.8%	$ 630,967	4.8%	$ 705,268

Component Units – Postemployment Benefits Other Than Pensions

Housing Finance Agency (HFA) and the Office of Higher Education (OHE) participate in the primary government's single-employer defined benefit OPEB plan.

The Metropolitan Council (MC) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. The funding for MC does not meet the requirements of GASB statement 75, for OPEB. However, MC separately invested $292 million as of December 31, 2019 for this purpose.

The University of Minnesota (U of M) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible employees, retirees, their spouses, and dependents, and an academic disability plan for faculty and academic professional and administrative employees. The U of M does not fund an OPEB plan and operates on a pay-as-you-go basis.

Component Units
Summary of OPEB Amounts
State OPEB Plan
As of June 30, 2020
(In Thousands)

Description	Major Component Unit HFA	Non-Major Component Unit OHE	Total
Proportionate Share Total OPEB Liability	$ 1,672	$ 395	$ 2,067
Deferred Outflows of Resources	97	23	120
Deferred Inflows of Resources	184	43	227
Total OPEB Expense	137	31	168

Major Component Units
Summary of OPEB Amounts
Other Plans
As of December 31, 2019 or June 30, 2020, as applicable
(In Thousands)

Description	MC	U of M	Total
Proportionate Share Total OPEB Liability	$ 336,289	$ 46,686	$ 382,975
Deferred Outflows of Resources	54,827	6,761	61,588
Deferred Inflows of Resources	18,581	368	18,949
Total OPEB Expense	22,655	7,417	30,072

Note 10 – Long-Term Commitments

Primary Government

Governmental Funds

Long-term commitments consist of grant agreements, construction projects, and other contracts. A portion of these commitments will be funded by current reserves, and these amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance amounts. Resources provided by future bond proceeds, gas taxes, motor vehicle registration taxes, and federal grants will fund the remaining commitments. Governmental funds' encumbrances, both current and long-term, as of June 30, 2020, were as follows:

Primary Government
Encumbrances
As of June 30, 2020
(In Thousands)

Description		Amount
General Fund	$	486,239
Non-Major Governmental Funds		1,995,040
Total Encumbrances	$	2,481,279

Enterprise Fund - Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of $93,485,000 for construction and renovation of college and university facilities as of June 30, 2020.

Component Units

As of June 30, 2020, the Housing Finance Agency had committed approximately $678,077,000 for the purchase or origination of future loans or other housing assistance.

The Metropolitan Council entered into contracts for various purposes such as transit services and construction projects. As of December 31, 2019, unpaid commitments for Metro Transit Bus services were approximately $387,227,000. Future commitments for Metro Transit Light Rail were approximately $375,960,000, while future commitments for Metro Transit Commuter Rail were approximately $7,144,000. Future commitments for Regional Transit and Environmental Services were approximately $19,510,000 and $61,123,000, respectively. Finally, amounts authorized and initiated in the calendar year 2019 budget but not completely expended in calendar year 2019 were $3,701,000.

The University of Minnesota had construction projects in progress with an estimated completion cost of $160,399,000 as of June 30, 2020. These costs will be funded from plant account assets and state appropriations.

As of June 30, 2020, the Public Facilities Authority (PFA) had committed approximately $153,100,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $62,800,000 for grants.

As of June 30, 2020, the Minnesota Sports Facilities Authority had committed approximately $8,175,000 for stadium and stadium infrastructure construction projects.

Note 11 – Operating Lease Agreements

Operating Leases

The state and its component units are committed under various leases primarily for building and office space. For accounting purposes, these leases are considered to be operating leases.

Lease expenditures/expenses for the fiscal year ended June 30, 2020, totaled approximately $90,350,000 and $27,342,000 for the primary government and component units, respectively. Lease expenses for the year ended December 31, 2019, totaled approximately $2,313,000 for component units.

Primary Government and Component Units
Future Minimum Lease Payments
(In Thousands)

Primary Government			Component Units					
Year Ended June 30		Amount	Year Ended June 30		Amount	Year Ended December 31		Amount
2021	$	85,585	2021	$	17,469	2020	$	1,552
2022		72,264	2022		16,453	2021		1,361
2023		57,327	2023		8,091	2022		1,060
2024		46,290	2024		6,773	2023		1,026
2025		42,651	2025		5,768	2024		335
2026-2030		87,603	2026-2030		22,461	2025-2029		327
2031-2035		3,117	2031-2035		13,084	2030-2034		266
2036-2040		335	2036-2040		1,718	2035-2039		90
2041-2045		284	2041-2045		1,713	2040-2044		48
2046-2050		302	2046-2050		188	2045-2049		15
2051-2055		288	2051-2055		—	2050-2054		—
Total	$	396,046	Total	$	93,718	Total	$	6,080

Note 12 – Long-Term Liabilities - Primary Government

Primary Government
Long-Term Liabilities
Year Ended June 30, 2020
(In Thousands)

Liability Type	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 6,924,502	$ 779,366	$ 678,457	$ 7,025,411	$ 549,231
Revenue Bonds	34,150	—	2,740	31,410	2,830
State Appropriation Bonds	997,488	—	52,721	944,767	45,555
Loans	46,958	25,747	20,880	51,825	18,675
Due to Component Units	4,224	—	654	3,570	668
Capital Leases	61,864	—	10,162	51,702	10,655
Certificates of Participation	81,709	—	2,671	79,038	2,290
Claims	921,626	939,719	1,017,033	844,312	164,137
Compensated Absences	332,911	340,825	310,408	363,328	48,992
Other Postemployment Benefits	527,953	51,098	29,788	549,263	—
Net Pension Liability	2,680,123	392,822	330,627	2,742,318	—
Total	$ 12,613,508	$ 2,529,577	$ 2,456,141	$12,686,944	$ 843,033
Business-type Activities:					
General Obligation Bonds	$ 223,190	$ 15,747	$ 24,031	$ 214,906	$ 20,919
Revenue Bonds	309,803	16,302	59,586	266,519	30,425
Loans	10,358	3,629	589	13,398	639
Capital Leases	9,494	—	4,143	5,351	1,754
Claims	22,420	248,041	241,780	28,681	27,085
Compensated Absences	159,581	35,770	31,203	164,148	20,278
Other Postemployment Benefits	84,846	8,263	11,405	81,704	—
Net Pension Liability	360,421	38,972	34,048	365,345	—
Total	$ 1,180,113	$ 366,724	$ 406,785	$ 1,140,052	$ 101,100

Primary Government
Resources for Repayment of Long-Term Liabilities
Year Ended June 30, 2020
(In Thousands)

	Governmental Activities				
Liability Type	General Fund	Special Revenue Funds	Internal Service Funds	Business-type Activities	Total
General Obligation Bonds	$ 4,973,286	$ 2,052,125	$ —	$ 214,906	$ 7,240,317
Revenue Bonds	10,872	20,538	—	266,519	297,929
State Appropriation Bonds	944,767	—	—	—	944,767
Loans	—	721	51,104	13,398	65,223
Due to Component Units	—	3,570	—	—	3,570
Capital Leases	51,702	—	—	5,351	57,053
Certificates of Participation	79,038	—	—	—	79,038
Claims	180,104	575,042	89,166	28,681	872,993
Compensated Absences	206,089	143,644	13,595	164,148	527,476
Other Postemployment Benefits	541,973	—	7,290	81,704	630,967
Net Pension Liability	2,709,500	—	32,818	365,345	3,107,663
Total	$ 9,697,331	$ 2,795,640	$ 193,973	$ 1,140,052	$ 13,826,996

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, state appropriation bonds, loans, due to component unit, capital leases, and certificates of participation. There are no payment schedules for claims, compensated absences, other postemployment benefits, and net pension liability.

Primary Government
General Obligation Bonds
Principal and Interest Payments
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 549,231	$ 264,034	$ 20,919	$ 9,088	$ 570,150	$ 273,122
2022	542,912	237,866	20,343	7,783	563,255	245,649
2023	538,093	211,966	18,837	6,821	556,930	218,787
2024	486,652	187,421	17,648	5,925	504,300	193,346
2025	466,629	164,654	16,431	5,112	483,060	169,766
2026-2030	1,953,710	540,575	62,035	15,853	2,015,745	556,428
2031-2035	1,200,606	201,732	32,034	5,805	1,232,640	207,537
2036-2040	402,711	33,005	9,959	923	412,670	33,928
Total	$ 6,140,544	$ 1,841,253	$ 198,206	$ 57,310	$ 6,338,750	$ 1,898,563
Bond Premium	884,867	—	16,700	—	901,567	—
Total	$ 7,025,411	$ 1,841,253	$ 214,906	$ 57,310	$ 7,240,317	$ 1,898,563

Primary Government
Revenue Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2021	$ 2,830	$ 1,109	$ 30,425	$ 9,797	$ 33,255	$ 10,906
2022	2,935	1,014	21,050	8,544	23,985	9,558
2023	1,760	944	19,685	7,744	21,445	8,688
2024	1,815	891	18,035	6,991	19,850	7,882
2025	1,870	834	18,295	6,252	20,165	7,086
2026-2030	10,345	3,124	89,515	19,428	99,860	22,552
2031-2035	9,855	865	50,775	4,339	60,630	5,204
2036-2040	—	—	4,855	155	4,855	155
Total	$ 31,410	$ 8,781	$ 252,635	$ 63,250	$ 284,045	$ 72,031
Bond Premium	—	—	13,884	—	13,884	—
Total	$ 31,410	$ 8,781	$ 266,519	$ 63,250	$ 297,929	$ 72,031

Primary Government
State Appropriation Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest
2021	$ 45,555	$ 40,560
2022	47,710	38,334
2023	49,235	36,012
2024	51,795	33,598
2025	54,640	31,057
2026-2030	313,225	113,836
2031-2035	94,080	62,943
2036-2040	114,440	38,102
2041-2045	82,100	8,363
Total	$ 852,780	$ 402,805
Bond Premium	91,987	—
Total	$ 944,767	$ 402,805

Primary Government
Loans Payable and Due to Component Units
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2021	$ 19,343	$ 1,059	$ 639	$ 379	$ 19,982	$ 1,438
2022	15,508	693	771	329	16,279	1,022
2023	10,357	406	757	303	11,114	709
2024	4,783	223	722	280	5,505	503
2025	1,011	156	770	258	1,781	414
2026-2030	2,229	543	4,019	967	6,248	1,510
2031-2035	1,271	274	4,251	474	5,522	748
2036-2040	893	52	1,469	57	2,362	109
Total	$ 55,395	$ 3,406	$ 13,398	$ 3,047	$ 68,793	$ 6,453

Primary Government
Capital Leases
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2021	$ 10,655	$ 2,570	$ 1,754	$ 435	$ 12,409	$ 3,005
2022	11,171	2,037	1,316	174	12,487	2,211
2023	11,717	1,477	308	93	12,025	1,570
2024	12,291	892	308	93	12,599	985
2025	5,599	276	308	92	5,907	368
2026-2030	269	7	1,039	136	1,308	143
2031-2035	—	—	318	7	318	7
Total	$ 51,702	$ 7,259	$ 5,351	$ 1,030	$ 57,053	$ 8,289

Primary Government
Certificates of Participation
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest
2021	$ 2,290	$ 3,498
2022	2,405	3,384
2023	2,525	3,264
2024	2,650	3,137
2025	2,785	3,004
2026-2030	16,160	12,792
2031-2035	20,620	8,326
2036-2040	20,530	2,628
Total	$ 69,965	$ 40,033
Premium on Certificates of Participation	9,073	—
Total	$ 79,038	$ 40,033

Debt Service Fund

For state general obligation bonds, Minnesota Statutes 16A.641 provides for an annual appropriation for transfer to the Debt Service Fund. The amount of the appropriation is to be such that, when combined with the balance on hand in the Debt Service Fund on December 1 of each year for state bonds, it will be sufficient to pay all general obligation bond principal and interest due and to become due through July 1 in the second ensuing year. If the amount appropriated is insufficient when combined with the balance on hand in the Debt Service Fund, the state constitution requires the state auditor to levy a statewide property tax to cover the deficiency. No such property tax has been levied since 1969 when the law requiring the appropriation was enacted.

For other annual appropriation debt, the amounts needed to pay principal and interest payment are appropriated each fiscal year for transfer to the Debt Service Fund. The state has no legal obligation to continue appropriating funds to make debt service payments. The annual appropriation debt is canceled on the earlier of the fiscal year for which the legislature does not appropriate sufficient amounts for debt service, an executive unallotment regarding continuing appropriations for debt service, or the date of the final principal and interest payment. The Minnesota Statutes governing outstanding annual appropriation debt are provided in the applicable sections in this note.

During fiscal year 2020, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government
Transfers to Debt Service Fund
Year Ended June 30, 2020
(In Thousands)

Fund Type	Amount
General Fund	$ 628,841
Special Revenue Funds:	
Trunk Highway Fund	209,821
Miscellaneous Special Revenue Fund	1,199
Total Special Revenue Funds	$ 211,020
Capital Project Funds:	
Building Fund	$ 329
Transportation Fund	56
Total Capital Project Funds	$ 385
Internal Service Fund – Plant Management Fund	5,787
Total Transfers to Debt Service Fund	$ 846,033

General Obligation Bond Issues

In August 2019, the state issued $661,505,000 general obligation bonds, Series 2019A through Series 2019D:

- Series 2019A for $406,900,000 in state various purpose bonds were issued at a true interest rate of 2.21 percent.
- Series 2019B for $190,690,000 in state trunk highway bonds were issued at a true interest rate of 2.06 percent.
- Series 2019C for $36,345,000 in taxable state bonds were issued at a true interest rate of 2.08 percent.
- Series 2019D for $27,570,000 in state various purpose refunding bonds were issued at a true interest rate of 1.17 percent. The aggregate debt service payments decreased by $5,062,000 and the economic gain (the present value of the debt service savings) for the state was $5,206,000.

The state remains contingently liable to pay its advance refunded general obligation bonds as shown in the following table.

Primary Government
Outstanding Defeased Debt
General Obligation Bonds
(In Thousands)

Refunding Date	Original Refunding Amount	Refunded Amount	June 30, 2020 Outstanding Amount	Refunded Bond Call/Maturity Date
August 21, 2014	$ 5,449	$ 5,705	$ 3,815	October 1, 2021
August 21, 2014	9,727	10,185	7,360	August 1, 2022
October 11, 2017	292,569	315,250	315,250	August 1, 2020
March 14, 2018	NA	1,860	930	August 1, 2021
March 14, 2018	NA	3,815	2,725	August 1, 2020
March 14, 2018	NA	480	480	October 1, 2023
Total	$ 307,745	$ 337,295	$ 330,560	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2020. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Colleges and Universities Fund (enterprise fund).

Primary Government
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2020
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates for Outstanding
Maximum Effort School Loan	$ —	$ 11,276	5.00%
Rural Finance Authority	—	82,559	1.40-5.00%
State Transportation	136,337	253,839	2.50-5.00%
Trunk Highway	1,193,642	1,821,990	2.00-5.00%
Trunk Highway Refunding Bonds	—	230,135	2.00-5.00%
Various Purpose	802,273	2,503,161	1.95-5.00%
Various Purpose Refunding Bonds	—	1,435,790	2.08-5.00%
Total	$ 2,132,252	$ 6,338,750	

State Appropriation Bonds

On October 31, 2012, the Minnesota Supreme Court concluded that the Appropriation Refunding Bonds do not constitute public debt for which the state has pledged its full faith, credit, and taxing powers. The Minnesota Supreme Court held that, accordingly, the bonds are not subject to the Minnesota Constitution's Article XI, Section 5, restrictions on the use of the proceeds of "public debt." Resulting from the decision of this court case, on November 21, 2012, the state sold state General Fund appropriation refunding bonds as authorized by Minnesota Statutes 16A.99. The bonds were issued for the purpose of refunding tobacco settlement revenue bonds Series 2011A and Series 2011B of the Tobacco Securitization Authority. These appropriation bonds are payable only from amounts appropriated by the Minnesota Legislature.

Minnesota Statutes 16A.965 authorizes the state to issue state General Fund appropriation bonds for the purpose of financing up to $498,000,000 for the state and City of Minneapolis' share of the costs of a professional football stadium project of the Minnesota Sports Facilities Authority (component unit) . The state has commenced the financing process. In addition, the Minnesota Pay-for-Performance Act of 2011 authorized issuance of up to $10,000,000 bond proceeds as incentive payments to service providers for certain financial outcomes that will result in decreased costs or increased revenues to the state.

Minnesota Statutes 16A.967 as amended by the Laws of Minnesota Special Session 2017, Chapter 8, Article 2, Section 2, authorizes the state to issue state General Fund appropriation bonds not to exceed $22,500,000 for financing land acquisition, design, engineering, and construction of facilities and infrastructure necessary to complete the next phase of the Lewis and Clark Regional Water System project, including completion of the pipeline to Magnolia, extension of the project to the Lincoln-Pipestone Rural Water System connection near Adrian, and engineering, design, and easement acquisition for the final phase of the project to Worthington. No bonds shall be sold until the commissioner of Minnesota Management and Budget determines that a nonstate match of at least $9,000,000 is committed to this project phase. Grant agreements entered into under this section must provide for reimbursement to the state from any federal money provided for the project, consistent with the Lewis and Clark Regional Water System Incorporated Agreement. The nonstate match was met and in fiscal year 2017, state General Fund appropriation bonds of $11,790,000 were issued at a true interest rate of 2.83 percent. On November 9, 2017, state General Fund appropriation bonds of $7,570,000 were issued at a true interest rate of 3.23 percent.

Minnesota Statutes 469.53 authorizes projects eligible for state appropriation support payments, upon approval by the city of Duluth. Eligible project include: (1) two levels of expansion to an existing medical district parking ramp and a skywalk replacement; (2) a ramp with up to 1,400 new parking stalls to serve the medical entity west; (3) extension of 6th Avenue East; (4) demolition of existing hospital structure; (5) roadway, utility, and site improvements and capacity upgrades to support medical entity west; (6) district energy connections; and (7) a ramp for up to 400 new parking stalls to serve the medical entity east. Minnesota Statutes 469.54 authorizes the city of Duluth, in lieu of directly receiving the appropriation support payments, to have the state issue state General Fund appropriation bonds. Minnesota Statutes 16A.968, as amended by Laws of Minnesota Regular Session 2020, Chapter 83, Article 1, Section 3, authorizes the state to issue state General Fund appropriation bonds not to exceed $97,720,000 for the purpose of financing public infrastructure projects authorized and approved by the city of Duluth. In the event the state issues state General Fund appropriation bonds for these purposes, the amount of appropriation support payments in any year is reduced by an amount equal to the amount needed from the General Fund. Up to $8,100,000 is appropriated from the General Fund each year beginning in fiscal year 2022 through fiscal year 2055 to pay debt service on the bonds, subject to Minnesota Statutes 469.54, subdivision 3 which allows a maximum appropriation support payment of $3.7 million in fiscal year 2022. Debt service on these bonds is paid from a statutory General Fund appropriation that may be repealed, canceled, or unallotted. In October 2020, the state issued $66.3 million Duluth Regional Exchange District state General Fund appropriation bonds. See Note 22 – Subsequent Events for more information.

The following table is a schedule of state appropriation bonds authorized, but unissued, and bonds outstanding as of June 30, 2020.

Primary Government
State Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2020
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates
Professional Football Stadium	$ —	$ 408,740	2.97-5.08%
Pay-for-Performance	10,000	—	N/A
Refund Tobacco Securitization Authority	—	428,025	3.00-5.00%
Lewis and Clark Regional Water System	3,140	16,015	1.50-3.50%
Duluth Regional Exchange District Appropriation Bonds	97,720	—	N/A
Total	$ 110,860	$ 852,780	

Loans Payable and Due to Component Unit

Governmental activities loans and due to component units are loans/due to component units for transportation projects, energy efficiencies improvements, and equipment purchase loans for internal service funds. The capital assets purchased for energy efficiencies improvements and equipment purchases are pledged as collateral on the loans incurred to finance the purchase. On June 30, 2020, the state has an unused line of credit of $20,205,000 to finance additional equipment purchases.

Business-type activities loans are loans to purchase energy efficiencies improvements and equipment. The capital assets purchased for energy efficiencies improvements and equipment purchases are pledged as collateral on the loans incurred to finance the purchases.

Capital Leases

In fiscal year 2006, the state entered into capital lease agreements, amended in fiscal year 2013, with St. Paul Port Authority (SPPA - not part of the state's reporting entity) to purchase two newly constructed buildings on state-owned land for $180,005,000. Lease payments are scheduled over 20 years and approximate the debt service payments of SPPA. The leases meet the criteria of a capital lease as defined by GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The terms of each agreement provide options to purchase the buildings under a bargain purchase option. In May 2013, SPPA issued refunding bonds of $115,760,000. The proceeds of the bonds were applied to refund SPPA's outstanding revenue bonds. The lease agreement was amended to approximate the debt service payments of SPPA refunding bonds.

The state has other capital lease agreements to purchase equipment that meets the above criteria. The equipment is pledged as collateral on these lease agreements. In addition, Minnesota State Universities Fund (enterprise fund) entered into capital lease agreements for campus facilities. Minnesota State Colleges and Universities (MnSCU) guaranteed the revenue bonds issued by Clay County and the city of Saint Cloud Housing and Redevelopment Authority. As of June 30, 2020, MnSCU has not been required to make any payments on these guarantees. In the event MnSCU is called upon to make any lease payments, default provisions in each lease agreement provide options to terminate the agreement and possession of the buildings can be pursued legally by MnSCU. As of June 30, 2020, there is $5,245,000 principal outstanding on these guarantees.

Certificates of Participation

In August 2014, the state issued $80,100,000 of certificates of participation (COPs) at a true interest rate of 3.70 percent to finance the predesign, design, and construction and equipping of offices, hearing rooms, and parking facilities for a legislative office facility as authorized by Laws of Minnesota Regular Session 2013, Chapter 143, Article 12, Section 21. The COPs are not general or moral obligations of the state and no revenues are pledged to repay them. If the state defaults on the debt, the trustee has the right to terminate the lease terms of the project and to take whatever legal action may appear necessary to collect rental payment(s).

Revenue Bonds Payable

In October 2013, Iron Range Resources and Rehabilitation issued $37,830,000 of education facilities revenue bonds at a true interest rate of 3.76 percent. Minnesota Laws of 2013, Chapter 143, Article 11, Section 11; Minnesota Statutes 298.22 through 298.32; and an order of the commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. The bonds will be used to make grants to certain school districts located in the taconite relief areas, as defined in Minnesota Statutes 273.134. The interest rates for the bonds range from 3.00 percent to 4.30 percent over a 20 year term.

In September 2014, the Iron Range Resources and Rehabilitation issued $7,860,000 of education facilities refunding revenue bonds at a true interest rate of 1.32 percent. The proceeds of the bonds will be used to affect a current refunding of the commissioner of Iron Range Resources and Rehabilitation's Educational Facilities Revenue Bonds Series 2006. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes 298.2211; and an order of the commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. The interest rates on the bonds are 3.00 percent for the remaining two years of the bonds.

To repay the bonds, Iron Range Resources and Rehabilitation has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund). These tax distributions, totaling $3,990,000 for fiscal year 2020, have averaged less than ten percent of the state's total annual taconite production tax revenues over the last five years. The debt service on the bonds is payable solely from these taconite production tax distributions. For fiscal year 2020, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was $3,946,000. The total principal and interest remaining to be paid as of June 30, 2020, is $40,191,000 payable through October 2033.

The state is authorized by Minnesota Statutes 403.275, and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, $35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. On November 13, 2008, $42,205,000 in revenue bonds were issued at a true interest rate of 4.60 percent. On October 22, 2009, $60,510,000 in revenue bonds were issued at a true interest rate of 3.17 percent. On August 16, 2011, $60,380,000 in revenue bonds were issued at a true interest rate of 2.96 percent. On November 1, 2016, $91,715,000 in revenue refunding bonds were issued at a true interest rate of 1.06 percent. The proceeds of the bonds were used to defease and refund, on an advance refunding basis, the outstanding maturities of the state's 911 Revenue Bonds Series 2008, Series 2009, Series 2011, and pay the costs associated with the issuance of the bonds. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 31 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2020, is $10,652,000 payable through June 2021. Principal and interest paid during fiscal year 2020 and total 911 fee revenues were $22,998,000 and $75,032,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund).

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes 136F.98 to issue revenue bonds whose aggregate principal shall not exceed $405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 1.90 percent to 5.00 percent. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 30 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $304,027,000. Principal and interest paid for the current year and total customer net revenues were $27,577,000 and $98,172,000, respectively. The bonds are accounted for in the State Colleges and Universities Fund (enterprise fund).

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2038. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 47 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $1,206,000. Principal and interest paid and total customer net revenues during fiscal year 2020 were $172,000 and $380,000, respectively. These revenue bonds have a variable interest rate of 2.55 percent to 3.65 percent. The bonds are accounted for in the State Colleges and Universities Fund (enterprise fund).

Claims

The state has assumed responsibility for the long-term care of certain closed municipal solid waste facilities. Minnesota Statutes 115B.39 established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. The state is responsible, in perpetuity, for performing cleanup and final closure work, as well as all postclosure maintenance and monitoring, at qualifying sites. Municipal solid waste landfill liabilities of $309,241,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. There are currently 110 landfills in the program and four more landfills that are qualified, but not yet enrolled. One of the qualified sites, Freeway Landfill, has a liability of $133,615,000; approximately 40 percent of the total landfill liability. Estimated landfill closure and postclosure liabilities include planned response actions, future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Additionally, funds may be spent for corrective actions to address incidents involving agricultural chemicals, including related administrative costs, enforcement, and cost recovery actions. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites, or changes in regulations, and future unanticipated response actions.

Funding for the state’s ongoing claims at these landfills has historically come from the Environmental and Remediation Fund (special revenue fund). Currently, the majority of funds appropriated for spending from the Environmental and Remediation Fund are budgeted and expended annually on activities not associated with closure and postclosure care of landfills. Further, the recovery of financial assurance monies from previous landfill owners and operators is no longer a source of revenue to the Environmental and Remediation Fund. The closed landfill investment account, established under Minnesota Statutes 115B.421, within the Environmental and Remediation Fund was created to address a portion of these required long-term postclosure costs through minimal withdrawals from a fund managed through the State Board of Investment to ensure long-term availability of resources and may be spent after fiscal year 2020. The Metropolitan Landfill Contingency Action Account is an account in the Environmental and Remediation

Fund consisting of revenues from 25 percent of the metropolitan solid waste landfill fee, cost recovery of response actions expenses, and interest earned on investment of money in the account. The account appropriated for closure and post-closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a thirty year period after closure if determine that the operator/owner cannot take the necessary actions as directed by the commissioner of the Minnesota Pollution Control Agency. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, are now a significant source of funding for design and construction work at the publicly-owned landfills in the program.

The state of Minnesota is financially responsible to remediate certain known pollution present on either state-owned or non-state-owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2020, were $168,579,000. Of this total, $131,885,000 was the liability for remediation on sites designated pursuant to state or federal superfund laws. The pollution remediation amounts are estimated through an analysis of existing polluted sites. The liabilities are based on the weighted average of the pollution remediation outlays expected to be incurred to settle those liabilities. Because the liabilities are measured at their current value, they are subject to change due to inflation, technology improvements, or changes to applicable laws and regulations.

Funding for the state’s pollution remediation primarily comes from the Environmental and Remediation Fund (special revenue fund), which was established under Minnesota Statutes 116.155, and the Petroleum Tank Cleanup Fund (special revenue fund), which was established under Minnesota Statutes 115C.08. These statutes require the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Cleanup Fund. As of July 2020, the Petroleum Tank Cleanup Fund has approved $459,000,000 in reimbursements for eligible applicants since program inception in 1987. Future expenditures from the Petroleum Tank Cleanup Fund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites. The estimated total payments from the program, which is scheduled to sunset on June 30, 2022, are between $460,000,000 and $480,000,000 for investigative and cleanup costs.

The governmental activities’ and business-type activities’ liability for workers' compensation of $73,326,000 and $3,801,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2020 and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of $27,400,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

Claims of $176,600,000 are for reimbursements of supplementary and second injury benefits for old workers’ compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00 percent) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately 2058 for supplementary benefits and 2046 for second injuries.

The remaining claims represent $9,985,000 in the Risk Management Fund (internal service fund), $79,181,000 in the Employee Insurance Fund (internal service fund), and $24,880,000 in the Public Employees Insurance Fund (enterprise fund).

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $363,328,000 and $164,148,000 respectively, are primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Arbitrage Liabilities

An arbitrage rebate payable to the federal government is required by the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties if there are excess earnings on tax-exempt bond proceeds and debt service reserves. For fiscal year 2020, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable – Fiduciary Funds

On June 1, 2000, the state of Minnesota issued revenue bonds totaling $29,000,000 on behalf of the state's three retirement systems. Minnesota Statutes 356.89 authorized the issuance of the revenue bonds for the construction of an administrative office building. On August 9, 2012, the state of Minnesota issued revenue refunding bonds totaling $21,880,000 on behalf of the state's three retirement systems at a true rate of 1.63 percent. Minnesota Statute 356B.10, authorized the issuance of the revenue bonds for a current refunding of the $29,000,000 Retirement System Building Revenue Bonds, Series 2000, which were issued for the construction of an administrative office building. The revenue refunding bonds have an interest rate of 1.63 percent and are not general obligations of the state. The bonds are backed by the assets of the three retirement systems, excluding assets segregated for retired employees and assets of the systems' defined contribution funds.

The debt service payments are allocated to each system based on the percentage interest each has in the facility. For fiscal year 2020, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and General Employees Retirement Fund (GERF) was $2,085,000. The total principal and interest remaining to be paid as of June 30, 2020, is $9,307,000, payable through fiscal year 2025.

Long-Term Debt Repayment Schedule
Fiduciary Funds
Revenue Bonds – SERF, TRF, and GERF
(In Thousands)

Year Ended June 30	Principal	Interest
2021	$ 1,835	$ 265
2022	1,875	228
2023	1,915	190
2024	1,845	114
2025	1,000	40
Total	$ 8,470	$ 837
Bond Premium	451	—
Total	$ 8,921	$ 837

Note 13 – Long-Term Liabilities - Component Units

General Obligation and Revenue Bonds

The Metropolitan Council (MC) issued general obligation bonds for parks, solid waste disposal systems, sewers, and transportation projects, backed by the full faith and credit and taxing powers of MC. MC had $1,638,329,000 in general obligation bonds and general obligation grant anticipation notes outstanding on December 31, 2019, including unamortized discounts/premiums. During calendar year 2019, MC issued general obligation transit bonds of $117,000,000.

The University of Minnesota (U of M) issued general obligation bonds and revenue bonds for capital projects. On June 30, 2020, the principal amount of general obligation bonds and revenue bonds outstanding, including unamortized discounts/premiums, was $998,309,000 and $299,474,000, respectively.

Component Units
General Obligation Bonds
Major Component Units
(In Thousands)

	MC			U of M	
Year Ended December 31	Principal	Interest[(1)]	Year Ended June 30	Principal	Interest
2020	$ 158,633	$ 48,819	2021	$ 42,595	$ 40,120
2021	150,718	42,644	2022	45,015	34,744
2022	145,538	37,628	2023	35,935	36,280
2023	135,311	32,715	2024	37,500	34,589
2024	128,325	28,002	2025	39,340	32,797
2025-2029	480,126	84,016	2026-2030	219,685	133,831
2030-2034	255,439	31,648	2031-2035	196,420	83,788
2035-2039	96,370	4,949	2036-2040	164,970	42,237
2040-2044	—	—	2041-2045	91,490	9,160
Total	$ 1,550,460	$ 310,421	Total	$ 872,950	$ 447,546
Unamortized Discounts / Premiums and Issuance Costs	87,869	—	Unamortized Discounts / Premiums and Issuance Costs	125,359	—
Total	$ 1,638,329	$ 310,421	Total	$ 998,309	$ 447,546

(1) MC interest is net of Build America Bonds federal subsidy.

The Housing Finance Agency (HFA) is authorized by Minnesota Statutes 462A.06 to issue revenue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed $5,000,000,000, according to Minnesota Statutes 462A.22. The principal amount of revenue bonds outstanding on June 30, 2020, including unamortized discounts/premiums, was $3,453,804,000.

The Office of Higher Education (OHE) is authorized by Minnesota Statutes 136A.171-136A.175 to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount outstanding on these bonds at any one time, not including refunded bonds or otherwise defeased or discharged bonds, shall not exceed $850,000,000, according to Minnesota

Statutes 136A.171. On June 30, 2020, the outstanding principal of revenue bonds was $501,085,000, including unamortized discounts/premiums.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes 446A.04 to issue revenue bonds to make loans to municipalities for wastewater treatment facilities, drinking water systems, and transportation. The amount outstanding on these bonds at any time shall not exceed $2,000,000,000, according to Minnesota Statutes 446A.12. The principal amount of bonds outstanding on June 30, 2020, including unamortized discounts/premiums, was $641,825,000.

Component Units
Revenue Bonds
Major Component Units
(In Thousands)

Year Ended June 30	HFA Principal	HFA Interest	U of M Principal	U of M Interest[1]
2021	$ 54,425	$ 95,546	$ 12,755	$ 11,283
2022	67,550	95,619	13,375	10,666
2023	49,015	94,324	14,045	9,989
2024	50,025	93,074	14,755	9,278
2025	50,645	91,746	15,500	8,532
2026-2030	287,565	434,775	98,780	30,860
2031-2035	336,195	390,979	72,805	13,381
2036-2040	347,975	351,687	23,490	1,459
2041-2045	573,059	315,841	10,500	—
2046-2050	1,607,077	143,426	—	—
2051-2055	5,120	90	—	—
Total	$ 3,428,651	$ 2,107,107	$ 276,005	$ 95,448
Unamortized Discount / Premiums and Issuance Costs	25,153	—	23,469	—
Total	$ 3,453,804	$ 2,107,107	$ 299,474	$ 95,448

[1] Excludes interest on variable rate bonds with an outstanding principal balance of $32.850 million.

Component Units
Revenue Bonds
Nonmajor Component Units
(In Thousands)

Year Ended June 30	OHE Principal	OHE Interest	PFA Principal	PFA Interest
2021	$ —	$ 9,085	$ 86,605	$ 27,776
2022	—	9,085	74,510	23,904
2023	1,335	9,074	55,975	20,341
2024	2,790	8,979	54,375	17,858
2025	4,240	8,820	23,650	15,516
2026-2030	34,325	40,286	187,790	54,700
2031-2035	32,085	34,188	90,200	17,815
2036-2040	130,850	26,916	18,910	946
2041-2045	101,300	16,361	—	—
2046-2050	191,700	5,139	—	—
Total	$ 498,625	$ 167,933	$ 592,015	$ 178,856
Unamortized Discount / Premiums and Issuance Costs	2,460	—	49,810	—
Total	$ 501,085	$ 167,933	$ 641,825	$ 178,856

HFA has two indentures of trust that permit capital funding for loans for permanent supportive housing for long-term homeless households, preservation of federally assisted housing, and other purposes. These bonds are payable solely from the appropriations of the primary government's General Fund authorized by Minnesota Statues 462A.36 and 462.37. On June 30, 2020, $179,845,000 in bonds were outstanding.

Component Units
State Appropriation-Backed Bonds
Major Component Units
(In Thousands)

Year Ended June 30	HFA Principal	HFA Interest
2021	$ 7,365	$ 7,312
2022	7,645	7,038
2023	7,935	6,738
2024	8,225	6,450
2025	8,515	6,158
2026-2030	48,265	25,110
2031-2035	52,060	14,160
2036-2040	36,130	3,603
2041-2045	3,705	103
Total	$ 179,845	$ 76,672

Loans and Notes Payable

Metropolitan Council

The Metropolitan Council received loans from the Housing Finance Agency (component unit) in calendar years 2002 and 2004 for $400,000, and $730,000, respectively. In 2004, MC received a $275,000 loan from Hennepin County Housing and Redevelopment Authority for a total of $1,405,000 of loans outstanding on December 31, 2019. The terms of the loan agreements are 30 years, although they may be extended indefinitely if all the terms of the loan agreement are met.

In calendar year 2015, MC entered into an interest-free loan agreement with the Counties Transit Improvement Board, which was assumed by Hennepin County in October 2017. The loan was on a reimbursement basis and will fund the purchase of five light rail vehicles. The outstanding balance of the loan was $2,395,000 on December 31, 2019.

University of Minnesota

The University of Minnesota issued taxable commercial paper notes of $51,620,000 in fiscal years 2015 and $64,000,000 in 2019. U of M also issued tax-exempt commercial paper notes which are backed by U of M's self-liquidity. On June 30, 2020, the outstanding taxable commercial paper notes were $95,820,000 and tax-exempt notes were $167,275,000. Commercial paper is short-term in nature and is classified as current liabilities on the financial statements.

In fiscal year 2020, the University of Minnesota executed a long-term promissory note payable to Otto Bremer Trust in the amount of $4,500,000, the proceeds were used to partially fund property acquisition.

National Sports Center Foundation

On December 31, 2019, the National Sports Center Foundation's total outstanding loans and notes payable was $4,374,000.

Capital Leases

Metropolitan Council

On December 1, 2004, the Metropolitan Council entered into an annual appropriation lease purchase agreement for land and facilities. The lease is subject to non-appropriation by MC, in which event the lease is terminated and there is no obligation of MC for future lease payments. MC intends to continue the lease through its entire term. On December 31, 2019, the present value of the minimum lease payments was $4,535,000.

University of Minnesota

The University of Minnesota has five distinct capital leases. One is financed through third-party financing for the purchase of fleet vehicles. The remaining four capital leases have payments being paid directly to the lessor and represent leases for buildings. On June 30, 2020, the net present value of the minimum lease payments was $27,781,000.

National Sports Center Foundation

In calendar year 2016, the National Sports Center Foundation entered into a capital lease agreement. On December 31, 2019, the total minimum lease payment was $127,000.

Variable Rate Debt

Housing Finance Agency

As of June 30, 2020, all of the HFA interest rate swap agreements have been determined to be effective hedges, as defined by GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." The fair value was reported as a liability called "Interest Rate Swap Agreements." The inception-to-date change in fair value as of June 30, 2020, was reported in "Accumulated Decrease in Fair Value of Hedging Derivative Instruments" deferred outflows of resources. Fair values were determined pursuant to GASB Statement No. 72 "Fair Value Measurement and Application," and the fair value hierarchy of interest rate swap agreements is determined to be Level 2. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

Office of Higher Education

The rate on the tax-exempt Series 2012B, taxable Series 2017A, and tax-exempt Series 2017C is a percentage of the one-month London Inter-Bank Offered Rate (LIBOR) plus a set margin and the rate changes monthly. The bonds have mandatory redemption dates at various years throughout the life of the bonds with a balloon payment due at final maturity.

Bond Defeasances

University of Minnesota

In prior years, U of M defeased general obligation bonds from various bond series by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt service payments on the old bonds. The amount defeased was $497,695,000 with $215,930,000 outstanding as of June 30, 2020. Neither the outstanding indebtedness nor the related trust account assets for this bond is included in U of M's financial statements as of June 30, 2020.

Office of Higher Education

In March 2020, OHE issued $57,690,000 of revenue bonds to refund $60,000,000 of outstanding series 2012B revenue bonds. The net proceeds, including issuance premium, were used to prepay the outstanding debt. In prior years, OHE defeased certain revenue bonds by placing existing funds in an irrevocable trust to provide for all future debt service payments on the old bonds. On June 30, 2020, $7,810,000 of bonds outstanding were considered defeased.

Note 14 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2020
(In Thousands)

Description	State Colleges and Universities (MnSCU) Revenue Fund	State Colleges and Universities (MnSCU) Itasca Residence Halls	911 Services
Condensed Statement of Net Position			
Assets:			
Current Assets	$ 95,665	$ 716	$ 81,044
Noncurrent Assets			
Restricted Assets	57,996	304	—
Capital Assets	383,693	2,360	95,560
Total Assets	$ 537,354	$ 3,380	$ 176,604
Deferred Outflows of Resources	$ 8,877	$ 47	$ 2,974
Liabilities:			
Current Liabilities	$ 41,302	$ 162	$ 13,822
Noncurrent Liabilities	244,737	1,002	4,500
Total Liabilities	$ 286,039	$ 1,164	$ 18,322
Deferred Inflows of Resources	$ 13,277	$ 87	$ 6,216
Net Position:			
Net Investment in Capital Assets	$ 153,658	$ 1,285	$ 83,724
Restricted	93,257	304	71,316
Unrestricted	—	587	—
Total Net Position	$ 246,915	$ 2,176	$ 155,040
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating Revenues - Customer Charges	$ 98,172	$ 380	$ 75,032
Depreciation Expense	(24,177)	(119)	(7,541)
Other Operating Expenses	(76,121)	(233)	(23,542)
Operating Income (Loss)	$ (2,126)	$ 28	$ 43,949
Nonoperating Revenues (Expenses):			
Federal Grants	$ 6,666	$ 90	$ —
Interest Income	2,571	6	12
Interest Expense	(8,798)	(37)	203
Other	—	—	(17,299)
Change in Net Position	$ (1,687)	$ 87	$ 26,865
Beginning Net Position	$ 248,602	$ 2,089	$ 128,175
Ending Net Position	$ 246,915	$ 2,176	$ 155,040
Condensed Statement of Cash Flows			
Net Cash Provided (Used) by:			
Operating Activities	$ 17,884	$ 161	$ 55,069
Noncapital Financing Activities	6,666	90	(17,180)
Capital and Related Financing Activities	(34,477)	(172)	(24,041)
Investing Activities	2,614	5	12
Net Increase (Decrease)	$ (7,313)	$ 84	$ 13,860
Beginning Cash and Cash Equivalents	$ 154,952	$ 577	$ 66,723
Ending Cash and Cash Equivalents	$ 147,639	$ 661	$ 80,583

The types of goods or services provided by each segment are as follows:

- MnSCU Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, parking, and wellness purposes.
- MnSCU Itasca Residence Halls account for the construction of student housing at Itasca Community College.
- 911 Services Fund (enterprise fund) accounts for activities related to the enhancement of the state’s 911 emergency response system.

Each segment has a revenue stream pledged to secure revenue bonds and provisions in the bond documents which require the separate reporting of each segment’s financial operations and position.

Note 15 – Contingent Liabilities

University of Minnesota

The University of Minnesota (U of M), a component unit, issued state-secured revenue bonds to finance a football stadium on campus. In fiscal year 2006, the Minnesota Legislature appropriated from the General Fund $10,250,000 per year not to exceed 25 years starting in fiscal year 2008 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. As of October 2020, there was $64,990,000 outstanding on these bonds.

U of M issued state-secured revenue bonds to finance Biomedical Science Research facilities. In fiscal year 2008, the Minnesota Legislature appropriated from the General Fund amounts ranging from $850,000 to $15,550,000 per year not to exceed 25 years starting in fiscal year 2010 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. As of October 2020, $153,390,000 was outstanding on these bonds.

Housing Finance Agency

The Housing Finance Agency (HFA), a component unit, issued state-secured appropriation bonds to provide funds for rehabilitation, construction, and mortgage loans or to refund bonds to sponsors of residential housing for families of low and moderate income. In fiscal year 2008, the Minnesota Legislature appropriated from the General Fund up to $2,400,000 per year for 22 years starting in fiscal year 2011 to pay a portion of the bonds. As of October 2020, there was $20,550,000 outstanding on these bonds.

HFA issued state-secured appropriation bonds to finance housing infrastructure. In fiscal year 2012, the Minnesota Legislature appropriated from the General Fund up to $2,200,000 per year starting in fiscal year 2014 through 2036 to pay a portion of the bonds. In fiscal year 2014, the Minnesota Legislature appropriated from the General Fund an additional $6,400,000 per year beginning in fiscal year 2016 through 2038 to pay a portion of the bonds. In fiscal year 2015, the Minnesota Legislature appropriated from the General Fund an additional $800,000 per year beginning in fiscal year 2018 through 2039 to pay a portion of the bonds. In fiscal year 2017, and as amended in 2018, the Minnesota Legislature appropriated from the General Fund up to an additional $2,800,000 per year beginning in fiscal year 2020 through 2041. In fiscal year 2018, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2021 through 2042 an amount sufficient to pay debt service on bonds. In fiscal year 2019, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2023 through 2044 an amount sufficient to pay debt service on bonds. In calendar year 2020, the Minnesota Legislature appropriated from the General Funding beginning in fiscal year 2023 through 2044 an amount sufficient to pay debt service on bonds. As of October 2020, $260,210,000 was outstanding on these bonds. HFA issued state-secured appropriation bonds of $108,280,000 in September 2020. See Note 22 – Subsequent Events.

School District Credit Enhancement Program

Minnesota Statutes 126C.55 established a school district credit enhancement program. If a school district is unable to pay its debt service due on school district and intermediate school district certificates of indebtedness, capital notes, certificate of participation, or general obligation bonds enrolled in the program, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the school district or intermediate school district, or the levy of an ad valorem tax which may be made with the approval of the commissioner of Education. The total amount of debt enrolled in the program as of September 2020, was $17.3 billion. The state has not had to make any debt service payments on behalf of school districts or intermediate school districts under this program.

City and County Credit Enhancement Program

Minnesota Statutes 446A.086 established a city and county credit enhancement program. If a city or county is unable to pay its debt service due on general obligation bonds enrolled in the program issued for the construction, improvement, or rehabilitation of certain projects, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the city or county, or the levy of an ad valorem tax which may be made with the approval of the Public Facilities Authority (component unit). As of September 2020, the total general obligation bonds guaranteed by the state through 2049, was $577 million.

Note 16 – Equity

Restricted Net Position – Government-wide Statement of Net Position

The following table identifies the primary government's restricted net position in greater detail than is presented on the face of the financial statements:

Primary Government
Restricted Net Position Balances
As of June 30, 2020
(In Thousands)

Purpose of Restriction	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Improve Agricultural, Environmental, and Energy Resources	$ 1,972,281	$ 302,516	$ 730,832	$ 3,005,629
Enhance Arts and Culture	30,486	—	—	30,486
Acquire, Maintain, and Improve Land and Buildings	—	—	336	336
Retire Indebtedness	462,129	—	119,584	581,713
Develop Economy and Workforce	—	183,761	3,699	187,460
Enhance E-12 Education	—	23,242	5,025	28,267
Enhance State Government	—	12,482	9,800	22,282
Enhance Health and Human Services	—	62,968	15,097	78,065
Enhance Higher Education	—	361	22,132	22,493
Enhance 911 Services and Increase Safety	—	7,106	71,719	78,825
School Aid - Expendable	9,585	—	—	9,585
School Aid - Nonexpendable	1,635,505	—	1,000	1,636,505
Construct Highways and Improve Infrastructure	1,656,639	64,360	1,627	1,722,626
Unemployment Benefits	—	—	460,997	460,997
Other Purposes	—	—	83,648	83,648
Total Restricted Net Position	$ 5,766,625	$ 656,796	$ 1,525,496	$ 7,948,917

Fund Balances – Primary Government

The following table identifies governmental fund balances of the primary government in greater detail than is presented on the face of the financial statements:

Governmental Funds
Fund Balances
As of June 30, 2020
(In Thousands)

		Major Special Revenue Fund		
Fund Balances	General Fund	Federal Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	$ —	$ 5,763	$ 41,399	$ 47,162
Trust or Permanent Fund Principal	1,306,394	—	1,636,505	2,942,899
Total Nonspendable Fund Balances	$ 1,306,394	$ 5,763	$ 1,677,904	$ 2,990,061
Purpose of Restriction:				
Improve Agricultural, Environmental, and Energy Resources	$ —	$ —	$ 1,707,080	$ 1,707,080
Enhance Arts and Culture	—	—	30,486	30,486
Acquire, Maintain, and Improve Land and Buildings	—	—	68,540	68,540
Retire Indebtedness	—	—	937,836	937,836
Develop Economy and Workforce	83,729	—	150,214	233,943
Enhance E-12 Education	15,266	—	21,998	37,264
Enhance State Government	—	6,195	15,712	21,907
Enhance Health and Human Services	—	6,005	63,984	69,989
Enhance Higher Education	—	—	356	356
Enhance 911 Services and Increase Safety	—	—	7,296	7,296
Construct Highways and Improve Infrastructure	—	—	1,722,129	1,722,129
Total Restricted Fund Balances	$ 98,995	$ 12,200	$ 4,725,631	$ 4,836,826

Continued

Governmental Funds
Fund Balances (continued)
As of June 30, 2020
(In Thousands)

Fund Balances	General Fund	Major Special Revenue Fund Federal Fund	Nonmajor Governmental Funds	Total
Purpose of Commitment:				
Improve Agricultural, Environmental and Energy Resources	$ —	$ —	$ 175,648	$ 175,648
Develop Economy and Workforce	—	—	355,834	355,834
Enhance E-12 Education	—	—	4,899	4,899
Enhance State Government	—	—	93,329	93,329
Enhance Health and Human Services	—	—	12,457	12,457
Enhance Higher Education	—	—	3,134	3,134
Enhance 911 Services and Increase Safety	—	—	91,625	91,625
Construct Highways and Improve Infrastructure	55,698	—	67,782	123,480
Total Committed Fund Balances	$ 55,698	$ —	$ 804,708	$ 860,406
Purpose of Assignment:				
Improve Agricultural, Environmental, and Energy Resources	$ 783,058	$ —	$ —	$ 783,058
Acquire, Maintain, and Improve Land and Buildings	—	—	38,483	38,483
Develop Economy and Workforce	139,923	—	—	139,923
Enhance E-12 Education	60,794	—	—	60,794
Enhance State Government	74,556	—	—	74,556
Enhance Health and Human Services	944,744	—	—	944,744
Enhance Higher Education	15,878	—	—	15,878
Enhance 911 Services and Increase Safety	92,766	—	—	92,766
Construct Highways and Improve Infrastructure	9,972	—	—	9,972
Total Assigned Fund Balances	$ 2,121,691	$ —	$ 38,483	$ 2,160,174
Unassigned	$ 1,971,923	$ —	$ (3,485)	$ 1,968,438
Total Fund Balances	$ 5,554,701	$ 17,963	$ 7,243,241	$ 12,815,905

Net Position Deficits

The following funds have net position deficits for the fiscal year ended June 30, 2020:

Net Position Deficits
As of June 30, 2020
(In Thousands)

Fund Type	Net Position
Capital Project Funds:	
Building	$ (3,485)
Nonmajor Enterprise Funds:	
Behavioral Services	$ (4,483)
State Lottery	$ (13,030)
State Operated Community Services	$ (38,334)
Internal Service Funds:	
Central Services	$ (864)
MN.IT Services	$ (29,245)

A $3,485,000 deficit total fund balance in the Building Fund (capital projects fund) is a result of a delayed bond sale. The bond sale occurred after the end of the fiscal year.

The fiscal year 2015 implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions. The fiscal year 2018 implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" (OPEB) required recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB. These caused the nonmajor enterprise and internal services funds noted in the table above to end fiscal year 2020 in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and the Minnesota Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include these related liabilities or deferred inflows and outflows of resources in the rate-setting process for managing these funds as long as the funds are contributing the statutory required contributions. The amounts will continue to be monitored by the retirement systems administering these plans and the Minnesota Legislature.

Note 17 – Risk Management

Primary Government

The state is exposed to various risks of loss related to torts, to theft of, damage to, or destruction of assets; to errors and omissions; and to employer obligations. The state manages these risks through the Risk Management Fund (internal service fund), a self-insurance fund, and other insurance and self-funding mechanisms. All health plans are self-insured.

Risk Management Fund

State agencies may elect to participate in the Risk Management Fund (internal service fund), which offers auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All agencies that own state vehicles are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a range of deductibles from $1,000 through $250,000 per loss. The fund covers the balance of the claim up to $1,000,000. The reinsurance program provides coverage up to $1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach $2,500,000 in any one fiscal year, the reinsurer will provide coverage in excess of a $25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the Minnesota Legislature.

The liability coverage is up to the statutory limit (tort claims cap) of $500,000 bodily injury and property damage per person, and $1,500,000 bodily injury and property damage per occurrence. The casualty reinsurance program provides $10,000,000 excess of a $1,000,000 retention to protect the state from auto and general liability claims that are extra-territorial, as well as for suits brought in federal court which would be outside the state jurisdiction.

The Risk Management Fund purchases insurance policies for state agencies seeking insurance for specialized insurance needs for which the state does not self-insure. These coverages include aviation, medical malpractice, and travel accident insurance. The premiums for these policies are billed back to the agencies at cost.

Minnesota Statutes 15.38, Subdivision 8, permits the purchase of insurance on state-owned buildings and contents.

All losses of state property are covered by programs of the Risk Management Fund, by insurance policies purchased in the commercial market, or are uninsured and become the liability of the state.

Tort Claims

State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The Minnesota Legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the Minnesota Legislature. Tort claims brought outside Minnesota state jurisdiction and in federal court have unlimited liability exposure.

Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers’ compensation-related claims and provides workers’ compensation insurance coverage for state employees. The program provides a full-service workers’ compensation insurance program, including workplace safety and loss control, rehabilitative and return to work services, claim services, and legal services.

The program is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers’ compensation claims that exceed the current retention amount of $2,000,000.

The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. State agencies may participate in either a ‘pay-as-you-go’ revolving fund or a premium pool cost allocation fund. These costs are paid from each agency’s operating budget.

The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits related to the reported claim.

State Employee Group Insurance Program (SEGIP)

The Minnesota Legislature created the Employee Insurance Fund, an internal service fund dedicated solely for the purpose of this program. The fund is administered by SEGIP, to provide eligible employees and other eligible persons with life insurance and hospital, medical, and dental coverage through provider organizations. The Employee Insurance Fund is not associated with any other public risk pools. A contingency reserve is maintained to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund.

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP had settlements of $530,678 greater than coverage during the fiscal year ended June 30, 2020.

In January 2000, the fund became fully self-insured for medical coverage and assumed all liability for medical claims. The self-funded programs within the fund establish claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not paid and of claims that have been incurred but not reported. These estimates are agreed to by the insurance carriers and the state and are reviewed for accuracy and reasonableness. The estimates are based on claim experience and claim lag timetables provided by the carriers and do not include additional estimates for subrogation, salvage, or unallocated claim adjustments.

Public Employees Insurance Program

The Public Employees Insurance Program (PEIP) is a public entity risk pool currently operating as an insurance program in the Public Employee Insurance Fund (enterprise fund). The risk pool was created by the Minnesota Legislature to provide public employees and other eligible persons with life insurance and hospital, medical, and dental coverage to result in a greater utilization of government resources and advance the health and welfare of the citizens of the state. The enabling legislation for PEIP is Minnesota Laws of 1987, codified as Minnesota Statutes 43A.316. Beginning in fiscal year 1998, medical benefits provided through PEIP became a self-insured program.

PEIP's membership as of June 30, 2020, was 25,646 members and their dependents. The members of the pool include 181 school districts, 151 cities/townships, 22 counties, and 82 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums. Stop-loss coverage was discontinued effective January 1, 2015.

The pool establishes claims liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported.

Primary Government
Self-Insured Claims Liability
(In Thousands)

Description	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund:				
Fiscal Year Ended 6/30/2019	$ 8,689	$ 4,839	$ 1,637	$ 11,891
Fiscal Year Ended 6/30/2020	$ 11,891	$ 3,242	$ 5,148	$ 9,985
Tort Claims:				
Fiscal Year Ended 6/30/2019	$ —	$ 600	$ 600	$ —
Fiscal Year Ended 6/30/2020	$ —	$ 273	$ 273	$ —
Workers' Compensation:				
Fiscal Year Ended 6/30/2019	$ 75,476	$ 17,098	$ 17,343	$ 75,231
Fiscal Year Ended 6/30/2020	$ 75,231	$ 22,826	$ 20,930	$ 77,127
State Employee Group Insurance:				
Fiscal Year Ended 6/30/2019	$ 77,104	$ 910,069	$ 909,926	$ 77,247
Fiscal Year Ended 6/30/2020	$ 77,247	$ 863,099	$ 861,165	$ 79,181

Primary Government
Public Employees Insurance Program
Medical Claims
(In Thousands)

Description	Year Ended June 30 2020	2019
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 17,621	$ 14,017
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 247,273	$ 196,311
Increases (Decreases) in Provision for Insured Events of Prior Years	(906)	121
Total Incurred Claims and Claim Adjustment Expenses	$ 246,367	$ 196,432
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 223,215	$ 180,716
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	15,893	12,112
Total Payments	$ 239,108	$ 192,828
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 24,880	$ 17,621

Component Units

Housing Finance Agency

The Housing Finance Agency (HFA) is exposed to various insurable risks of loss related to tort, theft of, damage to, or destruction of assets; to errors or omissions; and to employer obligations. HFA manages these risks through the primary government's insurance plans including the primary government's Risk Management Fund (internal service fund) and through purchased insurance coverage. HFA retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three years. HFA participates in SEGIP, which is administered by the Employee Insurance Fund (internal service fund). This program provides life insurance and hospital, medical, and dental coverage through provider organizations. HFA also participates in the primary government's Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims.

Metropolitan Council

The Metropolitan Council (MC) is exposed to various risks of loss related to torts, to theft of, damage to, and destruction of assets; to errors and omissions; and to employer obligations. MC both purchases commercial insurance and self-insures for these risks of loss. MC has not experienced any significant reductions in insurance coverage from the prior year. MC has not had any settlements in excess of commercial coverage for the past three years.

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes 466.04 generally limits MC's tort exposure to $500,000 per claim and $1,500,000 per occurrence for a claim arising on or after July 1, 2009. For claims arising earlier, the limits are $400,000 per claim and $1,200,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 2.31 percent. The self-insurance retention limit for workers' compensation is $5,000,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

MC claims include both workers' compensation claims and $43,000 for the Family Self Sufficiency Program escrow accounts.

University of Minnesota

The University of Minnesota (U of M) is self-insured for medical malpractice, general liability, directors' and officers' liability, and automobile liability through RUMINCO, Ltd., a wholly-owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and estimates claim liabilities. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims using a discount rate of 0.18 percent.

U of M is also self-insured for workers' compensation through an internally maintained fund. The internal fund for workers' compensation is maintained only to fund current year expected payouts. Excess insurance is maintained through the Workers' Compensation Reinsurance Association. Each year, an actuarial estimate of U of M's liability for workers' compensation is compiled and recorded, however the liability is not funded in a separate reserve.

U of M's medical (health) and dental coverage for faculty and staff is a self-insured program. Under the plan, U of M pays claims, while the administration of the program is handled by two independent administrators. U of M's graduate assistant medical plan and student health plan are also self-insured. Each year, an actuarial estimate of U of M's liability for medical claims, including incurred but not reported claims, is recorded.

Component Units
Claims Liability
(In Thousands)

Description	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council - Workers' Compensation:				
Fiscal Year Ended 12/31/2018	$ 19,092	$ 8,721	$ 7,486	$ 20,327
Fiscal Year Ended 12/31/2019	$ 20,327	$ 18,543	$ 8,906	$ 29,964
University of Minnesota - RUMINCO, Ltd:				
Fiscal Year Ended 6/30/2019	$ 9,374	$ 814	$ 2,942	$ 7,246
Fiscal Year Ended 6/30/2020	$ 7,246	$ 1,465	$ 1,097	$ 7,614
University of Minnesota - Workers' Compensation:				
Fiscal Year Ended 6/30/2019	$ 12,349	$ 2,325	$ 2,624	$ 12,050
Fiscal Year Ended 6/30/2020	$ 12,050	$ 3,493	$ 3,384	$ 12,159
University of Minnesota - Medical/ Dental:				
Fiscal Year Ended 6/30/2019	$ 33,613	$ 303,906	$ 297,258	$ 40,261
Fiscal Year Ended 6/30/2020	$ 40,261	$ 305,308	$ 309,508	$ 36,061

Note 18 – Budgetary Basis vs. GAAP

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, intrafund, and loan transactions. In addition, encumbrances are recognized as expenditures in the year encumbered on a budgetary basis. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. The GAAP General Fund also includes several funds that are not included in the budgetary General Fund. A reconciliation of the fund balances under the two bases of accounting for the General Fund is provided in the following table.

General Fund
Reconciliation of GAAP Basis Fund Balance
to Budgetary Fund Balance
As of June 30, 2020
(In Thousands)

Description	Amount
GAAP Basis Fund Balance	$ 5,554,701
Less: Encumbrances[1]	336,744
Unassigned Fund Balance	$ 5,217,957
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	$ (682,403)
Tax Refunds Payable	449,888
Human Services Receivable	(212,007)
Unearned Revenue	111,114
Escheat Asset	(22,326)
Other Receivables	(13,321)
Permanent School Fund Reimbursement	(1,826)
Investments at Market	8,620
Expenditure Accruals/Adjustments:	
Medical Care Programs	693,582
Human Services Grants Payable	56,457
Education Aids	985,880
Police and Fire Aid	116,714
Other Payables	48,763
Other Financial Sources (Uses):	
Transfers-In	(17,900)
Perspective Differences:	
Account with no Legally Adopted Budget	(2,511,726)
Appropriation Carryover	(385,792)
Long-Term Receivables	(46,198)
Budgetary Reserve	(2,764,398)
Budgetary Basis:	
Unassigned Fund Balance	$ 1,031,078

(1) Encumbrances related to funds included in the budgetary General Fund.

Note 19 – Litigation

Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for each of the fiscal years ending June 30, 2019 and 2020 are $761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is $1,000,000. The maximum limited liability for any one claim is $300,000 for claims arising before August 1, 2007, and $400,000 for claims arising on or after August 1, 2007, and before July 1, 2009, for any one claim and the maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, is $1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are $500,000 for any one claim and $1,500,000 for any number of claims arising out of a single occurrence.

Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over $15 million in excess of current levels.

- At any one time, there are hundreds of Minnesota Department of Transportation (MnDOT) eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the state may impact the state's Trunk Highway Fund (special revenue fund).

- *The Jamar Company d/b/a Asdco v. State of Minnesota, et al. (Itasca County District Court) and Hammerlund Construction Inc., et al. v. State of Minnesota, et al.* (Itasca County District Court). These mechanics' lien suits involve similar claims but different tax-forfeited properties in Itasca County. The subject properties were leased for mining purposes by Itasca County to Magnetation LLC ("Magnetation"), which filed for chapter 11 bankruptcy in May 2015. The state is a named defendant in these suits because it owns the subject properties in trust for Itasca County, the taxing district, which has the authority to manage the properties. Jamar, Hammerlund, and approximately 20 other contractors and subcontractors, which supplied materials and/or labor to the properties for Magnetation, have filed claims and cross-claims against the state and the other defendants that total approximately $22.2 million exclusive of interest and attorneys' fees. Magnetation disposed of substantially all of its assets in bankruptcy through a sale in December 2016 to an entity called ERP Iron Ore, LLC ("ERP"). The mechanic's liens asserted by the contractors and subcontractors, as described above, were deemed permitted encumbrances on the assets, which ERP agreed to assume as a condition of the sale to permit the suits to continue. Before any further resolution of the mechanic's lien cases, ERP itself became a chapter 7 bankruptcy debtor in May 2018.

- *Murphy, et al. v. Minnesota Department of Human Services (DHS) et al.* (United States District Court, District of Minnesota). The plaintiffs receive Medicaid Home and Community Based Waiver Services (HCBS) programs and raised claims under the Medicaid Act, the Fourteenth Amendment, the Americans with Disabilities Act, and the Rehabilitation Act, seeking, among other things, access to "individualized housing services." The Defendant's motion to dismiss was denied, and the district court certified a class. Although the exact relief the class seeks is unclear, at a minimum they contend DHS over relies on Community Residential Settings and must facilitate individualized housing and other services for each waiver recipient. The Court granted Plaintiffs' partial motion for summary judgment on their notice claim under the Medicaid Act and procedural due process, but declined to issue an injunction. The Court also denied the Defendant's motions for summary judgment and for class decertification. The Court has stated the trial will occur in spring 2021 absent a settlement.

- *State of Texas et al. v. United States of America et al.* (United States District Court, Northern District of Texas). Plaintiffs are a group of nineteen states and two individuals that challenge the constitutionality of the Affordable Care Act's (ACA) individual mandate, and with it, the entire ACA. Minnesota is part of a different group of states that intervened to defend the ACA. The district court granted summary judgment in favor of the plaintiffs, holding the entire ACA invalid. The United States Supreme Court heard oral argument on November 10. Federal funding of programs created by the ACA are at risk if Plaintiffs' suit is successful. MinnesotaCare is Minnesota's Basic Health Program, a program primarily funded by the ACA. In the first three quarters of 2018, MinnesotaCare received over $300 million in federal funding.

Note 20 – Tax Abatements

The state of Minnesota provides tax abatement agreements through four programs operated by the Minnesota Department of Employment and Economic Development, Minnesota Department of Administration, and Minnesota Department of Revenue: Greater MN Job Expansion Program, Border City Enterprise Zones, Angel Tax Credit, and Historic Structure Rehabilitation Credit. Minnesota Statutes 270B.02 classifies tax return information as private data. As the population of program participants is so small, reporting aggregate data may identify individual taxpayers, except for Border City Enterprise Zones program and the Angel Tax Credit program.

The Greater MN Job Expansion Program provides sales tax abatements to expand employment within cities in greater Minnesota. Qualified businesses are eligible for a sales tax exemption up to $5 million annually, and $40 million during the agreement period. The agreement period is seven years after a business is certified, except for businesses investing at least $200 million over a ten-year period, in which case the agreement period is ten years. A qualified business must have operated in greater Minnesota for at least one year prior to applying, agree to pay employees, including benefits, on an annualized basis equal to at least 120 percent of the federal poverty level for a family of four, increase the number of full time equivalent employees by two employees or ten percent, whichever is greater, and enter into a subsidy agreement with the state that pledges to satisfy the employment expansion within three years. The subsidy agreements include recapture provisions. The authority for the sales tax abatement is Minnesota Statutes 116J.8738.

The Border City Enterprise Zones program provides tax abatements to partially mitigate the effects of disparate taxation of businesses in six cities located near neighboring states as incentives to attract and retain businesses in Minnesota. Taxes abated include: sales taxes, income taxes, or property taxes. Border cities establish eligibility criteria of recipient business, provided that business is not prohibited by Minnesota Statutes 469.171, Subdivision 4. Sales taxes are reduced through exemptions on construction materials and equipment. Income taxes are reduced as credits for additional workers employed within the zone, up to $3,000 per employee per year. Additionally, income taxes are reduced as a credit for a percentage of cost of debt financing for construction. Property taxes are reduced as a credit for a portion of property tax paid by new facilities as determined by the border city based on its eligibility criteria. The total amount of tax abatements is determined through allocations to each border city defined in Minnesota Statutes. Prior to entering a tax abatement agreement with a business, the border city must submit the proposed tax reductions to the Minnesota Department of Employment and Economic Development to evaluate the proposed investment the business will make in the border city, the number and quality of new jobs created, the overall positive economic impact within the border city, and the extent that economic benefits are dependent on the tax abatements to the business. Businesses must maintain operation within the border city. Businesses which receive tax abatements that cease to operate within the border city must repay the tax abatement received during the prior two years; other recapture provisions may exist between the border city and the business. The authority for Border City Enterprise Zone tax abatements are Minnesota Statutes 469.166-469.1735.

The Angel Tax Credit program provides income tax abatements as an incentive for investors to make investments in start-up businesses by helping to raise the equity financing needed to further business growth and the potential to create jobs. Qualified investors are eligible for up to 25 percent of the investment made and must receive an annual certification to make investments in a qualified small business. Qualified investors are required to hold investments in a qualified business for a period of at least three years. If a qualified investor does not meet the three years holding requirement, the investor must repay the income tax credit. A qualified small business must satisfy all the following conditions: be headquartered in Minnesota, have at least 51 percent of its employees and payroll in Minnesota, and be engaged in or committed to engage in innovation in Minnesota. The primary business activity must be in a qualified field of technology, agriculture, tourism, forestry, mining, manufacturing, or transportation. The

business must have fewer than 25 employees and must pay employees annual wages of at least 175 percent of federal poverty guidelines for a family of four. The business may not have previously received private equity investments of more than $4 million, be disqualified under Minnesota Statutes 80A.50, or issued securities traded on a public exchange. The business may not have been in operation for more than ten years, or more than twenty years if the business is engaged in the research, development, or production of medical devices or pharmaceuticals for which Food and Drug Administration approval is required. If it is determined that a qualified business did not maintain at least 51 percent of its employees and payroll in Minnesota during the first five years following its most recent qualified investment, the business must repay the income tax credit provided to its investors based on a fixed percentage scale. The program will currently sunset at the end of the calendar year 2021, except for some reporting requirements. The authority for the tax abatement is Minnesota Statutes 116J.8737.

The Historic Structure Rehabilitation Credit program incentivizes substantial reinvestment in the development of historic buildings listed on the National Register of Historic Places. This program parallels the Federal Rehabilitation Tax Credit and state tax credits are limited by the federal amount. A project is eligible for the program if the property is listed on the National Register of Historic Places or is certified as contributing to a National Register Historic District, or Certified Historic District. The owner must apply for the credit prior to the start of construction, plans must be approved by the National Park Service (NPS), and the work must meet the “substantial rehabilitation test.” The completed work must be approved by the NPS and be allowed the federal tax credit. The qualified historic structure must be used as an income producing property for at least five years after the construction is complete. Investors will be eligible for a tax credit or the option of a grant in lieu of tax in the year the renovated building is placed in service. The program will sunset after fiscal year 2021. The authority for the tax abatement is Minnesota statutes 290.0681.

Tax Abatements
Year Ended June 30, 2020
(In Thousands)

Description		Amount
Border City Enterprise Zones:		
Corporate Taxes	$	795
Income Taxes		118
Property Taxes		65
Total Border City Enterprise Zones	$	978
Angel Tax Credit: Income Taxes	$	2,907
Total	$	3,885

Note 21 – Prior Period Adjustment, Change in Reporting Entity and Change in Fund Structure

Primary Government

Prior Period Adjustment

During fiscal year 2020, the Department of Human Services recognized unrecorded drug rebate receipts and an amount owed back to the federal government for their share. This resulted in a $94,000,000 prior period adjustment in the General Fund for the state share. The federal share of $217,000,000 did not result in a prior period adjustment as the receipts received were also recognized as amounts owed to the federal government; thus, not impacting the fund balance of the Federal Fund.

Change in Reporting Entity

Minnesota Statutes 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2020, eleven firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. Investment balances of $3,440,000 were reported as a change in reporting entity in the Volunteer Firefighter Retirement Fund.

Minnesota Statutes 424A, allows volunteer firefighter relief associations to be covered by the Supplemental Retirement Fund (investment trust fund). During fiscal year 2020, three volunteer firefighter relief associations became part of the Supplemental Retirement Fund managed by the board of trustees of each relief association. Investment balances of $831,000 were reported as a change in reporting entity in the Supplemental Retirement Fund.

Change in Fund Structure

Minnesota Statutes 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2020, three firefighter groups moved from the volunteer fire accounts, part of the Supplemental Retirement Fund (investment trust fund), into the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. The transfer was reported as a change in fund structure of $547,000 in the Supplemental Retirement Fund and the Volunteer Firefighter Retirement Fund.

Note 22 – Subsequent Events

The nation, including the state continues to be in a pandemic due to COVID-19. The state and the state’s component units continue to experience significant financial impact due to this pandemic. The extent and duration of the financial impact cannot be fully estimated. As of November 2020, the Governor of the State of Minnesota extended the Peacetime Emergency Orders to protect the health of Minnesotans and prevent the spread of COVID-19. For further discussion of the pandemic, see the Management's Discussion and Analysis.

Primary Government

In August 2020, the state issued $330.4 million of general obligation state various purpose bonds Series 2020A at a true interest rate of 1.60 percent, $152.0 million of general obligation state trunk highway bonds Series 2020B at a true interest rate of 1.26 percent, $20.5 million general obligation taxable state various purpose bonds Series 2020C at a true interest rate of 1.26 percent, $128.1 million of general obligation state various purpose refunding bonds Series 2020D at a true interest rate of .16 percent, $163.4 million of general obligation state trunk highway refunding bonds Series 2020E at a true interest rate of .45 percent, $224.0 million of general obligation taxable state various purpose refunding bonds Series 2020F at a true interest rate of .98 percent, and $180.2 million of general obligation taxable state trunk highway refunding bonds Series 2020G at a true interest rate of .95 percent. These bonds are backed by the full faith and credit and taxing powers of the state.

In October 2020, the state issued $66.3 million of state General Fund appropriation bonds taxable Series 2020A at a true interest rate of 2.50 percent. The bonds are issued for the purpose of financing public infrastructure projects with the Duluth Regional Exchange District authorized and approve by the city of Duluth, including paying interest and financing the payment of issue costs. For more information, see Note 12 – Long-Term Liabilities - Primary Government.

In October 2020, the Laws of Minnesota 5th Special Session 2020, Chapter 3 authorizes the issuance of: (1) $1.4 billion in general obligation bonds for various infrastructure improvement projects involving roads, bridges, wastewater facilities, and higher education asset preservation, (2) $300 million trunk highway general obligation bonds for rail grade separation projects, state highway construction, flood mitigation efforts, and other purposes, and (3) state appropriation bonds for the purpose of financing up to $2.0 million for the Department of Administration to acquire and install electric vehicle charging infrastructure on state-owned property, up to $15.0 million of capital equipment costs for the public television stations in the state, and up to $30.4 million for the Department of Pollution Control Agency's costs for implementing removal or remedial actions at four contaminated sites. As of November 2020, none of these bonds are outstanding.

Component Units

Housing Finance Agency

In September 2020, the Housing Finance Agency (HFA) issued $18.6 million state appropriation bonds (Housing Infrastructure) Series 2020A, $38.9 million Series 2020B, $7.1 million Series 2020C, and $43.7 million Series 2020D. The proceeds of the bonds will be used to provide money to fund housing infrastructure loans and to pay the costs of issuance of the Series Bonds. For information on the state appropriation for these bonds, see Note 15 – Contingent Liabilities. HFA made, or committed to make, draws from index bank notes subsequent to June 30, 2020 totaling $41.2 million. In August 2020, HFA issued $4.6 million rental housing bonds Series 2020A and $100.0 million homeownership finance taxable bonds Series 2020D. HFA called for the redemption or repayment of bonds for homeownership finance, residential housing, and rental housing programs totaling $52.1 million subsequent to June 30,2020.

Metropolitan Council

In May 2020, the Metropolitan Council (MC) issued $8.8 million general obligation parks bonds Series 2020A and $80.0 million general obligation wastewater bonds Series 2020B.

University of Minnesota

In July 2020, the University of Minnesota (U of M) entered into a 364-day credit agreement with a major bank providing a $150 million line of credit for general operating purposes and as liquidity support for U of M indebtedness. No funds have been drawn as of the date of U of M's annual financial report. In September 2020, U of M completed the acquisition of the 1015 Essex Street Southwest, Minneapolis, MN property for $25.0 million. Funding for the purchase will be U of M-issued long-term debt. In October 2020, U of M issued $31.3 million of general obligation bonds Series 2020A and $84.7 million of general obligation taxable bonds Series 2020B. The proceeds will be used to finance various capital projects, purchase of land and buildings, and to pay off outstanding commercial paper.

National Sports Center Foundation

In April 2020, the National Sports Center Foundation (NSCF) obtained a $1.2 million loan under the provisions of the Paycheck Protection Program and $500,000 loan under the provisions of the Economic Injury Disaster Loan Program. In May 2020, NSCF entered into a $3.8 million loan agreement for the acquisition, construction, and equipping a sports dome and related facilities and improvements.

Modified Approach for Infrastructure

The state uses the modified approach for reporting selected infrastructure assets. Under this approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 29,000 lane miles of pavement and approximately 3,000 bridges and tunnels maintained by the state.

To utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Lane Miles of Pavement

Measurement Scale

The Minnesota Department of Transportation (MnDOT) uses three pavement condition indices to determine the condition of the trunk highway system: Present Serviceability Rating (PSR), Surface Rating (SR), and Pavement Quality Index (PQI). The PSR is a measure of pavement smoothness, the SR measures pavement distress (cracking), and the PQI is a composite index equal to the square root of the PSR multiplied by the SR.

The five qualitative categories used to describe pavement condition are shown in the table below:

Description	PQI Range	PSR Range	SR Range
Very Good	3.7 - 4.5	4.1 - 5.0	3.3 - 4.0
Good	2.8 - 3.6	3.1 - 4.0	2.5 - 3.2
Fair	1.9 - 2.7	2.1 - 3.0	1.7 - 2.4
Poor	1.0 - 1.8	1.1 - 2.0	0.9 - 1.6
Very Poor	0.0 - 0.9	0.0 - 1.0	0.0 - 0.8

The PQI is used as the index for determining whether the pavement infrastructure is being maintained in a serviceable level. The PQI is an overall index, combining both pavement smoothness (PSR) and cracking (SR).

Established Condition Level

Principal arterial pavements will be maintained at 3.0 PQI (good) or higher, and all other pavements will be maintained at 2.8 PQI (good) or higher.

Assessed Conditions

The state assesses condition on 100 percent of the pavement surfaces at least once every two years.

Description	2019	2018	2017
Principal Arterial Average PQI	3.5	3.5	3.6
Non-Principal Arterial Average PQI	3.3	3.3	3.5

Bridges and Tunnels

Measurement Scale

MnDOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating is used to determine if the bridge system is being maintained at a serviceable level for the condition of the bridges under MnDOT's jurisdiction.

The Structural Condition Rating is a broad measure of the structural condition of a bridge. Each bridge is rated as Good, Fair, or Poor by using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings to place each bridge in a category.

The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. Both the condition codes and the appraisal ratings use a scale of 0 (failed) through 9 (excellent).

Rating	Description
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound, but may have some minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service, beyond corrective action.

The criteria for placing a bridge in each of the three categories are as follows:

Rating	Description
Good	If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.
Fair	If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.
Poor	If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient.

Established Condition Level

Ninety-two percent of principal arterial system bridges will be maintained at fair to good, while 80 percent of all other system bridges will also be maintained at fair to good.

Assessed Conditions

Description	2019	2018	2017
Principal Arterial: Fair to Good	94.4%	94.6%	94.3%
All Other Systems: Fair to Good	94.0%	94.1%	95.0%

Budgeted and Estimated Costs to Maintain

The following table presents the state's estimate of spending necessary to preserve and maintain the pavement and bridges at, or above, the established condition levels cited above, and the actual amount spent (in thousands):

		Costs to be Capitalized			Maintenance of System			
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	Total Construction Program
Budget	2020	$ 76,000	$ 364,000	$ 440,000	$ 84,800	$ 712,200	$ 797,000	$ 1,237,000
	2019	97,000	260,000	357,000	126,000	719,000	845,000	1,202,000
	2018	100,000	210,000	310,000	100,000	600,000	700,000	1,010,000
	2017	149,000	376,000	525,000	100,000	500,000	600,000	1,125,000
	2016	234,366	400,943	635,309	112,444	462,387	574,831	1,210,140
Actual	2020	$ 71,650	$ 405,796	$ 477,446	$ 78,244	$ 736,188	$ 814,432	$ 1,291,878
	2019	108,876	294,126	403,002	113,009	717,340	830,349	1,233,351
	2018	64,253	200,064	264,317	121,831	615,727	737,558	1,001,875
	2017	114,106	337,294	451,400	84,046	526,975	611,021	1,062,421
	2016	232,087	403,563	635,650	79,748	652,665	732,413	1,368,063

Defined Benefit Plans – State Participating

The state of Minnesota currently contributes as an employer and/or non-employer contributing entity into five primary government administered multiple-employer cost sharing plans, one non-primary government administered multiple-employer cost sharing plan, and three primary government administered single-employer plans. During the fiscal year 2015 reporting period, the Minneapolis Employees Retirement Fund merged with the General Employees Retirement Fund and the Duluth Teachers' Retirement Fund merged with the Teachers Retirement Fund. See Note 8 – Pension and Investment Trust Funds for more information on each plan.

Most of the reporting data begins with fiscal year 2014, which is the measurement date used for the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions." This statement requires the presentation of supplementary information for each of the ten most recent years. However, until a full 10-year trend is available, the state will present information for the years which the information is available. Covered-Member Payroll is an estimate in the reporting year and is restated in the following year to reflect actual Covered-Member Payroll. Required supplementary information is provided for the following plans:

- State Employees Retirement Fund (SERF)
- Correctional Employees Retirement Fund (CERF)
- General Employees Retirement Fund (GERF)
- Police and Fire Fund (P&FF)
- Teachers Retirement Fund (TRF)
- Minneapolis Employees Retirement Fund (MERF)
- St. Paul Teachers' Retirement Fund (SPTRF)
- Duluth Teachers' Retirement Fund (DTRF)
- Judges Retirement Fund (JRF)
- Legislators Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

Required Supplementary Information
Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions
(In Thousands)

	State Employee Retirement fund						
Description	2014	2015 [2]	2016	2017	2018	2019 [3]	2020 [4]
Statutorily Required Contribution as an Employer[1]	$ 93,957	$ 107,313	$ 110,804	$ 116,552	$ 121,322	$ 136,157	$ 152,523
Covered-Member Payroll	$ 1,923,040	$ 2,006,862	$ 2,066,651	$ 2,179,626	$ 2,256,825	$ 2,374,710	$ 2,427,791
Required Employer Contributions as a Percentage of Covered-Member Payroll	4.9%	5.3%	5.4%	5.3%	5.4%	5.7%	6.3%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 5.0 percent to 5.5 percent.
(3) 2019: The required contribution rate for employers increased to 5.875 percent.
(4) 2020: The required contribution rate for employers increased to 6.25 percent.

Required Supplementary Information
Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions (Continued)
(In Thousands)

	Correctional Employees Retirement Fund						
Description	2014	2015 [2]	2016	2017	2018	2019 [3]	2020 [4]
Statutorily Required Contribution as an Employer[1]	$ 26,421	$ 29,378	$ 30,624	$ 31,663	$ 32,840	$ 38,141	$ 43,594
Covered-Member Payroll	$ 218,860	$ 231,126	$ 241,020	$ 248,653	$ 257,055	$ 267,212	$ 273,409
Required Employer Contributions as a Percentage of Covered-Member Payroll	12.1%	12.7%	12.7%	12.7%	12.8%	14.3%	15.9%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 12.1 percent to 12.9 percent.
(3) 2019: The required contribution rate for employers increased to 14.4 percent.
(4) 2020: The required contribution rate for employers increased to 15.85 percent.

	General Employees Retirement Fund						
Description	2014	2015 [2]	2016	2017	2018	2019	2020
Statutorily Required Contribution as an:							
Employer[1]	$ 2,782	$ 2,655	$ 2,540	$ 3,155	$ 2,283	$ 2,138	$ 1,949
Non-Employer Contributing Entity[1]	—	—	6,000	6,000	16,000	16,000	16,000
Total Statutorily Required Contribution	$ 2,782	$ 2,655	$ 8,540	$ 9,155	$ 18,283	$ 18,138	$ 17,949
Covered-Member Payroll	$ 37,715	$ 34,289	$ 41,328	$ 31,105	$ 28,849	$ 26,936	$ 25,953
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.4%	7.7%	6.1%	10.1%	7.9%	7.9%	7.5%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rates for employers increased from 7.3-11.8 percent to 7.5-11.8 percent on January 1, 2015.

	Police and Fire Fund[2]	
Description	2019	2020 [3]
Statutorily Required Contribution as an:		
Employer[1]	$ —	$ 543
Non-Employer Contributing Entity[1]	4,500	4,500
Total Statutorily Required Contribution	$ 4,500	$ 5,043
Covered-Member Payroll	N/A	$ 2,003
Required Employer Contributions as a Percentage of Covered-Member Payroll	N/A	27.1%

(1) Statutorily required contributions equal actual required contributions.
(2) Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.
(3) 2020: The required contribution rate for employers increased from 16.95 percent to 17.7 percent.

Required Supplementary Information
Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions (Continued)
(In Thousands)

Teachers Retirement Fund

Description	2014	2015 [2]	2016	2017	2018	2019 [3]	2020 [4]
Statutorily Required Contribution as an:							
Employer[1]	$ 13,206	$ 14,542	$ 14,514	$ 14,885	$ 14,678	$ 15,447	$ 16,115
Non-Employer Contributing Entity[1]	16,501	29,831	31,088	31,087	30,886	31,087	31,087
Total Statutorily Required Contribution	$ 29,707	$ 44,373	$ 45,602	$ 45,972	$ 45,564	$ 46,534	$ 47,202
Covered-Member Payroll	$ 167,667	$ 166,870	$ 168,264	$ 174,018	$ 170,196	$ 177,753	$ 183,401
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.9%	8.7%	8.6%	8.6%	8.6%	8.7%	8.8%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 7.0-11.0 percent to 7.5-11.5 percent.
(3) 2019: The required contribution rate for employers increased to 7.71-11.71 percent.
(4) 2020: The required contribution rate for employers increased to 7.92-11.92 percent.

Minneapolis Employees Retirement Fund[2]

Description	2014	2015
Statutorily Required Contribution as a Non-Employer Contributing Entity[1]	$ 24,000	$ 24,000
Covered-Member Payroll	N/A	N/A
Required Employer Contributions as a Percentage of Covered-Member Payroll	N/A	N/A

(1) Statutorily required contributions equal actual required contributions.
(2) MERF merged with GERF in reporting fiscal year 2015.

Required Supplementary Information
Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions
(In Thousands)

St. Paul Teachers' Retirement Fund

Description	2014	2015 [2]	2016 [3]	2017 [4]	2018 [5]	2019 [6]	2020 [7]
Statutorily Required Contribution as an:							
Employer[1]	$ 109	$ 86	$ 64	$ 66	$ 41	$ 47	$ 38
Non-Employer Contributing Entity[1]	10,665	9,827	10,665	10,665	10,665	15,666	15,663
Total Statutorily Required Contribution	$ 10,774	$ 9,913	$ 10,729	$ 10,731	$ 10,706	$ 15,713	$ 15,701
Covered-Member Payroll	$ 1,749	$ 628	$ 443	$ 465	$ 274	$ 271	$ 265
Required Employer Contributions as a Percentage of Covered-Member Payroll	6.2%	13.7%	14.4%	14.2%	15.0%	17.3%	14.3%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required contribution rate for employers increased from 5.25-8.75 percent to 5.50-9.00 percent.
(3) 2016: The required contribution rate for employers increased to 6.00-9.50 percent.
(4) 2017: The required contribution rate for employers increased to 6.25-9.75 percent.
(5) 2018: The required contribution rate for employers increased to 6.50-10.00 percent.
(6) 2019: The required contribution rate for employers increased to 7.335-10.835 percent.
(7) 2020: The required contribution rate for employers increased to 8.17-11.67 percent.

Duluth Teachers' Retirement Fund[2]

Description	2014	2015
Statutorily Required Contribution as an:		
Employer[1]	$ 55	$ 56
Non-Employer Contributing Entity[1]	6,555	6,346
Total Statutorily Required Contribution	$ 6,610	$ 6,402
Covered-Member Payroll	$ 729	$ 760
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.5%	7.4%

(1) Statutorily required contributions equal actual required contributions.
(2) DTRF merged with TRF in reporting fiscal year 2015.

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability
(In Thousands)

Description	State Employees Retirement Fund 2015	2016 (1)	2017 (2)	2018 (3)	2019 (4)	2020
Primary Government's Proportion of the Net Pension Liability as an Employer	73.38 %	73.93 %	73.88 %	74.15 %	74.45 %	74.94 %
Primary Government's Proportionate Share of the Net Pension Liability as an Employer	$ 1,189,902	$ 1,138,125	$ 9,160,172	$ 5,500,428	$ 1,031,909	$ 1,054,276
Primary Government's Covered-Member Payroll – Measurement Period	$ 1,923,040	$ 2,006,862	$ 2,066,651	$ 2,179,626	$ 2,256,825	$ 2,374,710
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	61.9 %	56.7 %	443.2 %	252.4 %	45.7 %	44.4 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.6 %	88.3 %	47.5 %	62.7 %	90.6 %	90.7 %

(1) 2016: Benefit increase of 2.5 percent was projected to start in 2044 instead of 2016.
(2) 2017: Benefit increase was changed to 2.0 percent for all future years. The discount rate changed from 7.9 percent to 4.17 percent.
(3) 2018: The discount rate changed to 5.42 percent.
(4) 2019: Benefit increase was changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

Description	Correctional Employees Retirement Fund 2015	2016 (1)	2017 (2)	2018 (3)	2019 (4)	2020
Primary Government's Proportion of the Net Pension Liability as an Employer	99.80 %	99.86 %	99.91 %	99.91 %	99.89 %	99.87 %
Primary Government's Proportionate Share of the Net Pension Liability as an Employer	$ 475,387	$ 653,352	$ 1,331,563	$ 1,127,087	$ 375,232	$ 394,861
Primary Government's Covered-Member Payroll – Measurement Period	$ 218,860	$ 231,126	$ 241,020	$ 248,653	$ 257,055	$ 267,212
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	217.2 %	282.7 %	552.5 %	453.3 %	146.0 %	147.8 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.8 %	58.1 %	40.3 %	47.6 %	74.8 %	75.0 %

(1) 2016: Benefit increase was projected to remain at 2.0 percent instead of increasing to 2.5 percent in 2016.
(2) 2017: The discount rate changed from 6.25 percent to 4.24 percent.
(3) 2018: The discount rate changed to 5.02 percent.
(4) 2019: Benefit increase was changed to 2.0 percent through December 31, 2018, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

Description	General Employees Retirement Fund 2015	2016 (1)	2017 (2)	2018 (3)	2019 (4)	2020
Primary Government's Proportion of the Net Pension Liability as an:						
Employer	0.70 %	0.62 %	0.72 %	0.51 %	0.46 %	0.41 %
Non-Employer Contributing Entity	— %	3.56 %	1.29 %	1.24 %	3.18 %	3.02 %
Total Primary Government's Proportion of the Net Pension Liability	0.70 %	4.18 %	2.01 %	1.75 %	3.64 %	3.43 %
Primary Government's Proportionate Share of the Net Pension Liability as an:						
Employer	$ 33,103	$ 32,022	$ 58,119	$ 32,252	$ 25,408	$ 22,829
Non-Employer Contributing Entity	—	184,478	104,677	79,275	176,191	166,659
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 33,103	$ 216,500	$ 162,796	$ 111,527	$ 201,599	$ 189,488
Primary Government's Covered-Member Payroll – Measurement Period	$ 37,715	$ 34,289	$ 41,328	$ 31,105	$ 28,849	$ 26,936
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	87.8 %	93.4 %	140.6 %	103.7 %	88.1 %	84.8 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.7 %	78.2 %	68.9 %	75.9 %	79.5 %	80.2 %

(1) 2016: Benefit increase of 2.5 percent was projected to start in 2036 instead of 2031.
(2) 2017: Benefit increase changed to 1.0 percent for all future years. The discount rate changed from 7.9 percent to 7.5 percent.
(3) 2018: Benefit increase changed to 1.0 percent through 2044 and 2.5 percent thereafter.
(4) 2019: Benefit increase changed to 1.25 percent for all future years.

Description	Police and Fire Fund[1] 2019	2020
Primary Government's Proportion of the Net Pension Liability as an:		
Employer	— %	0.25 %
Non-Employer Contributing Entity	5.27 %	5.15 %
Total Primary Government's Proportion of the Net Pension Liability	5.27 %	5.40 %
Primary Government's Proportionate Share of the Net Pension Liability as an:		
Employer	$ —	$ 2,687
Non-Employer Contributing Entity	56,187	54,801
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 56,187	$ 57,488
Primary Government's Covered-Member Payroll – Measurement Period	N/A	$ 2,553
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	N/A	105.2 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.8 %	89.3 %

(1) Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

Description	Teachers Retirement Fund 2015	2016 (1)	2017 (2)	2018 (3)	2019 (4)	2020
Primary Government's Proportion of the Net Pension Liability as an:						
Employer	4.13 %	3.88 %	3.72 %	3.71 %	3.52 %	3.55 %
Non-Employer Contributing Entity	5.17 %	9.74 %	7.97 %	7.70 %	7.50 %	7.10 %
Total Primary Government's Proportion of the Net Pension Liability	9.30 %	13.62 %	11.69 %	11.41 %	11.02 %	10.65 %
Primary Government's Proportionate Share of the Net Pension Liability as an:						
Employer	$ 190,460	$ 239,701	$ 888,788	$ 740,843	$ 221,190	$ 226,558
Non-Employer Contributing Entity	237,958	602,738	1,900,653	1,537,059	471,220	452,696
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 428,418	$ 842,439	$ 2,789,441	$ 2,277,902	$ 692,410	$ 679,254
Primary Government's Covered-Member Payroll – Measurement Period	$ 167,667	$ 166,870	$ 168,264	$ 174,018	$ 170,196	$ 177,753
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	113.6 %	143.6 %	528.2 %	425.7 %	130.0 %	127.5 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.5 %	76.8 %	44.9 %	51.6 %	78.1 %	78.2 %

(1) 2016: The discount rate changed from 8.25 percent to 8.00 percent.
(2) 2017: A benefit increase was not projected to be attained instead of 2.5 percent in 2037. The discount rate changed to 4.66 percent.
(3) 2018: Benefit increase of 2.5 percent was projected to start in 2045. The discount rate changed to 5.12 percent.
(4) 2019: Benefit increase changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, then increase by 0.1 percent each year over five years, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

Description	St. Paul Teachers' Retirement Fund 2015	2016 (1)	2017 (2)	2018 (3)	2019 (4)	2020
Primary Government's Proportion of the Net Pension Liability as an:						
Employer	0.31 %	0.24 %	0.17 %	0.18 %	0.10 %	0.10 %
Non-Employer Contributing Entity	30.34 %	29.52 %	28.79 %	27.97 %	27.48 %	33.67 %
Total Primary Government's Proportion of the Net Pension Liability	30.65 %	29.76 %	28.96 %	28.15 %	27.58 %	33.77 %
Primary Government's Proportionate Share of the Net Pension Liability as an:						
Employer	$ 1,666	$ 1,385	$ 1,082	$ 1,019	$ 630	$ 617
Non-Employer Contributing Entity	162,576	171,776	182,226	161,970	166,431	205,790
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 164,242	$ 173,161	$ 183,308	$ 162,989	$ 167,061	$ 206,407
Primary Government's Covered-Member Payroll – Measurement Period	$ 1,749	$ 628	$ 443	$ 465	$ 274	$ 271
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	95.3 %	220.5 %	244.2 %	219.1 %	229.9 %	227.7 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.1 %	63.6 %	60.3 %	64.1 %	63.9 %	63.9 %

(1) 2016: Benefit increase if the plan is at least 90 percent funded was up to 2.5 percent instead of up to 5.0 percent.
(2) 2017: Benefit increase of 2.0 percent was projected to start in 2055 and 2.5 percent in 2066 instead of 2041 and 2051, respectively.
(3) 2018: Benefit increase of 2.0 percent was projected to start in 2042 and 2.5 percent in 2052.
(4) 2019: Benefit increase changed to 1.0 percent through December 31, 2018, no benefit increases through December 31, 2020, and 1.0 percent thereafter. The discount rate changed from 8.0 percent to 7.5 percent.

Description	Minneapolis Employee Retirement Fund(1) 2015	Duluth Teachers Retirement Fund(2) 2015
Primary Government's Proportion of the Net Pension Liability as an:		
Employer	—%	0.55%
Non-Employer Contributing Entity	43.35%	64.98%
Total Primary Government's Proportion of the Net Pension Liability	43.35%	65.53%
Primary Government's Proportionate Share of the Net Pension Liability as an:		
Employer	$ —	$ 1,401
Non-Employer Contributing Entity	95,900	166,948
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 95,900	$ 168,349
Primary Government's Covered-Member Payroll – Measurement Period	N/A	$ 729
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	N/A	192.2%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.9%	46.8%

(1) MERF merged with GERF in reporting fiscal year 2015.
(2) DTRF merged with TRF in reporting fiscal year 2015.

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Contributions
(In Thousands)

Judges Retirement Fund

Description	2011	2012	2013	2014 [2]	2015	2016	2017 [3]	2018 [4]	2019	2020
Statutorily Required Contribution[1]	$ 8,297	$ 7,922	$ 8,177	$ 9,426	$ 9,776	$ 10,219	$ 13,758	$ 17,027	$ 17,287	$ 17,766
Covered-Member Payroll	$ 40,473	$ 38,644	$ 39,888	$ 41,893	$ 43,449	$ 45,418	$ 47,813	$ 49,009	$ 50,164	$ 50,776
Contributions as a Percentage of Covered-Member Payroll	20.5%	20.5%	20.5%	22.5%	22.5%	22.5%	28.8%	34.7%	34.5%	35.0%

(1) Statutorily required contributions equal actual required contributions.
(2) 2014: The required employer contribution rate changed from 20.5 percent to 22.5 percent.
(3) 2017: The required employer contribution rate included an additional $3 million over the percentage of covered payroll.
(4) 2018: The required employer contribution rate included an additional $3 million for a total of $6 million over the percentage of covered payroll.

Legislators Retirement Fund[2]

Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Statutorily Required Contribution[1]	$ 2,805	$ 3,935	$ 3,399	$ 3,436	$ 3,216	$ 5,087	$ 8,716	$ 8,856	$ 8,798	$ 8,764
Covered-Member Payroll	$ 1,774	$ 1,378	$ 1,233	$ 1,122	$ 1,700	$ 989	$ 889	$ 1,033	$ 1,011	$ 958
Contributions as a Percentage of Covered-Member Payroll	158.1%	285.6%	275.7%	306.2%	189.2%	514.4%	980.4%	857.3%	870.2%	914.8%

(1) Statutorily required contributions equal actual required contributions.
(2) LRF employer contributions are on a pay-as-you-go basis.

State Patrol Retirement Fund

Description	2011	2012 [2]	2013	2014	2015 [3]	2016	2017 [4]	2018	2019 [5]	2020 [6]
Statutorily Required Contribution[1]	$ 9,873	$ 11,620	$ 11,482	$ 12,894	$ 13,763	$ 13,938	$ 15,783	$ 15,952	$ 19,479	$ 21,975
Covered-Member Payroll	$ 63,250	$ 62,524	$ 62,121	$ 63,952	$ 68,463	$ 69,343	$ 73,056	$ 74,007	$ 80,792	$ 83,591
Contributions as a Percentage of Covered-Member Payroll	15.6%	18.6%	18.5%	20.2%	20.1%	20.1%	21.6%	21.6%	24.1%	26.3%

(1) Statutorily required contributions equal actual required contributions.
(2) 2012: The required employer contribution rate changed from 15.6 percent to 18.6 percent.
(3) 2015: The required employer contribution rate changed to 20.1 percent.
(4) 2017: The required employer contribution rate changed to 21.6 percent.
(5) 2019: The required employer contribution rate changed to 22.35 percent, plus an additional supplemental employer contribution of 1.75 percent.
(6) 2020: The required employer contribution rate changed to 23.1 percent, plus an additional supplemental employer contribution of 3.0 percent.

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Changes in the Net Pension Liability
and Related Ratios
(In Thousands)

Judges Retirement Fund

Description	2015	2016 [1]	2017 [2]	2018 [3]	2019 [4]	2020
Total Pension Liability						
Service Cost	$ 12,075	$ 12,251	$ 13,711	$ 9,483	$ 9,857	$ 9,881
Interest on the Total Pension Liability	20,535	21,773	21,349	25,366	26,747	27,769
Difference Between Expected and Actual Experience of the Total Pension Liability	5,080	(4,366)	7,135	(4,958)	1,424	804
Changes in Assumptions	(8,416)	21,696	(85,756)	11,652	—	—
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(23,094)	(23,585)	(25,233)
Net Change in Total Pension Liability	$ 8,472	$ 29,461	$ (65,939)	$ 18,449	$ 14,443	$ 13,221
Total Pension Liability, Beginning	$ 373,039	$ 381,511	$ 410,972	$ 345,033	$ 363,482	$ 377,925
Total Pension Liability, Ending	$ 381,511	$ 410,972	$ 345,033	$ 363,482	$ 377,925	$ 391,146
Fiduciary Net Position						
Contributions – Employer	$ 9,426	$ 9,776	$ 10,219	$ 13,758	$ 17,027	$ 17,287
Contributions – Member	3,578	3,629	3,763	3,932	3,973	4,049
Net Investment Income	28,011	7,572	(186)	24,729	19,265	14,491
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(23,094)	(23,585)	(25,233)
Pension Plan Administrative Expenses	(55)	(60)	(94)	(89)	(65)	(87)
Net Change in Plan Fiduciary Net Position	$ 20,158	$ (976)	$ (8,676)	$ 19,236	$ 16,615	$ 10,507
Plan Fiduciary Net Position, Beginning	$ 155,398	$ 175,556	$ 174,580	$ 165,904	$ 185,140	$ 201,755
Plan Fiduciary Net Position, Ending	$ 175,556	$ 174,580	$ 165,904	$ 185,140	$ 201,755	$ 212,262
Net Pension Liability	$ 205,955	$ 236,392	$ 179,129	$ 178,342	$ 176,170	$ 178,884
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	46.0 %	42.5 %	48.1 %	50.9 %	53.4 %	54.3 %
Covered-Member Payroll – Measurement Period	$ 41,893	$ 43,449	$ 45,418	$ 47,813	$ 49,009	$ 50,164
Net Pension Liability as a Percentage of Covered-Member Payroll	491.6%	544.1%	394.4%	373.0%	359.5%	356.6%

(1) 2016: The discount rate changed from 5.78 percent to 5.25 percent.
(2) 2017: Benefit increase of 1.75 percent was projected for all future years changed to 1.75 percent through 2041, 2.0 percent for 2042-2054, and 2.5 percent thereafter. The discount rate changed to 7.50 percent.
(3) 2018: Benefit increase rate changed to 1.75 percent through 2038, 2.0 percent for 2039-2053, and 2.5 percent thereafter.
(4) 2019: Benefit increase rate changed to 1.75 percent through 2037, 2.0 percent for 2038-2051, and 2.5 percent thereafter.

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Changes in the Net Pension Liability
and Related Ratios (Continued)
(In Thousands)

Legislators Retirement Fund

Description	2015	2016 [1]	2017 [2]	2018 [3]	2019 [4]	2020 [5]
Total Pension Liability						
Service Cost	$ 398	$ 428	$ 495	$ 546	$ 437	$ 496
Interest on the Total Pension Liability	6,177	6,113	5,332	4,293	5,094	4,894
Benefit Changes	—	—	—	—	(9,839)	—
Difference Between Expected and Actual Experience of the Total Pension Liability	(237)	(7,303)	(1,597)	1,518	6,119	(2,441)
Changes in Assumptions	11,201	7,057	14,653	(5,017)	(856)	6,722
Benefit Payments, Including Refunds of Member Contributions	(8,486)	(8,441)	(8,536)	(8,716)	(8,912)	(8,853)
Net Change in Total Pension Liability	$ 9,053	$ (2,146)	$ 10,347	$ (7,376)	$ (7,957)	$ 818
Total Pension Liability, Beginning	$ 137,446	$ 146,499	$ 144,353	$ 154,700	$ 147,324	$ 139,367
Total Pension Liability, Ending	$ 146,499	$ 144,353	$ 154,700	$ 147,324	$ 139,367	$ 140,185
Fiduciary Net Position						
Contributions – Employer	$ 3,436	$ 3,216	$ 5,087	$ 8,716	$ 8,856	$ 8,798
Contributions – Member	101	153	89	80	93	91
Net Investment Income	1,750	281	(69)	—	—	—
Benefit Payments, Including Refunds of Member Contributions	(8,486)	(8,441)	(8,536)	(8,716)	(8,912)	(8,853)
Pension Plan Administrative Expenses	(36)	(37)	(42)	(39)	(37)	(36)
Other Changes	—	—	41	(41)	—	—
Net Change in Plan Fiduciary Net Position	$ (3,235)	$ (4,828)	$ (3,430)	$ —	$ —	$ —
Plan Fiduciary Net Position, Beginning	$ 11,493	$ 8,258	$ 3,430	$ —	$ —	$ —
Plan Fiduciary Net Position, Ending	$ 8,258	$ 3,430	$ —	$ —	$ —	$ —
Net Pension Liability	$ 138,241	$ 140,923	$ 154,700	$ 147,324	$ 139,367	$ 140,185
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	5.6 %	2.4 %	— %	— %	— %	— %
Covered-Member Payroll – Measurement Period	$ 1,122	$ 1,700	$ 989	$ 889	$ 1,033	$ 1,011
Net Pension Liability as a Percentage of Covered-Member Payroll	12,320.9%	8,289.6%	15,642.1%	16,571.9%	13,491.5%	13,866.0%

(1) 2016: Benefit increase of 2.5 percent was projected to start in 2044 instead of 2015. The discount rate changed from 4.29 percent to 3.80 percent.
(2) 2017: Benefit increase changed to 2.0 percent for all future years. The discount rate changed to 2.85 percent.
(3) 2018: The discount rate changed to 3.56 percent.
(4) 2019: Benefit increase rate changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, and 1.5 percent thereafter. The discount rate changed to 3.62 percent.
(5) 2020: The discount rate changed to 3.13 percent.

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Changes in the Net Pension Liability
and Related Ratios (Continued)
(In Thousands)

State Patrol Retirement Fund

Description	2015	2016 [1]	2017 [2]	2018 [3]	2019 [4]	2020
Total Pension Liability						
Service Cost	$ 14,514	$ 16,144	$ 16,555	$ 29,758	$ 24,935	$ 19,375
Interest on the Total Pension Liability	60,183	63,753	64,592	58,865	65,110	68,227
Benefit Changes	—	—	—	—	(2,604)	—
Difference Between Expected and Actual Experience of the Total Pension Liability	(5,771)	(12,855)	(22,222)	(2,418)	(8,369)	2,757
Changes in Assumptions	30,058	—	283,584	(112,694)	(126,888)	—
Benefit Payments, Including Refunds of Member Contributions	(53,722)	(55,480)	(57,774)	(58,565)	(59,692)	(60,803)
Net Change in Total Pension Liability	$ 45,262	$ 11,562	$ 284,735	$ (85,054)	$ (107,508)	$ 29,556
Total Pension Liability, Beginning	$ 781,411	$ 826,673	$ 838,235	$ 1,122,970	$ 1,037,916	$ 930,408
Total Pension Liability, Ending	$ 826,673	$ 838,235	$ 1,122,970	$ 1,037,916	$ 930,408	$ 959,964
Fiduciary Net Position						
Contributions – Employer	$ 12,894	$ 14,763	$ 14,938	$ 16,783	$ 16,952	$ 20,479
Contributions – Member	7,930	9,174	9,292	10,520	10,657	12,038
Net Investment Income	107,187	28,903	(774)	93,077	70,474	51,823
Benefit Payments, Including Refunds of Member Contributions	(53,722)	(55,480)	(57,774)	(58,565)	(59,692)	(60,803)
Pension Plan Administrative Expenses	(150)	(170)	(220)	(208)	(184)	(191)
Other Changes	—	—	—	—	(7)	(1)
Net Change in Plan Fiduciary Net Position	$ 74,139	$ (2,810)	$ (34,538)	$ 61,607	$ 38,200	$ 23,345
Plan Fiduciary Net Position, Beginning	$ 593,201	$ 667,340	$ 664,530	$ 629,992	$ 691,599	$ 729,799
Plan Fiduciary Net Position, Ending	$ 667,340	$ 664,530	$ 629,992	$ 691,599	$ 729,799	$ 753,144
Net Pension Liability	$ 159,333	$ 173,705	$ 492,978	$ 346,317	$ 200,609	$ 206,820
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.7 %	79.3 %	56.1 %	66.6 %	78.4 %	78.5 %
Covered-Member Payroll – Measurement Period	$ 63,952	$ 68,463	$ 69,343	$ 73,056	$ 74,007	$ 80,792
Net Pension Liability as a Percentage of Covered-Member Payroll	249.1%	253.7%	710.9%	474.0%	271.1%	256.0%

(1) 2016: Benefit increase of 1.0 percent was projected to start in 2031 instead of 2018, 1.5 percent through 2052 instead of 2045 and 2.5 percent thereafter.
(2) 2017: Benefit increase changed to 1.0 percent for all future years. The discount rate changed from 7.9 percent to 5.31 percent.
(3) 2018: Benefit increase changed to 1.0 percent through 2064, and 1.5 percent thereafter. The discount rate changed to 6.38 percent.
(4) 2019: Benefit increase changed to 1.0 percent for all future years. The discount rate changed to 7.5 percent.

Defined Benefit Other Postemployment Benefits

The state of Minnesota offers other postemployment benefits (OPEB) to state employees and their dependents through a single-employer defined benefit health care plan. The state does not fund this plan and operates on a pay-as-you-go basis. The state implemented Governmental Accounting Standards Board Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" in fiscal year 2018, which is the first year the data is available. This statement requires the presentation of supplementary information for each of the ten most recent years. However, until a full 10-year trend is available, the state will present information for the years which the information is available.

Required Supplementary Information
Single Employer Defined Benefit OPEB Plan
Schedule of Changes in Total OPEB Liability
(In Thousands)

Description	2018	2019 [2]	2020 [3]
Total OPEB Liability[1]:			
Service Cost	$ 51,415	$ 48,056	$ 47,473
Interest	18,612	23,378	24,963
Differences Between Expected and Actual Experience	—	(42,541)	(16,846)
Changes in Assumptions or Other Inputs	(32,277)	(596)	(2,444)
Benefit Payments	(32,627)	(36,358)	(35,030)
Net Changes in Total OPEB Liability	$ 5,123	$ (8,061)	$ 18,116
Total OPEB Liability, Beginning	617,856	622,979	614,918
Total OPEB Liability, Ending	$ 622,979	$ 614,918	$ 633,034
Covered-Employee Payroll	$ 3,545,697	$ 3,603,462	$ 3,664,566
Total OPEB Liability as a Percentage of Covered-Employee Payroll	17.6 %	17.1 %	17.3 %

(1) Amounts represent the total of the primary government's proportionate share and its discretely presented component unit's proportionate share.

(2) 2019: The discount rate changed from 3.58 percent to 3.87 percent.

(3) 2020: The discount rate changed to 3.50 percent.

APPENDIX F

CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING

The Commissioner's Order authorizing the issuance of the Bonds will contain provisions enabling participating underwriters in the primary offering of the Bonds to comply with the requirements of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15C2-12, paragraph (b)(5), in substantially the following form:

3.01 **Official Statement.** The Official Statement dated October 19, 2021, relating to the Bonds (the "Official Statement"), is a final official statement within the meaning of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, as in effect and interpreted from time to time ("Rule 15c2-12"). The respective purchasers of the Bonds designated in Section 4 hereof (collectively, the "Initial Purchasers") are authorized and directed to distribute the Official Statement to all persons to whom the Bonds of a series are reoffered.

3.02 **Continuing Disclosure.**

(a) General Undertaking. On behalf of the State, the Commissioner covenants and agrees with the Registered Owners (as hereinafter defined) from time to time of the Bonds to comply with Rule 15c2-12, paragraph (b)(5); and, for this purpose, to provide to the Municipal Securities Rulemaking Board ("MSRB"), annual financial information of the type included in the Official Statement and notice of the occurrence of certain specified events which materially affect the terms, payment, security, rating or tax status of the Bonds, as set forth in this Section. The State is the only "obligated person" in respect of the Bonds within the meaning of Rule 15c2-12. As used in this Section 3.02, "Registered Owner" means, in respect of a Bond of a series, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Bond of a series, any person or entity which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The Commissioner will provide, in the manner set forth in paragraph (c) hereof, either directly or indirectly through an agent designated by the Commissioner, the following information (the "Disclosure Information") at the following times:

(i) On or before December 31 of each year, commencing in 2021 (each a "Reporting Date"):

(A) The Annual Comprehensive Financial Report of the State for the fiscal year ending on the previous June 30, prepared by the State's Department of Management and Budget in accordance with generally accepted accounting principles for governmental entities as prescribed by the Government Accounting Standards Board as in effect from time to time or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles, noting the variances therefrom and the effect thereof, together with an independent auditor's report prepared with respect thereto by the Office of the Legislative Auditor of the State or other auditing authority designated by State law; provided, however, that if audited financial statements are not available by such date, the financial statements to be delivered shall be unaudited, but the State undertakes and agrees to provide, within 10 days after the receipt thereof by the State, the audited general purpose financial statements of the State and the related audit report described above; and

(B) To the extent not included in the financial statements referred to in clause (A) hereof, the information for such fiscal year of the type contained in the Official Statement, which information may be unaudited.

Any or all of the information may be incorporated by reference from other documents, including official statements, which have been filed with the Securities and Exchange Commission (the "SEC") or have been made available to the public on the MSRB's Electronic Municipal Market Access ("EMMA") facility for municipal securities disclosure. The Commissioner shall clearly identify in the information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the State have materially changed or been discontinued, such Disclosure Information need no longer be provided if the State includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other State operations in respect of which data is not included in the Disclosure Information and the State determines that certain specified data regarding such replacement operations would be "Material" (as defined in subparagraph (ii) of this paragraph (b)), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Section 3.02 is amended as permitted by this subparagraph (i) or paragraph (d), then the State shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(ii) In a timely manner, not in excess of 10 business days after the occurrence of an event, notice of the occurrence of any of the following events:

(A) Principal and interest payment delinquencies;

(B) Non-payment related defaults, if material;

(C) Unscheduled draws on debt service reserves reflecting financial difficulties;

(D) Unscheduled draws on credit enhancements reflecting financial difficulties;

(E) Substitution of credit or liquidity providers, or their failure to perform;

(F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(G) Modifications to rights of security holders, if material;

(H) Bond calls, if material, and tender offers;

(I) Defeasances;

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

(K) Rating changes;

(L) Bankruptcy, insolvency, receivership or similar event of the State;

(M) The consummation of a merger, consolidation or acquisition involving the State or the sale of all or substantially all of the assets of the State or other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(N) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

(O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

With respect to (O) and (P) above, Rule 15c2-12 defines "financial obligation" as a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledge as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). However, "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

As used herein, an event is "material" if it would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of the occurrence of the event.

(iii) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the State to provide the information required under subparagraph (i) of this paragraph (b) at the time specified thereunder;

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

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

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

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

(c) Manner of Disclosure.

(i) The Commissioner agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in paragraph (b).

(ii) The Commissioner further agrees to make available by electronic transmission, overnight delivery, mail or other means, as appropriate, the information described in paragraph (b) to any rating agency then maintaining a rating of the Bonds and, at the expense of any Registered Owner, to any Registered Owner who requests in writing such information at the time of transmission under subparagraph (i) of this paragraph (c), or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(iii) All documents provided to the MSRB pursuant to this paragraph (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(iv) The State shall determine in the manner it deems appropriate whether there has occurred a change in the MSRB's email address or filing procedures and requirement under the MSRB's EMMA facility each time the State is required to file information with the MSRB.

(d) Term; Amendments; Interpretation.

(i) The covenants of the State in this Section 3.02 shall remain in effect with respect to a series of Bonds so long as any Bonds of such series are outstanding. Notwithstanding the preceding sentence, however, the obligations of the State under this Section 3.02 shall terminate and be without further effect as of any date on which the State delivers to the Registrar an opinion of bond counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the State to comply with the requirements of this Section 3.02 will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule 15c2-12 or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(ii) This Section 3.02 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the State from time to time, without notice to (except as provided in subparagraph (ii) of paragraph (c)) or the consent of the Registered Owners of any Bonds, by an order of the Commissioner accompanied by an opinion of bond counsel, who may rely on certificates of the State and others and the opinion may be subject to customary qualifications, to the effect that: (A) such amendment or supplement (1) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the type of operations conducted by the State, or (2) is required by, or better complies with, the provisions of paragraph (b)(5) of Rule 15c2-12; (B) this Section 3.02 as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of Rule 15c2-12 at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (A)(1) and assuming that Rule 15c2-12 as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (C) such amendment or supplement does not materially impair the interests of the Registered Owners under Rule 15c2-12.

(iii) If the Disclosure Information is so amended, the Commissioner agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(iv) This Section 3.02 is entered into to comply with the continuing disclosure provisions of Rule 15c2-12 and should be construed so as to satisfy the requirements of Rule 15c2-12.

(e) Failure to Comply; Remedies. If the State fails to comply with any provision of this Section 3.02, any person aggrieved thereby, including the Registered Owner of any outstanding Bond of a series, may take whatever action at law or in equity as may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section 3.02. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 3.02 constitute a default with respect to the Bonds or under any other provision of this Order.

(f) Further Limitation of Liability of State. If and to the extent the limitations of liability contained in subparagraph (e) are not effective, anything contained in this Section 3.02 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 3.02, the State has not obligated itself to pay damages resulting from any violation thereof. None of the agreements or obligations of the State contained herein shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the full faith and credit or taxing powers of the State, a waiver of the State's sovereign immunity, or a waiver of any of the limitations contained in Minnesota Statutes, Section 3.736, except as provided under the laws of the State.

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APPENDIX G

FORM OF LEGAL OPINION

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KUTAKROCK

Kutak Rock LLP
60 South Sixth Street, Suite 3400, Minneapolis, MN 55402-4018
office 612.334.5000

November 2, 2021

The Honorable James Schowalter
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, MN 55155

$52,515,000
State of Minnesota
State General Fund Various Purpose Appropriation Bonds, Taxable Series 2021A

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in connection with the issuance of $52,515,000 State General Fund Various Purpose Appropriation Bonds, Taxable Series 2021A, dated November 2, 2021 (the "Series 2021A Bonds"). The Series 2021A Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State, including, in particular, Minnesota Statutes, Sections 16A.963, 16A.964, 16A.966 and 16A.968 (collectively, the "Acts"), and the Order dated November 2, 2021 of the Commissioner of Management and Budget (the "Order") authorizing issuance of the Series 2021A Bonds for the purpose of (i) financing public infrastructure projects within the Duluth Regional Exchange District authorized and approved by the City of Duluth under Minnesota Statutes, Sections 469.50 to 469.54, (ii) financing the cost of acquiring and installing electric vehicle charging infrastructure on state-owned property, (iii) financing the cost of acquiring and installing various items of capital equipment for public television stations, (iv) financing the cost of implementing removal or remedial actions permitted under Minnesota Statutes, Section 115B.17 to address risks to human health and environment at four contaminated sites, and (v) paying the costs associated with the issuance of the Series 2021A Bonds. We have also examined the constitution and statutes of the State, the form of bond prepared for this issue, the decision of the Minnesota Supreme Court in *Schowalter v. State, 822 N.W.2d 292 (Minn. 2012)*, pertaining to general fund appropriation bonds of the State, and such certified proceedings and other papers as we deem necessary to render this opinion as bond counsel. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2021A Bonds have been authorized and issued in accordance with the constitution and laws of the State, including, in particular, the Acts, and constitute valid and binding special obligations of the State, payable in each fiscal year only from amounts appropriated by the Legislature of the State pursuant to the Acts for such fiscal year. The Series 2021A Bonds are not public debt of the State subject to constitutional limitations on indebtedness, and the full faith, credit and taxing powers of the State are not pledged to the payment of the Series 2021A Bonds or to any payment that the State agrees to make under the Acts and the Order. The State has not pledged any other revenue or asset for the payment of the principal of or interest on the Series 2021A Bonds.

2. Interest on the Series 2021A Bonds is includable in gross income for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. We express no other opinion regarding federal, state and other tax consequences to holders of the Series 2021A Bonds.

Very truly yours,

STATE OF MINNESOTA • STATE GENERAL FUND VARIOUS PURPOSE APPROPRIATION BONDS, TAXABLE SERIES 2021A

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