NEW ISSUE - BOOK ENTRY ONLY **RATING: S&P: "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 on the Certificates is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, for tax years beginning after December 31, 2022, interest on the Certificates may affect the federal alternative minimum tax imposed on certain corporations.. For a discussion of tax matters see "TAX EXEMPTION" herein.

$454,175,000
STATE OF MINNESOTA
CERTIFICATES OF PARTICIPATION, SERIES 2023
(State Office Building Project)

Dated: Date of Delivery **Due: November 1, as shown on the next page**

The State of Minnesota (the "State"), acting by and through the Commissioner of Management and Budget ("MMB") is issuing $454,175,000 Certificates of Participation, Series 2023 (State Office Building Project) (the "Certificates") under and pursuant to Minnesota Statutes, Section 16B.2406 (the "Act"), and an Order, dated November 8, 2023 (the "Order") of MMB and the Commissioner of Administration ("Administration"). Pursuant to the Act and the Order, Administration, as Lessee, is entering into a Lease-Purchase Agreement dated as of November 1, 2023 (the "Lease") with MMB, as Lessor, and Administration, as Lessor, is entering into a Ground Lease dated as of November 1, 2023 (the "Ground Lease") with MMB, as Lessee. The Certificates evidence proportionate undivided interests in rights to receive Rental Payments under the Lease.

The Certificates are being issued for the purpose of (i) providing financing for the design, renovation, expansion and equipping of a state office building serving the House of Representatives as the primary tenant (the "SOB Project") and (ii) paying all fees and expenses incurred in connection to the issuance of the Certificates. The Certificates are payable only from amounts that the Legislature of the State of Minnesota (the "Legislature") has appropriated for Rental Payments to be made pursuant to the Lease, subject to annual Nonappropriation, and provided that nothing in the Act or the Order shall be construed to require the State to continue to appropriate funds sufficient directly or indirectly to make payments with respect to principal of and interest components of the Certificates in any fiscal year. T**he Certificates 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 Certificates.**

The Certificates will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased. Principal of the Certificates, payable annually on November 1 as set forth on the next page, and interest, payable semiannually on each May 1 and November 1, commencing May 1, 2024, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein.

The Certificates are subject to optional redemption, extraordinary mandatory redemption and mandatory sinking fund redemption as further described under "DESCRIPTION OF THE CERTIFICATES - Redemption Provisions" herein.

LEGAL OPINION: Kutak Rock LLP, Minneapolis, Minnesota

PAYING AGENT/REGISTRAR: U.S. Bank Trust Company, National Association., St. Paul, Minnesota

The Certificates will be available for delivery on or about November 8, 2023.

The date of this Final Official Statement is October 25, 2023.

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

MATURITY SCHEDULE

Year (Nov. 1)	Amount	Interest Rate	Yield	CUSIP**	Year (Nov. 1)	Amount	Interest Rate	Yield	CUSIP**
2024	13,550,000	5.00%	3.90%	604140 XC2	2034	22,345,000	5.00%	3.90%*	604140 XN8
2025	14,245,000	5.00%	3.76%	604140 XD0	2035	23,490,000	5.00%	4.00%*	604140 XP3
2026	14,975,000	5.00%	3.66%	604140 XE8	2036	24,695,000	5.00%	4.12%*	604140 XQ1
2027	15,745,000	5.00%	3.62%	604140 XF5	2037	25,960,000	5.00%	4.24%*	604140 XR9
2028	16,550,000	5.00%	3.61%	604140 XG3	2038	27,290,000	5.00%	4.35%*	604140 XS7
2029	17,400,000	5.00%	3.66%	604140 XH1	2039	28,690,000	5.00%	4.40%*	604140 XT5
2030	18,290,000	5.00%	3.74%	604140 XJ7	2040	30,160,000	5.00%	4.46%*	604140 XU2
2031	19,230,000	5.00%	3.76%	604140 XK4	2041	31,710,000	5.00%	4.52%*	604140 XV0
2032	20,215,000	5.00%	3.78%	604140 XL2	2042	33,335,000	5.00%	4.58%*	604140 XW8
2033	21,255,000	5.00%	3.80%	604140 XM0	2043	35,045,000	5.00%	4.63%*	604140 XX6

* Priced to the call date of November 1, 2033.

** 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.

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

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

This Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," 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 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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INTRODUCTION TO THE OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding issuance of the $454,175,000 Certificates of Participation, Series 2023 (State Office Building Project) (the "Certificates") 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.

Capitalized terms used but not defined herein shall have the meanings given to them in the Lease-Purchase Agreement, dated as of November 1, 2023 (the "Lease") by and between the State, acting by and through MMB, as lessor (the "Lessor"), and the State, acting by and through the Commissioner of the Administration ("Administration"), as lessee (the "Lessee").

Issuer:	State of Minnesota (the "State")
Lessor:	The State, acting by and through the Commissioner of Management and Budget ("MMB" or "Lessor")
Lessee:	The State, acting by and through the Commissioner of Administration ("Administration" or "Lessee")
Authority for Issuance:	The Certificates are being issued pursuant to Minnesota Statutes, Section 16B.2406 (the "Act"); an order, signed by MMB and Administration, authorizing and ordering the issuance of the Certificates (the "Order"); the Lease and the Ground Lease between Administration, as Lessor, and MMB, as Lessee.
Security:	The Certificates are payable only from amounts that the Legislature has appropriated from the General Fund pursuant to the Act for Rental Payments to be made under the Lease, provided that such appropriation may be reduced or repealed in its entirety by the Minnesota Legislature and is also subject to executive unallotment, in whole or in part, under Minnesota Statutes, Section 16A.152. and provided further that nothing in the Act or the Order shall be construed to require the State to continue to appropriate funds sufficient directly or indirectly to make payments with respect to principal of and interest components of the Certificates in any fiscal year. **The Certificates 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 Certificates. (See "SOURCE OF PAYMENT AND SECURITY" herein)**
Purpose:	The Certificates are being issued for the purpose of (i) providing financing for the design, renovation, expansion and equipping of a state office building serving the House of Representatives as the primary tenant (the "SOB Project") and (ii) paying all fees and expenses incurred in connection to the issuance of the Certificates.
Principal Payments:	Principal is payable annually on November 1 of the years 2024 through 2043.
Interest Payments:	Interest is payable semiannually on May 1 and November 1, commencing May 1, 2024.
Redemption Provisions:	The Certificates are subject to optional redemption, extraordinary mandatory redemption and mandatory sinking fund redemption prior to their stated maturities as further described herein under "Description of the Certificates - Redemption Provisions."

Cancellation:	If the Legislature reduces or repeals the Continuing Appropriations (as defined herein) for payment of Rental Payments pursuant to the Act or in the event of an executive unalottment, in whole or in part, under Minnesota Statutes, Section 16A.152, the Certificates 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 Certificates, or from and after the date of such unallotment, as the case may be. Upon such cancellation, the Certificates 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 Certificates 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 Certificates shall not constitute a default by the State in respect of the Certificates.
Denominations:	$5,000 or integral multiples thereof.
Book-Entry Only:	The Certificates will be issued as book-entry only securities through the DTC.
Tax Status:	The Certificates are exempt from federal and Minnesota income taxes, as further provided and described in this Official Statement. See "Tax Exemption" herein. The Certificates will <u>not</u> be designated as Qualified Tax-Exempt Certificates.
Legal Matters:	The Certificates are approved as to validity by the State Attorney General and Kutak Rock LLP, Omaha, Nebraska, as Bond Counsel. Only Kutak Rock LLP will provide the opinion regarding the tax exemption of interest on the Certificates. The opinion of Bond Counsel will be substantially in the form set forth in APPENDIX F attached hereto.
Professional Consultants:	*Municipal Advisor:* PFM Financial Advisors LLC, Minneapolis, Minnesota *Bond Counsel*: Kutak Rock LLP, Minneapolis, Minnesota *Paying Agent/Registrar:* U.S. Bank Trust Company, National Association, St. Paul, Minnesota
Conditions Affecting Issuance of the Certificates:	The Certificates are offered when, as and if issued, subject to the approving legal opinions of the State Attorney General and Kutak Rock LLP as Bond Counsel.
Continuing Disclosure:	See "CONTINUING DISCLOSURE" and "APPENDIX G – CONTINUING DISCLOSURE UNDERTAKING"
Dated Date/Delivery Date:	On or about November 8, 2023.

The information set forth herein has been obtained from the State and other sources which are believed to be reliable, but it is not to be construed as a representation by the Municipal Advisor or Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the State or in any other information contained herein, since the date hereof.

Questions regarding the Certificates or the Official Statement can be directed to, and additional copies of the Official Statement, the State's audited financial reports and the documents described herein may be obtained from Jennifer Hassemer, Assistant Commissioner of Minnesota Management and Budget, 400 Centennial Office Building, 658 Cedar Street, St. Paul, Minnesota 55155, (651) 201-8079 or from Jessica Cameron Mitchell at PFM Financial Advisors LLC, 50 South 6th Street, Suite 2250, Minneapolis, Minnesota 55402, (612) 371-3742.

DESCRIPTION OF THE CERTIFICATES

This Official Statement sets forth information concerning the issuance of the Certificates by the State. The Certificates mature on the dates and in the amounts as set forth on the cover and inside cover pages of this Official Statement and contain other terms as set forth herein.

Authorization and Purpose

The Certificates are being issued under and pursuant to Minnesota Statutes, Section 16B.2406 (the "Act") and an Order, signed by the Commissioner of Management and Budget ("MMB") and the Commissioner of Administration ("Administration"), dated November 8, 2023 (the "Order"), authorizing and ordering the issuance of the Certificates, and authorizing a Lease-Purchase Agreement dated as of November 1, 2023 (the "Lease") by and between MMB, as Lessor, and Administration, as Lessee, and a Ground Lease dated as of November 1, 2023 (the "Ground Lease") by and between Administration, as Lessor, and MMB, as Lessee. The Certificates evidence proportionate undivided interests in rights to receive Rental Payments under the Lease.

The Certificates are being issued for the purpose of (i) providing financing for the design, renovation, expansion and equipping of a state office building serving the House of Representatives as the primary tenant (the "SOB Project") and (ii) paying all fees and expenses incurred in connection to the issuance of the Certificates.

Administration has identified approximately $478,582,000 in project costs for the SOB Project, to address critical health, life safety, and security needs.

Interest Computation

Interest payable with respect to the Certificates will be payable semiannually on May 1 and November 1, commencing May 1, 2024. It will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.

Redemption Provisions

Optional Redemption

The Certificates maturing on or after November 1, 2034 are subject to redemption, at the option of the State, on November 1, 2033 and on any date thereafter, in whole or in part as selected by the State with respect to maturities and by lot within each maturity, at a price of par plus accrued interest to the date of redemption.

Extraordinary Mandatory Redemption

The Certificates shall be immediately called for redemption in whole in the event that the Lease Term shall be terminated by the occurrence of an event of Nonappropriation (as defined herein under "SUMMARY OF CERTAIN TRANSACTION DOCUMENTS – The Lease – Nonappropriation"). Upon the occurrence of an event of Nonappropriation under the Lease-Purchase Agreement, the Certificates are subject to immediate extraordinary mandatory redemption in whole. Lessor shall direct the Paying Agent immediately to notify the registered owners of the Certificates of such event and related redemption. If the Net Proceeds, as defined under the Lease, otherwise received and other moneys then available under the Order are insufficient to pay in full the principal of and accrued interest on all outstanding Certificates, Lessor may, or at the request of the registered owners of majority in aggregate principal amount of the Certificates, and upon indemnification as to costs and expenses as Lessor may require, is required to, without any further demand or notice, exercise all or any combination of Lease remedies as provided in the Lease, and the Certificates shall be redeemed by Lessor from the Net Proceeds resulting from the exercise of such Lease remedies and all other moneys, if any, then on hand and being held by or on behalf of Lessor for the registered owners of the Certificates. In the event that such Net Proceeds resulting from the exercise of such Lease remedies and other moneys are insufficient to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such Net Proceeds resulting from the exercise of such Lease remedies and other moneys are to be allocated proportionately among the Certificates, according to the principal amount thereof outstanding, and such partial payment shall be deemed to constitute a redemption in full of the Certificates, and upon such a partial payment no registered owner of such Certificates shall have any further claim for payment against Lessor, Paying Agent, or Lessee. In the event that such Net Proceeds resulting from the exercise of such Lease remedies and other moneys are in excess of the amount required to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such excess moneys are to be paid to Lessee. Prior to any distribution of the Net Proceeds resulting from the exercise of any of such remedies, the Paying Agent is entitled to payment of its reasonable and customary fees for all services rendered in connection with such disposition, as well as reimbursement for all reasonable costs and expenses, including attorneys' fees, incurred thereby, from proceeds resulting from the exercise of such Lease remedies and other moneys.

IF THE CERTIFICATES ARE REDEEMED FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT SHALL BE DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO OWNER OF SUCH CERTIFICATES SHALL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST LESSOR, THE PAYING AGENT OR LESSEE.

Notice of Redemption

So long as the Certificates are registered in the name of the nominee of DTC or another securities depository designated for this purpose, notice of any optional or mandatory sinking fund redemption of Certificates will be mailed not less than 20 days prior to the redemption date only to such securities depository, which in turn is obligated to notify its participants who are obligated to notify the registered owners of the Certificates. Notice of any extraordinary mandatory redemption will be provided only to such securities depository and the redemption will be immediate, as described under "Extraordinary Mandatory Redemption." 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 Certificates are not in book entry form, notice of any redemption of Certificates 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 twenty days before the redemption date (except in the case of Extraordinary Mandatory Redemptions, which shall be immediate).

Notice of redemption of the Certificates, whether or not the Certificates are in book entry form, shall state: (i) the series, original date of issue, maturity dates, CUSIP numbers, and interest rates of the Certificates to be redeemed, (ii) if less than all Certificates 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 Certificate, (iv) the redemption date and price and the name and address of the paying agent where such Certificates must be presented for payment, (v) that on the redemption date the redemption price of the Certificates or portions thereof to be redeemed will be payable, (vi) that after the redemption date interest will cease to accrue or be payable thereon, and (vii) the conditions, if any, which must be satisfied in order for the redemption to take place on the scheduled date of redemption. Notice will also be mailed to the registered owner of any such Certificate 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 Certificates or portion of Certificates 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 Certificates or portions thereof shall no longer be considered outstanding under the 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.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates 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 certificate will be issued for each maturity for each series of the Certificates 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the legal documents. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar of the Certificates ("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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates purchased or tendered, through its Participant, to the Registrar, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Registrar. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the Registrar's DTC account.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor depository is not obtained, 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, 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 Certificates: (i) payments of principal of or interest and premium, if any, on the Certificates; (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in the Certificates; 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 Certificates, 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 Certificates; (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 Certificates; (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 Certificates; (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 Certificates; (v) the selection of which Beneficial Owners will receive payment in the event of any partial redemption of the Certificates; (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.

Continuing Disclosure

In the Order, the Commissioner of MMB has covenanted and agreed on behalf of the State, for the benefit of the holders of the Certificates 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 Certificates. MMB is the only "obligated person" in respect of the Certificates within the meaning of paragraph (b)(5). A description of the undertaking is set forth in APPENDIX G.

SOURCES AND USES OF FUNDS

The proceeds of the Certificates will be applied approximately as follows:

Sources and Uses of Funds

Sources of Funds	
Par Amount	$ 454,175,000.00
Original Issue Premium	25,855,278.00
Total Sources of Funds	$ 480,030,278.00
Uses of Funds	
Construction Account	$ 478,582,000.00
Costs of Issuance/Underwriter's Discount	1,448,278.00
Total Uses of Funds	$ 480,030,278.00

SOURCE OF PAYMENT AND SECURITY

The Certificates are payable from the Rental Payments due under the Lease. Funds sufficient to make Rental Payments have been appropriated in the Act, provided that the State is not obligated to continue such appropriation of funds or to make Rental Payments in any future fiscal year and provided further that nothing in the Act or the Order shall be construed to require the State to continue such appropriation of funds sufficient directly or indirectly to make payments with respect to principal of and interest components of the Certificates in any fiscal year.

There is no assurance that the Legislature will not rescind or repeal appropriations to fund Rental Payments. Accordingly, the likelihood that there will be sufficient funds to pay the principal of and interest on the Certificates depends upon certain factors which are beyond the control of the Owners of the Certificates, including (a) a continuing need of the State to utilize the Project, and (b) the economic and demographic conditions within the State permitting the generation of funds sufficient to pay obligations associated with Rental Payments and other obligations of the State (whether now existing or hereafter created).

In the event the appropriations are insufficient to pay the Rental Payments, the State will have no further payment obligations under the Lease.

THE CERTIFICATES ARE NOT PUBLIC DEBT OF THE STATE, AND THE FULL FAITH, CREDIT, AND TAXING POWERS OF THE STATE ARE NOT PLEDGED TO THE PAYMENT OF THE CERTIFICATES OR TO ANY PAYMENT THAT THE STATE AGREES TO MAKE UNDER THE ACT AND THE ORDER. THE CERTIFICATES SHALL NOT BE OBLIGATIONS PAID DIRECTLY, IN WHOLE OR IN PART, FROM A TAX OF STATEWIDE APPLICATION ON ANY CLASS OF PROPERTY, INCOME, TRANSACTION, OR PRIVILEGE. THE CERTIFICATES SHALL BE PAYABLE ONLY FROM AMOUNTS THAT THE LEGISLATURE HAS APPROPRIATED DIRECTLY OR INDIRECTLY FOR RENTAL PAYMENTS, PROVIDED THAT NOTHING IN THE ACT AND THE ORDER SHALL BE CONSTRUED TO REQUIRE THE STATE TO CONTINUE TO APPROPRIATE FUNDS SUFFICIENT TO MAKE PRINCIPAL AND INTEREST PAYMENTS WITH RESPECT TO THE CERTIFICATES IN ANY FISCAL YEAR. **THE CERTIFICATES SHALL BE SUBJECT TO IMMEDIATE EXTRAORDINARY MANDATORY REDEMPTION ON THE DATE OF REPEAL BY THE LEGISLATURE OF AN APPROPRIATION OR THE DATE OF UNALLOTMENT UNDER MINNESOTA STATUTES, SECTION 16A.152.**

Under the Order, MMB shall maintain the "Special State Office Building Certificates Account" (the "Certificates Account") into which are appropriated moneys received as Rental Payments under the Lease, and from which shall be paid the principal and interest on the Certificates. Under the Order, MMB shall also maintain the "Special State Office Building Construction Account" (the "Construction Account") into which proceeds received from purchasers of the Certificates shall be deposited and provided to Administration for application to the costs of the Project in accordance with Section 21(a) of the Act, the Order, the Lease and applicable legislative appropriations.

There shall be paid by Administration to MMB for deposit into the Certificates Account on April 15 and October 15 in each year, an amount sufficient to pay all principal and interest due and to become due on the next succeeding May 1 and November 1 on all Certificates, provided that such appropriation shall be subject to (a) repeal by the Legislature or (b) unallotment under Minnesota Statutes, Section 16A.152. Upon a nonappropriation, or such repeal or unallotment, the Certificates shall be subject to extraordinary mandatory redemption (See "DESCRIPTION OF THE CERTIFICATES – Redemption Provisions – Extraordinary Mandatory Redemption" herein).

SUMMARY OF CERTAIN TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the Lease and the Ground Lease. These summaries do not purport to be complete and reference is made to the full text of the respective agreements for a complete recital of their terms. Investors are urged to review the various provisions of the documents carefully in order to ascertain precisely how any particular subject is treated herein. Copies of the documents described herein can be obtained from PFM Financial Advisors LLC., the State's municipal advisor.

The Lease

General Description

The Lease will be entered into by and between the State acting through the MMB as the Lessor and the State acting through the Administration as the Lessee for the purpose of carrying out the Project.

Lease Term

The Lease will be in effect for a period commencing on November 8, 2023, and ending on the date when all Rental Payments have been made November 1, 2043, or, if earlier, upon the occurrence of the first of the following events:

(a) the termination by the Lessee by virtue of an event of Nonappropriation;
(b) the exercise by the Lessee of its option to purchase the Lessor's interest in the Project; or,
(c) the payment by the Lessee of all Rental Payments and all other amounts authorized or required to be paid by Lessee with respect to the Project.

Nonappropriation

In the sole event of Nonappropriation relating to the Project, the Lessee shall have the right to terminate the Lease at the end of any period for which the Lessee has appropriated funds for the payment of Rental Payments with respect to the Project.

The Lessee may effect such termination by giving the Lessor a written notice of termination and by paying to the Lessor any Rental Payments and other amounts which are due and for which funds have been appropriated. The Lessee shall give notice of such termination not less than 60 days prior to the end of such period for which funds have been appropriated, and shall notify the Lessor of any anticipated termination. In the event of termination of the Lease, the Lessee shall deliver possession of the Project to the Lessor and shall convey to the Lessor or release its interest in the Project within 10 days after the termination of the Lease.

"Nonappropriation" is defined by the Lease to mean the repeal by the Legislature of the continuing appropriation for Rental Payments provided by the Act, or an unallotment under Minnesota Statutes, Section 16A.152.

The Lessee intends to continue the Lease for its entire Lease Term with respect to the Project and to pay all Rental Payments relating thereto. Funds sufficient to make all Rental Payments have been appropriated in the Act and no further action is required by the Legislature for payments to be made in future years, provided that the State is not obligated to continue such appropriation of funds or to make Rental Payments in any future fiscal year.

Upon termination of the Lease because of an event of Nonappropriation, the Lessee shall not be responsible for the payment of any additional Rental Payments coming due in succeeding periods for which funds are not appropriated, but if the Lessee has not delivered possession of the Project to the Lessor and conveyed to the Lessor or released its interest in the Project within 10 days after such termination of the Lease, the termination shall nevertheless be effective, but the Lessee shall be responsible for the payment of damages in an amount equal to the amount of the Rental Payments that would have thereafter come due (except for the termination because of an event of Nonappropriation) which are attributable to the number of days after such 10 day period during which the Lessee fails to take such actions and for any other loss suffered by the Lessor as a result of the Lessee's failure to take such actions as required.

Rental Payments

The Lessee shall make Rental Payments during the Lease Term not later than the fifteenth day of each April and October in the amounts specified in the Project Schedule presented in Exhibit A of the Lease. All Rental Payments shall be paid to the Lessor or to such other assignee(s) to which the Lessor has assigned such Rental Payments, at such place as the Lessor or such assignee(s) may from time to time designate by written notice to the Lessee. The Lessee shall pay the Rental Payments exclusively from moneys legally available.

The obligations of the Lessee under the Lease, including its obligation to pay the Rental Payments due with respect to the Project, in any fiscal period for which the Lease is in effect, shall constitute a current expense of the Lessee for such fiscal period and shall not constitute an indebtedness of the Lessee within the meaning of the Constitution and laws of the State. **Nothing in the Lease shall constitute a pledge by the Lessee of any taxes or other moneys, other than moneys lawfully appropriated from time to time by or for the benefit of the Lessee for this purpose and the proceeds or the Net Proceeds of the Project, to the payment of any Rental Payment or other amount coming due under the Lease. In no event shall any provision of the Lease obligate the Lessee beyond the current fiscal period.** For purposes of this paragraph, "fiscal period" means the 24 month fiscal biennium of the Lessee for which funds have been appropriated in respect of the Lessee's Rental Payment obligations.

Except in the event of Nonappropriation, the obligation of the Lessee to make Rental Payments or any other payments required under the Lease shall be absolute and unconditional in all events. Notwithstanding any dispute between the Lessee and the Lessor or any other person, the Lessee shall make all Rental Payments and other payments required when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall the Lessee assert any right of setoff or counterclaim against its obligation to make such Rental Payments or other payments required under the Lease. The Lessee's obligation to make Rental Payments or other payments during the Lease Term shall not be abated through accident or unforeseen circumstances.

Option to Purchase

The Lessee shall have the option to purchase the Lessor's interest in the Project on any day upon 30 days' notice for the then applicable Purchase Option Price (which shall be adjusted to account for the actual number of days since the next preceding Payment Date if the purchase date is not a Payment Date), but only if the Lessee is not in default. The Lessee shall give notice to the Lessor of its intention to exercise its option to purchase with respect to the Project not less than 30 days prior to the date on which the option is to be exercised and shall deposit with the Lessor on the date of exercise an amount equal to all Rental Payments and any other amounts relating to the Project then due or past due (including the prorated Rental Payment relating thereto to the date on which the option is to be exercised) and the applicable Purchase Option Price set forth in the Lease, adjusted as aforesaid. The closing shall be on the date on which the option is to be exercised at the office of the Lessor. Upon the exercise of the option to purchase by the Lessee, the Lessor shall release all of its right, title, and/or interest in and to the Project by delivering to Lessee such documents as the Lessee deems necessary for this purpose.

Assignment, Subleasing, Mortgaging and Selling

Except upon expiration or termination of the Lease, the Lessor shall not assign its obligations under the Lease, and no purported assignment thereof shall be effective. All of the Lessor's right, title and/or interest in and to the Project, the Rental Payments and other amounts due, and the right to exercise all rights under the Lease, may be assigned and reassigned in whole or in part to one or more assignees or subassignees by the Lessor at any time without the written consent of the Lessee. No such assignment shall be effective as against the Lessee unless and until the assignor shall have filed with the Lessee a copy or written notice identifying the assignee. During the Lease Term, the Lessee shall keep a complete and accurate record of all such assignments. In the event the Lessor assigns participations in its right, title and/or interest in and to the Project, the Rental Payments and other amounts due, and the rights granted under the Lease, such participants shall be considered to be the Lessor with respect to their participated shares thereof.

Neither the Lease nor the Lessee's interest in the Project may be sold, assigned, subleased, transferred, pledged or mortgaged by the Lessee without the written consent of the Lessor.

Certain Other Representations, Warranties and Covenants of Lessee

The Lessee represents and warrants to and covenants with the Lessor with respect to the Lease and the Project, as follows:

(a) The Lessee is authorized under the Constitution and laws of the State, including the Act, to enter into the Ground Lease, the Lease and the transactions contemplated thereby, and to perform all of its obligations hereunder.

(b) The execution and delivery of the Lease and the Ground Lease have been duly authorized by appropriate official action, and such action has complied and/or will comply with all public bidding and other State and federal laws applicable to the Lease and the Ground Lease and the design, renovation, construction, equipping, financing and use of the Project by the Lessee.

(c) The leasing of the Project will serve a governmental purpose function which presently is, and is anticipated to continue to be, essential to the proper, efficient and economic operation of the Lessee and of the State.

(d) The Lessee is not obligated by the Lease to make Rental Payments due under the Lease for any future fiscal period for which the Legislature has repealed the continuing appropriation provided by the Act.

The Project

Lease; Enjoyment; Inspection

Under the Lease, the Lessor leases to the Lessee the Project made subject to the Lease upon the terms and conditions set forth in the Lease. The Lessor covenants to provide the Lessee during the Lease Term with the quiet use and enjoyment of the Project, and the Lessee shall during the Lease Term peaceably and quietly have and hold and enjoy the Project, without suit, trouble or hindrance from the Lessor, except as expressly set forth in the Lease. The Lessor will, at the request of the Lessee and at Lessee's cost, join in any legal action in which the Lessee asserts its right to such possession and enjoyment to the extent the Lessor lawfully may do so. The Lessee agrees that the Lessor shall have the right at all reasonable times during normal business hours to examine and inspect the Project. The Lessee further agrees, as provided by the Ground Lease, that the Lessor shall have such easements and rights of access to the Project as may be reasonably necessary to cause the proper operation and maintenance of the Project in the event of failure by the Lessee to perform its obligations under the Lease.

Use, Permits and Maintenance of Project and Premises

The Lessee shall exercise care in the construction, equipping, use, operation and maintenance of the Project, and shall not use, operate or maintain the Project improperly, carelessly, in violation of any State and federal law or for a purpose or in a manner contrary to that contemplated by the Lease. The Lessee shall obtain all permits and licenses necessary for the construction, equipping, operation, possession and use of the Project. The Lessee shall comply with all State and Federal laws applicable to the construction, equipping, use, possession and operation of the Project, and if compliance with any such State and Federal law requires changes or additions to be made to the Project, such changes or additions shall be made by Lessee at its expense.

The Lessee shall, at its own expense, maintain, preserve and keep the Project and related premises in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Project and related premises in such condition. The Lessor shall have no responsibility for any of these repairs or replacements.

Modification of Project

The Lessee shall, at its own expense, have the right to make repairs to the Project, and to make repairs, replacements, improvements, substitutions and modifications to all or any of the parts of the Project. All such work and any part or component used or installed to make a repair or as a replacement, improvement, substitution or modification shall comprise part of the Project and be subject to the provisions of the Lease. Such work shall not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of State and federal law or those contemplated by the Lease; and the Project, upon completion of any such work, shall be of a value which is not materially less than the value of the Project immediately prior to the commencement of such work.

Taxes, Other Governmental Charges and Utility Charges

The Lessee is exempt from taxation under State law, and it is the understanding and intent of the Lessor and the Lessee that the Project shall not be subject to taxation. The Lessee shall pay any taxes and other charges of any kind which are at any time lawfully assessed or levied against or with respect to the Project, the Rental Payments, or any part thereof, or which become due during the Lease Term, whether assessed against Lessee or Lessor. The Lessee shall also pay when due all gas, water, steam, electricity, heat, power, telephone, and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Lease Term as and when the same become due. The Lessee shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by Lessor, its successors or assigns, unless such tax is made in lieu of or as a substitute for any tax, assessment or charge which is the obligation of Lessee under the Lease. The Lessee may, at the expense and in the name of the Lessee, in good faith contest any such taxes, assessments and other charges in any reasonable manner which do not adversely affect the right, title and interest of the Lessor.

Net Lease

The Lease shall be deemed and constructed to be a “net lease,” and the Lessee shall pay absolutely net during the Lease Term the Rental Payments and all other amounts required free of any deduction and without abatement, deduction or setoff.

Title, Security Interest and Liens

During the Lease Term, and so long as the Lessee is not in default, legal title to the Project and any and all repairs, replacements, substitutions and modifications to it shall be in the Lessee. Upon termination of the Lease, full and unencumbered legal title to the Project shall pass to the Lessor, and the Lessee shall have no further interest. In either of such events, the Lessee shall execute and deliver to the Lessor such documents as the Lessor may request to evidence the passage of legal title to the Project and the termination of the Lessee’s interest, and upon request by the Lessor shall deliver possession of the Project to the Lessor, together with such easements as shall be reasonable and necessary to provide the Lessor, its agents, employees and customers full and complete access to the Project. Upon termination of the Lease through exercise of the Lessee’s option to purchase or through payment of all Rental Payments, the Lessor’s security or other interest in the Project shall terminate, and the Lessor shall execute and deliver to the Lessee such documents as the Lessee may request to evidence the termination of the Lessor’s security or other interest in the Project.

The Lessee grants to the Lessor a continuing, first priority security interest in and to the Project, all repairs, replacements, substitutions and modifications made and all proceeds of the foregoing in order to secure the Lessee’s payment of all Rental Payments due during the Lease Term and the performance of all other obligations to be performed by the Lessee. The Lessee will join with Lessor in executing such financing statements or other documents and will perform such acts as the Lessor may request to establish and maintain a valid first lien and perfected security interest in the Project. If requested by the Lessor, the Lessee shall conspicuously mark the Project with appropriate lettering, labels or tags, and maintain such markings during the Lease Term, so as clearly to disclose the Lessor’s security interest in the Project.

During the Lease Term, the Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project, other than the respective rights of the Lessor and the Lessee as provided in the Lease, Ground Lease and Permitted Encumbrances. The Lessee shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. The Lessee shall reimburse the Lessor for any expense incurred by the Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Insurance

The Lessee shall take such measures as may be necessary to ensure that any liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the construction, equipping, condition or the operation of the Project is covered by a blanket or other general liability insurance policy maintained by the Lessee. The Net Proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which any Net Proceeds may be paid.

The Lessee shall procure and maintain continuously in effect during the Lease term all risk insurance, including flood and earthquake riders, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part of the Project damaged or destroyed or to pay the applicable Purchase Option Price of the Project. Such insurance may be provided by a rider to an existing policy or under a separate policy. Such insurance may be written with customary deductible amounts acceptable to the Lessor. The Net Proceeds of insurance shall be applied to the prompt completion, repair, restoration or replacement of the Project, or to the purchase of the Project. Any Net Proceeds not needed for those purposes shall be paid to the Lessee.

If required by State law, the Lessee shall carry workers' compensation insurance covering all employees on, in, near or about the Project, and upon request, shall furnish to the Lessor certificates evidencing such coverage throughout the Lease Term.

Notwithstanding the foregoing provisions, the Lessee may elect to meet its insurance requirements through self insurance in accordance with the Lessee's self-insurance program.

Damage to or Destruction of Project

The Lessee shall have and assume the risk of loss with respect to the Project. If all or any part of the Project is lost, stolen, destroyed or damaged beyond repair, the Lessee shall as soon as practicable after such event either: (a) replace the same at the Lessee's sole cost and expense with property of equal or greater value to the Project immediately prior to the time of the loss occurrence, or (b) pay the applicable Purchase Option Price of the Project. The Lessee shall notify the Lessor of which course of action it will take within 15 days after the loss occurrence. If the Lessee fails or refuses to notify the Lessor within the required period, the Lessor may, at its option, declare the applicable Purchase Option Price of the Project immediately due and payable, and the Lessee shall be obligated to pay the same. The Net Proceeds of all insurance payable with respect to the Project shall be available to the Lessee and shall be used to discharge the Lessee's obligation. On payment of the Purchase Option Price with respect to the Project, this Lease shall terminate and the Lessee thereupon shall become entitled to the Project as is, without warranties, express or implied, including warranties of merchantability or fitness for any particular purpose or fitness for the use contemplated by the Lessee, except that the Project shall not be subject to any lien or encumbrance created by or arising through Lessor.

Events of Default and Remedies

The following shall be "Events of Default" under the Lease: (i) failure by the Lessee to pay any Rental Payment or other payment required to be paid and the continuation of said failure for a period of 10 days; (ii) failure by the Lessee to observe and perform any covenant, condition or agreement under the Lease for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee by the Lessor; or (iii) the determination by the Lessor that any representation or warranty made by the Lessee in the Lease was untrue in any material respect upon execution of the Lease.

Whenever any event of default shall have happened and be continuing, the Lessor shall have the right to take one or any combination of the following remedial steps: the Lessor, without terminating the Lease, (i) may declare all Rental Payments for which funds have been appropriated to be immediately due and payable by the Lessee, and (ii) may enter and take possession of the Project, remove all persons and property in any lawful manner the Lessor determines to be necessary or desirable. The Lessor shall be under no liability by reason of any such entry, possession or removal, and shall charge the Lessee for costs incurred in taking possession of the Project. Notwithstanding the fact that the Lessor has taken possession of the Project, the Lessee shall continue to be responsible for the Rental Payments due for which funds have been appropriated. If the Lease has not been terminated, the Lessor shall return possession of the Project to the Lessee at the Lessee's expense when the event of default is cured. In addition, the Lessor may seek and take any other administrative remedy available to it with respect to such event of default of the Lessee.

No remedy conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient by the Lessor or its assignee.

Amendment of Lease

The Lease may be amended or any of its terms modified only by written document duly authorized, executed and delivered by the Lessor and the Lessee.

Additional Certificates

The Lease permits the issuance of additional certificates, in the event the legislature enacts additional legislation authorizing MMB to execute and deliver such additional certificates, to provide for additional costs of the Project which will be payable and secured on a parity with the Certificates, if so required by the additional authorizing legislation and further upon amending the Lease to include Rental Payments for such additional certificates.

The Ground Lease

Pursuant to the Ground Lease, Administration, as the lessor, agrees to lease to MMB, as the lessee, the site on which the Project will be constructed and equipped. MMB agrees to pay Administration rent in the amount of $10.00 per year, to and including the earlier of (i) November 1, 2043, when the Ground Lease expires by its terms, and (ii) the termination date of the Lease, but not earlier than the first date on which Certificates are no longer outstanding under the Order.

Upon the expiration of the Ground Lease, MMB will return the Project to Administration. In the event of termination of the Lease, MMB shall have the option, exercisable in its sole discretion within 60 days following such termination date, to purchase the Project site from Administration at the then fair market value of the site, as such fair market value shall be determined by appraisal of the site by a person licensed under Minnesota Statutes, Chapter 82B, as an appraiser for the type of real property being appraised. The appraiser shall be selected by MMB and reasonably acceptable to Administration. The appraisal must be done in accordance with the requirements of Minnesota Statutes, Chapter 82B.

Certain Risks

Reduction or Repeal of Appropriation

An event of Nonappropriation (which includes a legislative nonappropriation, an executive unallotment of the Rental Payments and a legislative repeal of an appropriation) could result in the extraordinary mandatory redemption of the Certificates without recourse by the Bondholder for any additional payments of principal of or interest on the Certificates and without any obligation by the State to make any such additional payments. See "*Redemption Provisions* – Extraordinary Mandatory Redemption"

MMB's obligation to make payments on the Certificates is not a general or moral obligation of the State; rather MMB is obligated to make Rental Payments only to the extent moneys continue to be appropriated for such purpose.

Nonappropriation

Rental Payments. Amounts appropriated to pay Rental Payments 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. State appropriations, including continuing appropriations are also subject to executive unallotment, in whole or in part, under Minnesota Statutes, section 16A.152. There can be no assurance by the State that the Legislature will not reduce, repeal or unallot the Continuing Appropriations, resulting in cancellation of the Certificates as described below. Administration's obligation to make Rental Payments is not a general or moral obligation indebtedness of the State; rather Administration is obligated to make payments only to the extent moneys are appropriated for such purpose.

Appropriations Other Than Rental Payments. 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 "2014 Lease"), which payments had been assigned to the holders of certificates of participation in such 2014 Lease (the "2014 Certificates"). The failure to make such an appropriation represented an event of nonappropriation under the 2014 Lease, but the Lease Term of the 2014 Lease was never terminated, all rental payments due under the 2014 Lease were made on timely basis, and the 2014 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 2014 Lease. As a result of this appropriation, there was no longer an event of nonappropriation under the 2014 Lease and the 2014 Lease remains in full force and effect.

Lease Termination

Termination for Nonappropriation. Administration's obligation to make payments under the Lease is subject to termination without penalty upon nonappropriation by the Legislature as described under the heading "SUMMARY OF CERTAIN TRANSACTION DOCUMENTS - The Lease – Nonappropriation." For a description of the State's budget and appropriation process, see "APPENDIX B - State Finances."

Unallotment. The Rental Payments 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, MMB 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 MMB 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, MMB, with the approval of the Governor, may use amounts in the Budget Reserve to balance the State budget. Section 16A.152 further permits MMB, 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, MMB is empowered to defer or suspend prior statutorily created obligations which would prevent effecting such reductions.
(b) If MMB 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, MMB 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, MMB 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, MMB discovers that probable revenues will be less than anticipated, MMB, with the approval of the Governor, is required to 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 MMB 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 Rental Payments will not be imposed in any future year, resulting in the extraordinary mandatory redemption of the Certificates as described above.

No Security Interest in Physical Assets
The Certificates are not secured by any security interest in or lien on the physical assets comprising the Project. Accordingly, upon the occurrence of an Event of Default under the Lease resulting in nonpayment of principal and interest on the Certificates, the remedies available to the Lessor are limited. If the Lessee do not make Rental Payments in amounts sufficient to pay principal and interest on the Certificates when due, there is no other source of funds or collateral available for such purpose.

Other Risks
There can be no assurance that other events outside the control of MMB, such as a temporary State government shutdown, will not affect the ability of MMB to make timely payments of principal of and interest on the Certificates. However, such events (other than reduction, repeal or unallotment of the Rental Payments as described above) would not result in the extraordinary mandatory redemption of the Certificates as described above.

FUTURE FINANCING

The State may issue additional general obligation bonds during the next six months to fund additional capital project needs for the balance of Fiscal Year 2024.

Pursuant to Minnesota Statutes, Section 16A.968 and an Order of the Commissioner of Management and Budget the State, acting by and through its Commissioner of Management and Budget (the "Commissioner") the State is authorized to issue bonds payable from amounts appropriated by the Legislature of the State for the purpose of 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. MMB offered for sale State General Fund Appropriation Bonds, Taxable Series 2023A (Duluth Regional Exchange District) (the "Series 2023A Bonds") on the same day as it offered for sale the Certificates.

TAX EXEMPTION

General

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Certificates, under existing federal and Minnesota laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants described below, the interest to be paid on the Certificates is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, for tax years beginning after December 31, 2022, interest on the Certificates may affect the federal alternative minimum tax imposed on certain corporations.

The accrual or receipt of interest on the Certificates may otherwise affect the federal income tax liability of the owners of the Certificates. The extent of these other tax consequences will depend on such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America, and certain corporations subject to the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Certificates.

Arbitrage/Use of Proceeds

Failure to comply with certain provisions of the Internal Revenue Code of 1986 (the "Code"), may cause interest on the Certificates to become subject to federal and Minnesota income taxation retroactive to the date of issuance of the Certificates. These provisions include investment restrictions, required periodic payments of arbitrage profits to the United States, and requirements concerning the timely and proper use of bond proceeds and the facilities and activities financed or refinanced therewith and certain other matters. The documents authorizing the issuance of the Certificates include provisions which, if complied with by the State, are designed to meet the requirements of the Code. Such documents also include a covenant of the Commissioner of MMB to take all legally permissible actions necessary to preserve the tax exemption of interest on the Certificates. However, no provision is made for redemption of the Certificates or for an increase in the interest rate on the Certificates in the event that interest on the Certificates becomes subject to federal or Minnesota income taxation.

Original Issue Premium

Each maturity of the Certificates may be originally sold at a premium ("Premium Certificates") to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Certificate holders who acquire Premium Certificates must, from time to time, reduce their federal and Minnesota tax bases for the Premium Certificates for purposes of determining gain or loss on the sale, redemption or payment at maturity of such Premium Certificates. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a Certificate holder's constant yield to maturity or to certain call dates with semiannual compounding. Certificate holders who acquire Premium Certificates might recognize taxable gain upon sale of such Premium Certificates, even if such Premium Certificates are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Purchasers of Premium Certificates should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling such Premium Certificates.

Collateral Tax Matters

The following tax provisions also may be applicable to the Certificates and interest thereon:

(1) Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain Social Security and Railroad Retirement benefits to take into account interest on the Certificates in determining the taxability of such benefits;
(2) passive investment income, including interest on the Certificates, may be subject to taxation under Section 1375 of the Code and corresponding provisions of Minnesota law for an S corporation that has accumulated earnings and profits at the close of the taxable year if more than 25 percent of its gross receipts is passive investment income;
(3) interest on the Certificates may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code;
(4) in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Certificates that is received or accrued during the taxable year;
(5) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Certificates, and Minnesota law similarly denies a deduction for such interest expense in the case of individuals, estates and trusts; indebtedness may be allocated to the Certificates for this purpose even though not directly traceable to the purchase of the Certificates;
(6) federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Certificates;
(7) in the case of a financial institution, no deduction is allowed under the Code for that portion of the holder's interest expense which is allocable to interest on the Certificates within the meaning of Section 265(b) of the Code; and

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

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

Backup Withholding

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

Changes in Federal and State Tax Law

From time-to-time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to certificates 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 Certificates. 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 Certificates or the market value thereof would be impacted thereby. Purchasers of the Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Certificates and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Certificates will not be designated by the State as “qualified tax-exempt obligations” for purposes of section 265 of the Code relating to the ability of financial institutions to deduct from income for, federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RATING

S&P Global Ratings (“S&P”) (the “Rating Agency”) assigned its rating of “AA+” to the Certificates.

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 Certificates 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 Certificates 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 Certificates 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 Certificates.

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 18 to the State Financial Statements for Fiscal Year Ended June 30, 2022, 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 18 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.

Dakota Drug, Inc. v. Commissioner of Revenue (Minnesota Tax Court). Cross motions for summary judgment were heard in June, supplemental briefing was requested in July, and a decision is expected by November 14, 2023.

E.I. du Pont de Nemours and Company v. Commissioner of Revenue (Minnesota Tax Court). Trial is scheduled for December 6-7, 2023.

South Country Health Alliance et al. v. Minnesota Department of Human Services (DHS) et al. (Ramsey County District Court). On August 14, 2023, the Court of Appeals reversed the district court's judgment in part, holding DHS did not comply with Minnesota law when it denied Plaintiffs the Medicaid contracts they sought. DHS and the other co-defendants petitioned the Minnesota Supreme Court for review, which remains under advisement.

Sporleder v. State, et al., Demars v. St. Louis County, et al. (Ramsey County District Court). These cases are putative class actions arising out of the United States Supreme Court decision in *Tyler v. Hennepin County*. The putative class has sued the State and Minnesota Counties seeking compensation for alleged "surplus equity" allegedly taken on tax-forfeited properties. Complaints were served in June and July of 2023. There is a scheduling conference set for October 26. Exposure to the State is unknown.

MUNICIPAL ADVISOR

The State has assigned PFM Financial Advisors LLC, of Minneapolis, Minnesota, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Certificates. In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the State to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. 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 and therefore will not participate in the underwriting of the Certificates.

Requests for information concerning the State should be addressed to PFM Financial Advisors LLC, 50 South 6th St., Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535).

LEGAL MATTERS

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

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. 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.

UNDERWRITING

The Commissioner of MMB acting on behalf of the State has sold the Certificates at public sale to Jefferies LLC for a price of $478,853,506.04, with the Certificates to bear interest at the rates set forth on the inside front cover page of the Final Official Statement.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of any Certificates.

This Official Statement has been approved by the State for distribution by the Commissioner of MMB to prospective purchasers of the Certificates.

STATE OF MINNESOTA

By /s/ Erin Campbell

Commissioner of Management and Budget

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APPENDIX A

STATE GOVERNMENT AND FISCAL ADMINISTRATION

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APPENDIX A

STATE GOVERNMENT AND FISCAL ADMINISTRATION

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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 therefor; 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 an annual 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 2022 basic financial statements are presented in APPENDIX E.

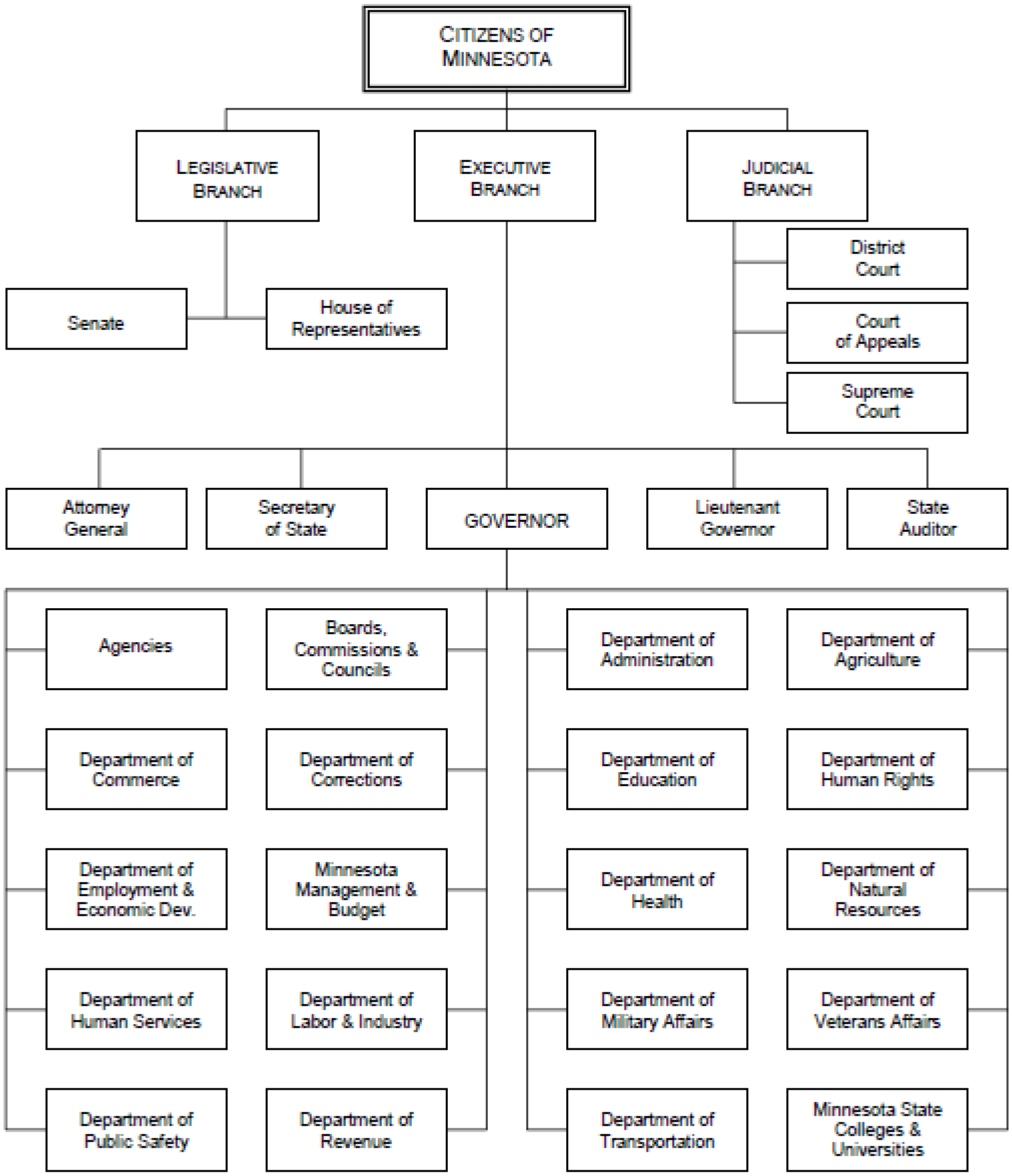
Investments

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. The 2023 Legislature enacted legislation that will create two new state agencies. Effective July 1, 2024, the Department of Children, Youth and Families will be established and combine functionally related divisions from multiple agencies. Effective January 1, 2025, the Department of Direct Care and Treatment will be created from existing programs within the Department of Human Services.



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.

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 21 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 15 non-faculty labor units listed in the table below. In July 2023, two new bargaining units were certified by the Bureau of Mediation Services, units 18 and 19 represented by Law Enforcement Labor Services. MMB also reviews compensation plans for employees not represented by a union. All Executive Branch compensation plans are subject to review and approval by the Legislature. Under legislation adopted by the 2023 Legislature, the Legislature is no longer involved in the contract ratification process. 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 September 2023
American Federation of State, County and Municipal Employees (AFSCME) (7 bargaining units)	15,885
Law Enforcement Labor Services (2 bargaining units)	126
MN Association of Professional Employees (MAPE)	16,493
Middle Management Association (MMA)	3,538
MN Government Engineers Council (MGEC)	1,187
MN Nurses Association (MNA)	947
MN Law Enforcement Association (MLEA)	734
State Residential Schools Education Association (SRSEA)	169
State College Faculty Association (MSCF)	3,861
State University Interfaculty Organization (IFO)	2,926
State University Admin and Service Faculty (MSUAASF)	802
Total Represented Employees	46,668
Total State Employment	52,970
Percent of All Executive Branch Employees Unionized	88%

Previous Biennium labor contracts for all Executive Branch bargaining units expired on June 30, 2023. By statute, these contracts remain in effect until subsequent agreements are reached or contracts are cancelled when the right to strike matures. As of the date of this Official Statement, the State has implemented new agreements with MAPE and five of the AFSCME bargaining units for employees in the Executive Branch for the Current Biennium. Negotiations have opened or will be opening over the upcoming months for successor agreements for the remaining bargaining units.

Each odd-numbered year the State Court Administrator's Office (SCAO) negotiates the terms and conditions of employment for the three bargaining units whose labor contracts are negotiated and maintained by the Judicial Branch. SCAO also reviews and updates compensation plans for Judicial Branch employees not represented by a union. The following is a summary of Judicial Branch employees, excluding judicial officers:

Unit	Employees as of September 2023
American Federation of State, County and Municipal Employees (AFSCME), Councils 5 & 65 (1 bargaining unit)	867
Teamsters Local 320 (2 bargaining units)	580
Total Represented Employees	1,447
Total Judicial Branch Employees	3,206
Percent of All Judicial Branch Employees Unionized	45%

Previous Biennium labor contracts for the Judicial Branch expired on June 30, 2023. These contracts remain in effect until successor agreements are ratified or contracts are canceled if the right to strike matures. Negotiations with the AFSCME and Teamsters bargaining units have opened or will be opening over the coming months for successor agreements.

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 Minnesota Department of 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. MNIT has also standardized the technology vendor and third-party security framework applied to all state agencies to ensure cybersecurity risk assessments are completed to have an effective risk management program in the supply chain of technology delivery. In 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. This funding was renewed during the 2023 Legislative Session. The Legislature also appropriated an additional $32 million dollars for cybersecurity at the state and local government level over the next four years. This funding will enable Minnesota's whole-of-state cybersecurity defensive posture and deliver advanced cybersecurity tools and capabilities to Minnesota government entities.

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. The Council published two reports in June 2020 and February 2021, which contained recommendations for MNIT and state agencies on ways to improve technology service delivery, project and portfolio management, and cybersecurity risk reduction and mitigation. This model of private-sector expertise collaborating with state agency business leaders and MNIT was cemented as the permanent, statutory advisory body for State government technology services in the 2021 Legislative Session and was renamed the Technology Advisory Council ("TAC"). Cybersecurity remains a prominent focus of the Council, and one of four subcommittees is focused solely on developing additional cybersecurity recommendations, as well as continuing to assess progress against previous recommendations in the cybersecurity arena. The TAC published a third report in January 2023 that includes 16 recommendations which provide a framework to modernize State agency operating models and place state IT on a solid funding and cybersecurity foundation.

The 2021 Legislature passed legislation creating a new legislative commission on cybersecurity ("LCCS"), consisting of 4 senators and 4 representatives. The commission provides oversight of the State's cybersecurity measures, reviews 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

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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, 2022, 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 2020 through 2022 are summarized on page B-9.

Past Financial Reports

The State's Annual Comprehensive Financial Reports, including information by individual fund for Fiscal Year 2022 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 – 2023 Legislative Session – 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. The 2023 Legislature enacted legislation allowing for the Stadium Reserve Account to be dissolved once the State General Fund Appropriation Bonds, Tax-Exempt Series 2014A and Taxable Series 2014B (the "Minnesota Sports Facility Authority State Appropriation Bonds") that funded the construction of a professional football stadium were paid off. On June 26, 2023, the Minnesota Sports Facility Authority State Appropriation Bonds were paid off and the Stadium Reserve Account will be repealed upon fulfillment of legislative notification requirements, with funds previously directed to the Stadium Reserve Account now accruing to the General Fund. See "CONTINGENT LIABILITIES" in APPENDIX C.

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 IMPACT

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.

The federal government enacted several laws related to the COVID-19 pandemic, which provided resources for emergency response and recovery efforts and economic assistance to state and local governments, businesses and individuals. The State estimates the total value of these federal measures within Minnesota at approximately $72.7 billion. Among this assistance was receipt by the State of $1.03 billion through the federal Coronavirus Relief Fund ("CRF") created under the Coronavirus Aid, Relief and Economic Security Act and $2.83 billion from the Coronavirus State and Local Fiscal Recovery Funds ("SFRF") created under the American Rescue Plan Act of 2021 ("ARPA"). The

CRF funds have been fully obligated. Approximately $2.82 billion of the SFRF funds have been allocated to a specific use, and $2.80 billion of the SFRF funds have been spent as of June 30, 2022. MMB estimates that approximately $17.69 million of SFRF funds remain to be allocated.

The State's economy, finances and budget outlook have recovered significantly from the height of the COVID-19 Pandemic. However, 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, emergence of new variants, and future 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.

As part of Minnesota's Climate Action Framework, the state is working with local, tribal, and regional governments to assess climate vulnerability and build resiliency. Specifically, the state is providing grants, information resources and technical expertise for infrastructure and vulnerability assessments, adaptation planning, and engineering design. The framework includes six broad goals: clean transportation; climate-smart natural and working lands; resilient communities; clean energy and efficient buildings; healthy lives and communities; and a clean economy.

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. The Clean Cars Minnesota rule is based on standards adopted by the State of California. Because California subsequently updated its emissions rules in 2022 after the Clean Cars Minnesota rule went into effect, Minnesota will need to decide whether to update its rule to California's newer standards or revert back to the federal standards before model year 2026 vehicles become available.

On February 7, 2023, Governor Walz signed legislation establishing a Minnesota carbon-free electricity standard. The law establishes a standard for utilities to supply Minnesota customers with electricity generated or procured from carbon-free resources beginning at 80% of retail sales for public utility customers in 2030 and increasing every five years to reach 100% for all electric utilities by 2040. The bill also requires that, by 2035, an amount equal to at least 55% of an electric utility's total retail electric sales to customers in Minnesota must be generated or procured from clean energy technologies.

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.

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 S&P Global Market Intelligence ("S&P", which merged with the previous forecast provider IHS Markit in 2022). S&P furnishes a monthly forecast of U.S. economic growth and individual incomes across all segments of the national economy.

The S&P national economic forecasts are reviewed by Minnesota's Council of Economic Advisors (the "Council"), a group of economists from the private sector, academia, and the Minneapolis Federal Reserve. The Council provides an independent check on the S&P forecast. If the Council determines that the S&P 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 S&P forecasts of national production, employment, and corresponding wage and salary earnings, by industrial sector. The S&P 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 S&P forecasts 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 accurately.

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 2023. It was informed by the S&P February 2023 baseline forecast, the scenario that S&P considered the most likely at the time the forecast was made. See "BIENNIUM BUDGETS – February 2023 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 2023 outlook, S&P estimated that U.S. real GDP grew 2.1 percent in 2022, a 0.3 percentage point increase from their November 2022 baseline forecast. In February, S&P expected GDP growth to decelerate to 0.7 percent in 2023, up from -0.2 percent in their November forecast. They forecast real GDP growth of 1.6 and 2.0 percent, respectively, in 2024 and 2025.

S&P FEBRUARY 2023
GROSS DOMESTIC PRODUCT (GDP)
BASELINE FORECAST[1]
(Chained Rates of Growth)

	Calendar Year 2021 Actual %	Calendar Year 2022 Actual %	Calendar Year 2023 Forecast %	Calendar Year 2024 Forecast %	Calendar Year 2025 Forecast %
Real GDP Growth Rate	5.9	2.1	0.7	1.6	2.0
GDP Deflator (Inflation)	4.5	7.0	3.2	2.4	2.2
Nominal GDP Growth Rate	10.7	9.2	4.0	4.0	4.2

[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 2023 forecast. See "FINANCIAL INFORMATION" in this APPENDIX B. The November 2023 S&P 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 2024 are now estimated to total $6.385 billion, $400 million (6.7 percent) more than forecast in the February 2023 Forecast. Net receipts exceeded the projection for all major tax types.

Net individual income tax receipts were $187 million (7.3 percent) more than forecast for the first three months of FY 2024. Lower than expected refunds and receipts above the Forecast both contributed to the positive variance.

Income tax withholding receipts were $12 million (0.5 percent) higher than forecast. Estimated income tax payments are $83 million (17.5 percent) lower than expected, but this was largely offset by gross partnership and S-Corp payments that were $78 million above the Forecast.

Total income tax refunds were $177 million less than forecast. About $144 million of this variance is due to a lower payout of one-time income tax rebates than was originally estimated.

Net sales tax receipts were $58 million (2.9 percent) above the Forecast. Higher than expected gross tax payments and sales tax refunds that were below the Forecast both contributed to the positive variance.

Net corporate tax receipts were $65 million (8.7 percent) above the Forecast. This was due to both higher than expected corporate tax payments and lower than expected refunds.

Net other revenues were $89 million (14.0 percent) above the Forecast. Higher than expected gross receipts and lower than expected refunds both contributed to the positive variance.

Minnesota's net General Fund receipts for FY 2023 are now estimated to total $30.485 billion, $630 million (2.1 percent) more than projected in the February 2023 Forecast. Net receipts from all major taxes exceeded the Forecast. In the July Revenue and Economic Update, MMB estimated that revenues would be $529 million more than forecast. The positive variance is now $101 million larger, because net revenues attributable to Fiscal Year 2023 that were received between the end of July and the official close were higher than the initial estimate. The next official forecast will be released in early December 2023.

HISTORIC REVENUES AND EXPENDITURES

The following table sets forth the State's General Fund revenues and expenditures for the Fiscal Years ended June 30, 2020 through 2022, 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)		
	2020	2021	2022
NET REVENUES:			
Individual Income Taxes (2)	$ 12,329,724	$ 14,369,219	$ 16,836,132
Corporate Income Taxes (2)	1,620,684	2,404,057	2,848,019
Sales Taxes (3)	5,797,172	6,150,751	6,769,988
Property Taxes	772,876	789,888	765,534
Motor Vehicle Taxes	324,150	392,255	394,630
Other Taxes (4)	2,765,354	3,074,525	3,277,382
Tobacco Settlement (5)	152,282	254,190	192,965
Federal Revenues	52,753	51,409	48,996
Licenses and Fees	245,113	260,722	269,423
Departmental Services	185,483	215,104	191,385
Investment/Interest Income	206,495	413,345	(350,456)
All Other Revenues	414,783	481,261	499,416
NET REVENUES	$ 24,866,869	$ 28,856,726	$ 31,743,414
EXPENDITURES:			
Agricultural, Environmental and Energy Resources	$ 357,436	$ 360,345	$ 354,669
Economic and Workforce Development (6)	261,482	241,243	354,330
General Education (7)	9,895,517	10,019,769	10,032,021
General Government (8)	885,550	1,041,012	904,011
Health and Human Services (9)	8,134,332	8,198,224	8,134,337
Higher Education (10)	976,077	974,767	1,016,919
Intergovernmental Aid (11)	1,780,498	1,957,585	2,011,024
Public Safety and Corrections (12)	774,862	854,501	798,457
Transportation (13)	500,078	536,619	582,994
Total Current Expenditures	$ 23,565,832	$ 24,184,065	$ 24,188,762
Capital Outlay	88,158	67,393	77,791
Debt Service	42,722	33,425	66,943
TOTAL EXPENDITURES	$ 23,696,712	$ 24,284,883	$ 24,333,496
EXCESS Of REVENUES OVER (UNDER) EXPENDITURES	$ 1,170,157	$ 4,571,843	$ 7,409,918
OTHER FINANCING SOURCES (USES)			
Bond Issuance	$ 7,594	$ -	$ -
Lease Financing	-	-	8,986
Bond Issuance Premium	1,906	-	-
Transfers-In	206,109	274,195	260,106
Transfers-Out	(1,516,631)	(1,582,685)	(2,061,490)
NET OTHER FINANCING SOURCES (USES)	$ (1,301,022)	$ (1,308,490)	$ (1,792,398)
NET CHANGE IN FUND BALANCES	$ (130,865)	$ 3,263,353	$ 5,617,520

(1) For Fiscal Years 2020, 2021, and 2022, the schedule of revenues and expenditures includes all financial activity for the Fiscal Year, including revenue and expenditure accruals at June 30.
(2) During Fiscal Years 2022 and 2021, Income Taxes revenue increased due to the continued increase in higher wage earners' taxable income including capital gains and significantly higher corporate profits.
(3) During Fiscal Years 2022 and 2021, Sales Taxes revenue increased due to the continued increase in disposable cash as a result of the increase in wages, resulting in additional consumer spending. During Fiscal Year 2021, Sales Taxes revenue also increased due to the additional federal unemployment benefits resulting in increased consumer spending.
(4) During Fiscal Years 2022 and 2021, Other Taxes revenue increased due to an increase in taxes on lawful gambling, mortgage, and deed transfer taxes as well as an increase in hospital surcharge taxes as a result of continued increases in patients receiving healthcare services after the slowdown in previous years due to the pandemic. During Fiscal Year 2022, Other Taxes also increased due to an increases in taxes on homes and automobiles insurance premiums.
(5) During Fiscal Year 2021, Tobacco Settlement revenue increased as a result of the court settlement on past unpaid tobacco settlements.
(6) During Fiscal Year 2022, Economic and Workforce Development function spending increased due to grants issued to Minnesota owned and operated businesses that demonstrated a financial hardship as a result of COVID-19.
(7) During Fiscal Year 2022, General Education function spending remained consistent as a result of a 2.45 percent per pupil formula increase which was offset by a decrease in the number of pupils. During Fiscal Year 2021, General Education function spending increased due to additional grants to school districts for family nutritional support and a two percent per pupil increase, which was partially offset by a decrease in the number of pupils.
(8) During Fiscal Year 2021, General Government spending increased due to grants to counties for support to small businesses to help offset the impact of COVID-19.
(9) During Fiscal Year 2021, Health and Human Services function spending increased due to an increase in caseloads in the state welfare program for low income families with children.
(10) During Fiscal Year 2022, Higher Education function spending increased due to an increase in grants to the University of Minnesota (component unit).
(11) During Fiscal Year 2022 and 2021, Intergovernmental Aid spending increased as a result of an increase in grants to local governments.
(12) During Fiscal Year 2021, Public Safety and Corrections spending increased as a result of the planning and response to the potential civil unrest from a high profile trial and related protests.
(13) During Fiscal Year 2022, Transportation spending increased as a result of an increase in grants to Metropolitan Council (component unit).

BIENNIUM BUDGETS

The biennium that began on July 1, 2021, and ended on June 30, 2023, is referred to herein as the "Previous Biennium." The biennium that began on July 1, 2023, and will end on June 30, 2025, is referred to herein as the "Current Biennium." The biennium that will begin on July 1, 2025, and will end on June 30, 2027, 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 2023 Forecast – Previous Biennium

The February 2023 Forecast provided the final official forecast for the Previous Biennium. The February 2023 Forecast projected a surplus of $12.484 billion for the Previous Biennium.

Revenues: Total General Fund revenues for the Previous Biennium were forecast to be $60.681 billion, $753 million (1.3 percent) more than the November 2022 Forecast. Total tax revenues for the Previous Biennium were forecast to be $58.023 billion, $720 million (1.3 percent) above the prior estimate. Higher forecasts for the individual income and corporate franchise taxes offset lower forecasts for the general sales tax, the state general property tax, and other tax revenues.

Expenditures: Total spending for the Previous Biennium was lower in the February 2023 Forecast than prior estimates. Expenditures in the Previous Biennium were expected to total $51.655 billion, a reduction of $112 million (0.2 percent) from prior estimates. Lower expenditure estimates in E-12 education were the largest driver of change in the Previous Biennium. This reduction is due primarily to lower actual pupil counts. A small decline in estimated health & human services (HHS) spending was largely due to federal law changes related to the COVID-19 public health emergency (PHE), partially offset by higher enrollment in the Medical Assistance (MA) basic care program.

Reserves: Reserve balances for the Previous Biennium at the time of the February 2023 Forecast were projected to total $3.568 billion. The Budget Reserve Account balance was $2.852 billion, the Cash Flow Account balance was $350 million and the Stadium Reserve Account was projected to end the Previous Biennium with a balance of $366 million.

2023 Legislative Session – Previous Biennium

The Legislature made significant changes impacting spending projections for the Previous Biennium. In total, the Legislature appropriated an additional $567 million in FY 2023, bringing total projected spending for the Previous Biennium to $52.222 billion. Investments included a $40 million transfer to the Disaster Contingency Account, a $50 million transfer to the Housing Finance Agency, and a $115 million transfer to the State Competitiveness Fund. In addition to the increased spending commitments in the Previous Biennium, the Legislature enacted provisions that triggered a $377 million payoff of the Minnesota Sports Facility Authority State Appropriation Bonds. Funds for this pay off included an estimated $366 million from the Stadium Reserve Account and $11 million from the General Fund. After accounting for all enacted changes, the General Fund was projected to end the Previous Biennium with a balance of $12.283 billion, $201 million lower than February estimates. The Budget Reserve Account and Cash Flow Account balances were unchanged from prior estimates while the Stadium Reserve Account balance was reduced to $0 after the bond payoff.

Actual Closing Balance – Previous Biennium

MMB certified the actual closing balance for the Previous Biennium in October 2023. The Previous Biennium ended with a balance $820 million higher than estimated at the end of the 2023 Legislative Session.

Revenues: Final revenue, including taxes, other revenue and accounting adjustments from prior fiscal years, for the Previous Biennium totaled $61.470 billion, $739 million (1.2 percent) higher than prior estimates.

Expenditures: Final spending for the Previous Biennium totaled $51.930 billion, $292 million (0.6 percent) lower than estimates. However, $211 million of the spending variance is due to unspent appropriations allowed to carry forward for spending in the Current Biennium. These appropriations are legally allowed to be spent in the Current

Biennium and thus do not fall to the bottom line because they are not available to be appropriated for other purposes. After adjusting for appropriation carryforward, total spending was $81 million (0.2 percent) lower than projected at the end of the 2023 Legislative Session.

Reserves: The Budget Reserve Account closed the Previous Biennium with a balance of $2.852 billion, unchanged from prior estimates. The Cash Flow Account balance of $350 million was also unchanged.

At the close of a biennium, any unrestricted balance carries into the next biennium and is available for appropriation. At the end of the 2023 Legislative Session, it was estimated that $12.283 billion would carryforward from the Previous Biennium into the Current Biennium. In the actual ending balance, that amount is now known to be $13.103 billion. The difference between the estimated and actual ending balance, $820 million, will be added to the projected surplus for the Current Biennium, which was estimated to be $1.583 billion at the end of the 2023 Legislative Session. (See "BIENNIUM BUDGETS – 2023 Legislative Session – Current Biennium" in this Appendix B.) The full November Budget and Economic Forecast will be released in early December, and the estimated balance for the Current Biennium, including the addition of $820 million from the Previous Biennium, will be revised at that time.

February 2023 Forecast – Current Biennium

The November 2022 Forecast provided the first official forecast for the Current Biennium. The February 2023 Forecast provided updated estimated and projected balance of $17.455 billion for the Current Biennium, prior to the Legislature finalizing enacted appropriations for the Current Biennium.

Revenues: Total revenues for the Current Biennium were estimated to be $60.776 billion, an increase of $95 million (0.2 percent) over the February 2023 Forecast for the Previous Biennium revenues. Total tax revenues for the Current Biennium were estimated to be $58.320 billion, a 0.5 percent increase over the Previous Biennium forecast revenues. Growth of individual income tax and sales taxes accounted for nearly all the biennial tax revenue change. Of the major tax types, the corporate franchise tax, the state general property tax, and other tax revenues, showed declines in expected revenues from the Previous Biennium to the Current Biennium.

Expenditures: Base spending for the Current Biennium, including adjustments for expected inflation, was projected to be $55.494 billion, $1.536 billion (2.8 percent) more than November 2022 Forecast estimates. The majority of this increase was due to the addition of $1.423 billion in expected inflation, an estimate that law prohibited from inclusion when the November 2022 Forecast was released. Another $106 million in spending increases compared to the prior forecast was in the "all other" category and was largely due to the inclusion of debt service and other costs related to the rehabilitation and expansion of the State Office Building, which was approved by the Rules Committee for the Minnesota House of Representatives in December 2022. Compared to estimates for the Previous Biennium, total General Fund spending in the Current Biennium was projected to be $3.839 billion (3.6 percent annually) higher.

This February 2023 Forecast expenditures also held an estimated $1.423 billion in the Current Biennium to account for the impact of future inflation on State services. Prior to the enactment of Laws 2023, Ch. 10, the commissioner of MMB was prohibited from including an estimate of inflation on State expenditures in the forecast, unless specified by another formula in law.

Reserves: The Budget Reserve Account balance in the Current Biennium was projected to be $2.852 billion, unchanged from the Previous Biennium and from prior estimates. The Cash Flow Account balance of $350 million was also unchanged from prior estimates. The Stadium Reserve Account was projected to end the Current Biennium with a balance of $678 million.

2023 Legislative Session – Current Biennium

During the 2023 Legislative Session, the Legislature enacted significant revenue and expenditure measures in the General Fund for the Current Biennium. Legislation impacting revenue resulted in an estimated $1.958 billion (3.2 percent) reduction in projected revenue compared to February 2023 Forecast estimates and enacted appropriations added $14.024 billion (25.3 percent) to base spending estimates. The Cash Flow and Budget Reserve Accounts were unchanged from February 2023 Forecast estimates but the repayment of Minnesota Sports Facility Authority State Appropriation Bonds triggered the repeal of the Stadium Reserve Account which resulted in that account no longer reserving funds from the bottom line of the General Fund. After accounting for all changes after enactment of the budget, the Current Biennium is expected to end with a balance of $1.583 billion.

Revenues in Enacted Budget: The approved budget reflects changes in General Fund revenues from the February 2023 Forecast for the Current Biennium. Net General Fund Revenues total $58.818 billion, $1.958 billion lower than February 2023 Forecast estimates.

<u>Tax Revenues:</u> The Legislature enacted significant tax changes in the 2023 Legislative Session. In total, net tax revenues were projected to be $1.953 billion lower than forecast. Major tax law changes included a one-time upfront refundable tax credit estimated to cost $1.131 billion in FY 2024, the establishment of a new child tax credit estimated at $893 million, and an expanded social security subtraction totaling $496 million. Partially offsetting the revenue decreases were changes to the phase-out of the standard deduction and changes to corporate franchise tax federal conformity that added revenue compared to February 2023 Forecast estimates. Individual income tax totals in the Current Biennium and Next Biennium do not include the estimated revenue impact related to a drafting oversight impacting the standard deduction in Ch. 64 (2023 tax bill) that would result in an estimated $350 million in added revenue each fiscal year if not corrected. It is assumed that the 2024 Legislature will pass legislation to correct this oversight.

<u>Non-Tax and Transfers</u>: Non-tax revenues and transfers were largely unchanged from prior estimates. In total, non-tax revenue and transfers are projected to be $2.469 billion in the Current Biennium, $13 million lower than February 2023 Forecast estimates.

Expenditures in Enacted Budget: After completion of the enacted budget, General Fund expenditures in the Current Biennium are expected to total $69.517 billion, $14.024 billion higher than February 2023 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, local aids and credits, health and human services, public safety and judiciary, transportation, environment and agriculture, economic development, state government and capital projects. Given the results of the February 2023 Forecast allowing significant one-time resources in the Current Biennium, largely due to leftover balances from the Previous Biennium, but a smaller amount of on-going resources beyond the Current Biennium the Legislature made an estimated $9 billion in one-time investments. In addition to the one-time refundable tax credit, these one-time appropriation investments included $1 billion for housing, $1 billion for cash capital projects, $1 billion for transportation, $668 million in upfront paid family leave funding, $600 million in transfers to pension funds, $500 million in matching funds for federal economic development funds, $300 million in public safety aid, $240 million in lead service line replacement, and $100 million for broadband.

E-12 education expenditures are estimated to be $24.259 billion, $2.957 billion higher than previously forecast in the February 2023 Forecast. E-12 education spending represents 35 percent of total General Fund expenditures in the Current Biennium. The Legislature enacted major appropriations in education finance including a 4 percent increase in the basic education formula in FY 2024 and 2 percent in FY 2025 along with statutorily indexing the formula to inflation after the Current Biennium, a buy down of the special education and English learner general education cross subsidies, funding for universal free lunch and breakfast in public school and the expansion of access to early education.

Higher education spending was projected to be $4.174 billion, $668 million higher than February 2023 Forecast projections. An additional $231 million was provided to the University of Minnesota, and an additional $294 million was provided to Minnesota State and an increase of $233 million was also provided for the Office of Higher Education programs and grants.

Property tax aid and credit spending was projected to be $5.315 billion in the Current Biennium, $880 million higher than the February 2023 Forecast. Increases included a one-time increase to the Homestead Credit Refund program, on-going increases to city and county aids, a one-time public safety aid to cities and counties, and establishment of new ongoing local housing aid, tribal nation aid and soil and water conservation district aid.

An increase of $2.819 billion to Health and Human Services ("HHS") set the Current Biennium spending in the area at $20.634 billion. HHS is projected to account for 30 percent of total General Fund spending. HHS investments included child care funding, expanded medical assistance coverage for children, funding for homelessness prevention services, a rate increase for reproductive health services, personal care attendant rate increases, funding for long-term care providers and agency operating funding.

Public safety and Judiciary spending was estimated to total $3.558 billion in the Current Biennium, an increase of $881 million over February 2023 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 $11.579 billion, $5.818 billion higher than February 2023 Forecast projections. As discussed above, a large portion of this spending in other areas was one-time in nature. Accounting for the change was $1.043 million higher spending in General Fund transportation spending for transit operations and one-time cash resources roads and bridges, $1.264 million in state government operations and one-time transfers to pension funds, $3.231 million in economic development, agriculture, commerce and housing, $668 million in environment, $40 million in higher debt service and $974 million in cash for capital projects. Offsetting the total growth in other areas of the budget is the removal of $1.423 billion in assumed inflation for the Current Biennium that was included in the February 2023 Forecast; funding associated with inflationary pressures for the Current Biennium is assumed to be included in appropriated budgets.

Reserves in Enacted Budget: The Budget Reserve Account balance in the Current Biennium at the end of the 2023 Legislative Session was projected to be $2.852 billion, unchanged from the Previous Biennium and from prior estimates. The Cash Flow Account balance of $350 million was also unchanged from prior estimates. The Stadium Reserve Account balance was $0 for the Current Biennium at the end of the 2023 Legislative Session. Legislation enacted included a provision that eliminated the Stadium Reserve Account after the Minnesota Sports Facility Authority State Appropriation Bonds were fully paid off. Payoff of the bonds in full was assumed in legislative tracking documents and the payoff occurred on June 26, 2023.

PREVIOUS BIENNIUM
GENERAL FUND – BUDGETARY BASIS
ESTIMATES OF REVENUE AND EXPENDITURES
END OF 2023 LEGISLATIVE SESSION
($'s in Thousands)[1]

	Actual FY 2022	Actual FY 2023	Biennial Total FY 2022-23
Actual & Estimated Resources			
Balance Forward From Prior Year	7,025,957	12,969,000	7,025,957
Current Resources:			
Tax Revenues	29,390,413	29,138,776	58,529,189
Non-Tax Revenues	926,552	1,346,243	2,272,795
Subtotal - Non-Dedicated Revenue	30,316,965	30,485,019	60,801,984
Dedicated Revenue	4	1	5
Transfers In	179,721	162,304	342,025
Prior Year Adjustments	132,779	143,291	276,070
Subtotal - Other Revenue	312,504	305,596	618,100
Budget Changes - Taxes	0	0	0
Budget Changes - Non-Taxes	0	0	0
Subtotal-Current Resources	30,629,469	30,790,615	61,420,084
Total Resources Available	**37,655,426**	**43,759,615**	**68,446,041**
Actual & Estimated Spending			
E-12 Education	9,960,012	10,204,038	20,164,050
Higher Education	1,750,216	1,767,950	3,518,166
Property Tax Aids & Credits	2,052,912	2,569,273	4,622,185
Health & Human Services	6,922,572	8,214,743	15,137,315
Public Safety & Judiciary	1,292,489	1,430,248	2,722,737
Transportation	236,332	171,126	407,458
Environment & Energy	188,853	185,399	374,252
Jobs, Commerce, Ag and Housing	848,116	474,688	1,322,804
State Government & Veterans	665,137	1,112,086	1,777,223
Debt Service	592,426	547,759	1,140,185
Capital Projects & Grants	177,361	566,109	743,470
Estimated Cancellations	0	0	0
Total Expenditures & Transfers	**24,686,426**	**27,243,419**	**51,929,845**
Balance Before Reserves	**12,969,000**	**16,516,196**	**16,516,196**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,672,484	2,852,098	2,852,098
Stadium Reserve	229,397	0	0
Appropriations Carried Forward	972,828	211,070	211,070
Budgetary Balance	**8,744,291**	**13,103,028**	**13,103,028**

[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 2023 LEGISLATIVE SESSION
($'s in Thousands)[1]

($ in Thousands)	Fiscal Year 2022	Fiscal Year 2023	Previous Biennium
Non-Dedicated Revenues			
Individual Income Tax	16,872,709	15,777,561	32,650,270
Corporate Income Tax	2,822,875	2,928,921	5,751,796
Sales Tax	6,643,628	7,446,443	14,090,071
Statewide Property Tax	774,121	765,246	1,539,367
Estate Tax	215,989	260,098	476,087
Liquor, Wine & Beer Tax	104,754	109,292	214,046
Cigarette & Tobacco Products Tax	577,870	529,799	1,107,669
Taconite Occupation Tax	56,451	43,223	99,674
Mortgage Registry Tax	203,491	111,241	314,732
Deed Transfer Tax	200,270	150,303	350,573
Insurance Gross Earn & Fire Marshall	484,257	512,680	996,937
Controlled Substance Tax	0	0	0
Other Gross Earnings	55	55	110
Lawful Gambling Taxes	181,719	195,759	377,478
Medical Assistance Surcharges	257,836	314,115	571,951
Other Tax Refunds	(5,612)	(5,960)	(11,572)
Investment Income	44,806	501,676	546,482
Lottery Revenue	78,702	91,567	170,269
Tobacco Settlements	192,965	171,245	364,210
Settlements	0	8,252	8,252
Departmental Earnings	221,050	216,023	437,073
DHS MSOP Collections	17,093	18,809	35,902
DHS SOS Collections	104,674	121,079	225,753
Fines & Surcharges	78,624	79,642	158,266
All Other Non-Dedicated Revenue	188,638	137,950	326,588
Transfer and Adjustments	312,504	305,595	618,099
Total Net Non-Dedicated Revenues	**30,629,469**	**30,790,614**	**61,420,083**

[1] Totals may not foot due to rounding.

CURRENT BIENNIUM
GENERAL FUND – BUDGETARY BASIS
ESTIMATES OF REVENUE AND EXPENDITURES
END OF 2023 LEGISLATIVE SESSION
($'s in Thousands)(1)

	Enacted FY 2024	Enacted FY 2025	Biennial Total FY 2024-25
Actual & Estimated Resources			
Balance Forward From Prior Year	$15,485,459	$6,695,366	$15,485,459
Current Resources:			
Tax Revenues(2)	27,304,409	29,043,332	56,347,741
Non-Tax Revenues	1,326,621	951,814	2,278,435
Subtotal - Non-Dedicated Revenue	28,631,030	29,995,146	58,626,176
Dedicated Revenue	5	5	10
Transfers In	96,501	25,807	122,308
Prior Year Adjustments	34,676	34,385	69,061
Subtotal - Other Revenue	131,182	60,197	191,379
Budget Changes - Taxes	-1,371,302	-600,564	-1,971,866
Budget Changes - Non-Taxes	2,223	11,310	13,533
Subtotal-Current Resources	28,762,212	30,055,343	58,817,555
Total Resources Available	**$44,247,671**	**$36,750,709**	**$74,303,014**
Actual & Estimated Spending			
E-12 Education	$12,086,281	$12,172,300	$24,258,581
Higher Education	2,058,202	2,115,326	4,173,528
Property Tax AISs & Credits	2,749,387	2,565,372	5,314,759
Health & Human Services	10,557,085	10,076,717	20,633,802
Public Safety & Judiciary	1,806,190	1,751,516	3,557,706
Transportation	1,121,175	193,870	1,315,045
Environment & Energy	665,125	372,832	1,037,957
Jobs, Commerce, Ag and Housing	3,038,961	844,637	3,883,598
State Government & Veterans	1,734,797	1,132,541	2,867,338
Debt Service	567,187	612,539	1,179,726
Capital Projects & Grants	1,172,915	142,566	1,315,481
Estimated Cancellations	-5,000	-15,000	-20,000
Estimated Inflation	0	0	0
Total Expenditures & Transfers	**$37,552,305**	**$31,965,216**	**$69,517,521**
Balance Before Reserves	**$6,695,366**	**$4,785,493**	**$4,785,493**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,852,098	2,852,098	2,852,098
Stadium Reserve	0	0	0
Budgetary Balance	**$3,493,268**	**$1,583,395**	**$1,583,395**

(1) Totals may not foot due to rounding.
(2) Tax revenues in the Current Biennium do not include the estimated revenue impact to Individual income tax revenues related to a drafting oversight impacting the standard deduction in Ch. 64 (2023 tax bill) that would result in an estimated $350 million in added revenue each fiscal year if not corrected. It is assumed that the 2024 Legislature will pass legislation to correct this oversight.

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 2023 LEGISLATIVE SESSION
($'s in Thousands)[(1)]

($ in Thousands)	Fiscal Year 2024	Fiscal Year 2025	Next Biennium
Non-Dedicated Revenues			
Individual Income Tax	$14,304,558	$15,836,180	$30,140,738
Corporate Income Tax	2,662,686	2,500,125	5,162,811
Sales Tax	7,403,157	7,672,985	15,076,142
23, CH 63 - Cannabis Gross Receipts Tax	10,600	32,000	42,600
Statewide Property Tax	747,122	745,279	1,492,401
Estate Tax	237,700	248,600	486,300
Liquor, Wine & Beer Tax	109,550	111,970	221,520
Cigarette & Tobacco Products Tax	549,729	549,169	1,098,898
Taconite Occupation Tax	36,000	34,200	70,200
Mortgage Registry Tax	129,902	147,720	277,622
Deed Transfer Tax	135,478	155,899	291,377
Insurance Gross Earn & Fire Marshall	471,021	481,934	952,955
Controlled Substance Tax	5	5	10
Other Gross Earnings	50	50	100
Lawful Gambling Taxes	196,450	204,950	401,400
Medical Assistance Surcharges	315,803	327,668	643,471
Other Tax Refunds	(5,402)	(5,402)	(10,804)
Investment Income	586,500	196,200	782,700
Lottery Revenue	68,984	71,983	140,967
Tobacco Settlements	169,151	167,680	336,831
Departmental Earnings	197,909	204,557	402,466
DHS MSOP Collections	17,481	18,458	35,939
DHS SOS Collections	110,198	115,734	225,932
Fines & Surcharges	68,726	68,734	137,460
All Other Non-Dedicated Revenue	107,672	108,468	216,140
Transfer and Adjustments	131,182	60,197	191,379
Total Net Non-Dedicated Revenues	**$28,762,212**	**$30,055,343**	**$58,817,555**

[(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 2023 Legislative Session.

HISTORICAL AND PROJECTED REVENUE GROWTH
GENERAL FUND END OF 2023 LEGISLATIVE SESSION
($'s in Millions)(1)

	Actual **FY 2020**	Actual **FY 2021**	Actual **FY 2022**	Actual **FY 2023**	EOS **FY 2024**	EOS **FY 2025**	Planning **FY 2026**	Planning **FY 2027**	Average Annual
Individual Income Tax	$ 12,135	$ 14,233	$ 16,873	$ 15,778	$ 14,305	$ 15,836	$ 16,728	$ 17,541	
$ change	(309)	2,097	2,640	(1,095)	(1,473)	1,532	892	813	
% change	**-2.5%**	**17.3%**	**18.6%**	**-6.5%**	**-9.3%**	**10.7%**	**5.6%**	**4.9%**	**5.4%**
Sales Tax	$ 5,746	$ 6,169	$ 6,644	$ 7,446	$ 7,403	$ 7,673	$ 7,921	$ 8,151	
$ change	(17)	424	474	803	(43)	270	248	229	
% change	**-0.3%**	**7.4%**	**7.7%**	**12.1%**	**-0.6%**	**3.6%**	**3.2%**	**2.9%**	**5.1%**
Corporate Tax	$ 1,539	$ 2,258	$ 2,823	$ 2,929	$ 2,663	$ 2,500	$ 2,569	$ 2,632	
$ change	(82)	719	564	106	(266)	(163)	69	64	
% change	**-5.1%**	**46.7%**	**25.0%**	**3.8%**	**-9.1%**	**-6.1%**	**2.7%**	**2.5%**	**8.0%**
Statewide Property Tax	$ 753	$ 803	$ 774	$ 765	$ 747	$ 745	$ 745	$ 745	
$ change	(57)	50	(29)	(9)	(18)	(2)	0	0	
% change	**-7.1%**	**6.6%**	**-3.6%**	**-1.1%**	**-2.4%**	**-0.2%**	**0.0%**	**0.0%**	**-0.2%**
Other Tax Revenue	$ 1,904	$ 2,197	$ 2,277	$ 2,221	$ 2,187	$ 2,289	$ 2,371	$ 2,479	
$ change	(58)	293	80	(56)	(34)	102	82	108	
% change	**-2.9%**	**15.4%**	**3.6%**	**-2.5%**	**-1.5%**	**4.7%**	**3.6%**	**4.6%**	**3.8%**
Total Tax Revenue	$ 22,077	$ 25,660	$ 29,390	$ 29,139	$ 27,304	$ 29,043	$ 30,334	$ 31,549	
$ change	(522)	3,583	3,730	(252)	(1,834)	1,739	1,291	1,215	
% change	**-2.3%**	**16.2%**	**14.5%**	**-0.9%**	**-6.3%**	**6.4%**	**4.4%**	**4.0%**	**5.2%**
Non-Tax Revenues	$ 817	$ 922	$ 927	$ 1,346	$ 1,327	$ 952	$ 828	$ 829	
$ change	(62)	105	5	420	(20)	(375)	(123)	1	
% change	**-7.0%**	**12.8%**	**0.5%**	**45.3%**	**-1.5%**	**-28.3%**	**-13.0%**	**0.1%**	**0.2%**
Transfers, All Other	$ 256	$ 746	$ 313	$ 162	$ 131	$ 60	$ 336	$ 60	
$ change	(8)	490	(434)	(150)	(31)	(71)	275	(276)	
% change	**-3.0%**	**191.4%**	**-58.1%**	**-48.1%**	**-19.2%**	**-54.1%**	**457.4%**	**-82.2%**	**-18.7%**
Total Revenue	$ 23,150	$ 27,329	$ 30,629	$ 30,647	$ 28,762	$ 30,055	$ 31,498	$ 32,438	
$ change	(592)	4,178	3,301	18	(1,885)	1,293	1,443	940	
% change	**-2.5%**	**18.0%**	**12.1%**	**0.1%**	**-6.2%**	**4.5%**	**4.8%**	**3.0%**	**4.9%**

(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 2023 LEGISLATIVE SESSION
($'s in Millions)[1]

	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	EOS FY 2024	EOS FY 2025	Planning FY 2026	Planning FY 2027	Average Annual
E-12 Education	$ 9,836	$ 9,736	$ 9,779	$ 10,204	$ 12,086	$ 12,172	$ 12,465	$ 12,902	
$ change	248	(99)	43	425	1,882	86	293	436	
% change	**2.6%**	**-1.0%**	**0.4%**	**4.3%**	**18.4%**	**0.7%**	**2.4%**	**3.5%**	**4.0%**
Higher Education	$ 1,693	$ 1,714	$ 1,750	$ 1,768	$ 2,058	$ 2,115	$ 1,985	$ 1,985	
$ change	51	21	36	18	290	57	(130)	0	
% change	**3.1%**	**1.2%**	**2.1%**	**1.0%**	**16.4%**	**2.8%**	**-6.2%**	**0.0%**	**2.3%**
Prop. Tax Aids & Credits	$ 1,867	$ 2,026	$ 2,053	$ 2,569	$ 2,749	$ 2,565	$ 2,210	$ 2,295	
$ change	(60)	159	27	516	180	(184)	(356)	86	
% change	**-3.1%**	**8.5%**	**1.3%**	**25.2%**	**7.0%**	**-6.7%**	**-13.9%**	**3.9%**	**3.0%**
Health & Human Services	$ 7,035	$ 6,611	$ 6,923	$ 8,215	$ 10,557	$ 10,077	$ 10,878	$ 11,430	
$ change	359	(424)	312	1,292	2,342	(480)	801	552	
% change	**5.4%**	**-6.0%**	**4.7%**	**18.7%**	**28.5%**	**-4.6%**	**8.0%**	**5.1%**	**7.2%**
Public Safety & Judiciary	$ 1,237	$ 1,314	$ 1,292	$ 1,430	$ 1,806	$ 1,752	$ 1,696	$ 1,696	
$ change	11	77	(21)	138	368	(55)	(56)	(0)	
% change	**0.9%**	**6.2%**	**-1.6%**	**10.7%**	**26.3%**	**-3.0%**	**-3.2%**	**0.0%**	**4.6%**
Debt Service	$ 540	$ 516	$ 592	$ 548	$ 567	$ 613	$ 657	$ 696	
$ change	(10)	(25)	77	(45)	19	45	45	39	
% change	**-1.8%**	**-4.5%**	**14.9%**	**-7.5%**	**3.5%**	**8.0%**	**7.3%**	**6.0%**	**3.7%**
All Other	$ 1,570	$ 1,547	$ 2,116	$ 2,509	$ 7,728	$ 2,671	$ 1,764	$ 1,758	
$ change	125	(23)	569	394	4,934	(5,057)	(908)	(6)	
% change	**8.7%**	**-1.4%**	**36.8%**	**18.6%**	**208.0%**	**-65.4%**	**-34.0%**	**-0.3%**	**1.6%**
Total Spending	$ 23,778	$ 23,464	$ 24,505	$ 27,243	$ 37,552	$ 31,965	$ 31,655	$ 32,762	
$ change	724	(314)	1,042	2,738	10,017	(5,587)	(310)	1,108	
% change	**3.1%**	**-1.3%**	**4.4%**	**11.2%**	**37.8%**	**-14.9%**	**-1.0%**	**3.5%**	**4.7%**

[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 2023 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 2023 Legislative Session had significant impact on revenue and spending in the Next Biennium. For revenues, legislative action resulted in $793 million less revenue than projected in February. The largest driver of revenue changes in the Next Biennium is the ongoing impact of tax credits that started in the Current Biennium, offset set partially by individual income and corporate franchise revenue increases. For spending, changes resulted in increased base level spending by $5.053 billion compared to the February 2023 Forecast. Ongoing base level increases in the Next Biennium result from appropriation increases added in the Current Biennium. Total spending in Next Biennium does not include impacts from one-time spending investments in the Current Biennium.

General Fund revenues, including the impact of legislative changes, in the Next Biennium are estimated to be $63.937 billion, $5.119 billion (8.7 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 $64.417 billion, $5.100 billion (7.3 percent) lower 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 estimated added cost of adding inflation to spending estimates in the Next Biennium would be $817 million, bringing total estimated spending with inflation in the Next Biennium to $65.234 billion.

The General Fund Budget Reserve Account and Cash Flow Account balances are not expected to change from the Current Biennium. The Stadium Reserve Account will be repealed upon fulfillment of legislative notification requirements.

Revenue, spending and reserve estimates for the Next Biennium will be updated in the November 2023 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 2023 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 May 1, 2023. In computing taxable income, Minnesota allows a similar standard deduction to the IRS. Itemized deductions are similar to federal itemized deductions, with some exceptions. For very high-income taxpayers the standard and itemized deductions phase out. 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 and was increased in the 2023 Legislative Session to 100 percent of taxable benefits for many taxpayers The phase-out thresholds are indexed annually for inflation. The 2023 Legislature also created a similar subtraction for public pension payments. 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 $1,710.00. Beginning in tax year 2023, the State tax code contains a refundable child credit of $1,750 per child under 18 and a working family credit of 4 percent on earned income up to $8,750. The working family credit is increased for taxpayers with qualifying children age 18 or older. The child credit and the working family credit phase out jointly at incomes of $35,000 or $29,500 depending on filing status. A refundable $1,500 per child education credit targeted at low-income parents, and families is part of the code. A refundable dependent care credit targeted at low- and moderate-income parents for childcare expenses is part of the code. 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. Beginning in tax year 2024, a 1% tax is imposed on net investment income in excess of one million dollars.

The State has a Pass Through Entity tax, which allows pass through entities ("PTE"s) (primarily S corporations and Partnerships) to pay a flat rate tax of 9.85% tax on their entity income. This has the effect of reducing the income of the partners and shareholders for federal tax purposes, effectively getting around the Federal limitation on deducting state and local taxes. On their state individual income tax return partners and shareholders of the PTEs are allowed a refundable credit for the PTE tax. Hence, the tax is expected to be revenue neutral for the State. PTE credits should result in equivalent income tax refunds; however, if individual taxpayers with PTE credits have other outstanding balances, their refunds may be reduced accordingly. The PTE is classified as part of the individual income tax in the State's accounting system.

SINGLE FILER

Taxable Income	Tax
on the first $30,070	5.35%
on all over $30,070 but not over $98,760	6.80%
on all over $98,760 but not over $183,3400	7.85%
on all over $183,340	9.85%

MARRIED FILING JOINTLY

Taxable Income	Tax
on the first $43,950	5.35%
on all over $43,950, but not over $174,610	6.80%
on all over $174,610, but not over $304,870	7.85%
on all over $304,970	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 $37,010	5.35%
on all over $37,010, but not over $148,730	6.80%
on all over $148,730, but not over $243,720	7.85%
on all over $243,720	9.85%

The 2023 Legislature made significant changes to the Individual Income Tax, some of which are mentioned above. It created a refundable child credit of $1,750 per child and almost completely changed the Working Family Credit. The two credits phase out jointly as income rises. In general, the two credits together significantly increased the benefit to low- income and moderate-income taxpayers compared to the old Working Family Credit. Under pre-2023 law, the standard deduction and itemized deductions were phased out as income increased, so that as much as 80 percent was disallowed. Under new law, the phase-out is more rapid, and for taxpayers with $1 million or more in adjusted gross income the maximum limit of 80 percent always applies. The effect is to increase tax liability for high-income taxpayers. The legislature eliminated the Renter Property Tax Refund ("RPTR") which was separate from the income tax and established a Renter Income Tax Credit ("RITC"). The RITC will define income for the credit to increase the benefit to the renter when compared to the old property tax refund. It will also change the timing of the refund, pulling it forward from fall to spring, resulting in a one-time negative revenue shift. This provision is effective for rent paid in calendar year 2024. Beginning in tax year 2024, a 1 percent tax is imposed on net investment income in excess of $1 million. A one-time refundable credit will be made in FY 2024 to taxpayers who filed returns for tax year 2021 and had incomes of $150,000 or less if married joint filers and $75,000 or less for all other filers. The credit is $520 for a married couple and $260 for other taxpayers. The credit is increased by $260 for each dependent up to three.

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.

In the 2023 Legislative Session, there were not significant changes to the State sales tax impacting the State's General Fund. However, the Legislature imposed two sales taxes on the seven-county metropolitan area that piggyback on the State General Fund sales tax and are collected with it. One is a 0.25 percent sales tax to fund affordable housing programs in the metro area, and the other is 0.75 percent sales tax to support transportation in the metro areas.

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 2023, the first $150,000 of commercial-industrial property is exempt. The taxes are levied at a uniform rate across the State. For taxes payable in 2023, the commercial-industrial rate is 33.003 percent, and the residential-recreational rate is 12.321 percent. The levy amount used to determine the commercial-industrial rate is $736.87 million, and the levy amount used to determine the residential-recreational rate is $42.41 million.

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

Beginning in 2014, corporations apportion their income to Minnesota solely on the basis of sales in Minnesota. 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.

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 2023 is shown below:

Fee Basis	**Amount of Fee**
Less than $1,160,000	$0
$1,160,000 to $2,310,000	$240
$2,310,000 to $11,570,000	$690
$11,570,000 to $23,140,000	$2,310
$23,140,000 to $46,280,000	$4,640
$46,280,000 or more	$11,570

The 2023 Legislature made significant changes to the Minnesota Corporate Franchise Tax. A tax is imposed on foreign income designated as global intangible low-taxed income; the amount included in taxable income will be eligible for a deduction for dividends received.

The dividend received deduction was reduced from 80 to 50 percent for dividends received where the receiving corporation owns 20 percent of the stock of the sending corporation. The dividend received deduction is lowered from 70 to 40 percent where the receiving corporation owns less than 20 percent of the stock of the sending corporation.

The percentage of prior years’ net operating losses that could be deducted from current year income was reduced from 80 to 70 percent of current year income.

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
0.65%	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 $0.30 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 69.2 cents for 2022. 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**:**

	FY 23	**FY 24**
Net Receipts Tax on Existing Bingo, Raffles, Paddlewheels	8.5%	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%	8.0%
Over $87,500, but not over $122,500	18.0%	17.0%
Over $122,500, but not over $157,500	27.0%	25.0%
Over $157,500	36.0%	33.5%
Sports-themed Tip boards	exempt	exempt

The 2023 Legislature reduced the rates of the tax on the net receipts from pull tabs, tip boards, and electronic linked bingo effective July 1, 2023 as shown above.

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.

Cannabis Tax: The 2023 Legislative Session legalized the use, possession, or transport of adult-use cannabis, cannabis products, and cannabis accessories by individuals 21 years or older. A gross receipts tax of ten percent is imposed on the retail sale of cannabis, and cannabis products. The tax is also imposed on low-potency, hemp-derived edible cannabinoid products. The legislation dedicates 20 percent of revenues from the gross receipts tax to the newly established local government cannabis aid account in the Special Revenue Fund. The remaining revenues from the gross receipts tax is deposited in the General Fund. It should be noted that retail sales of cannabis are subject to state and local sales taxes.

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.

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

[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.

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 2022 and certain other amounts pursuant to the Minnesota Agreement totaling approximately $5.258 billion to date.

	Unadjusted Minnesota Agreement Applicable Base Payment	**State's Actual Receipts[1]**
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]
FY2022 Annual Payment	204,000,000	192,965,398
FY2023 Annual Payment	**204,000,000**	**179,497,118**

(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 2023, FY 2024 and FY 2025 based on the end of 2023 Legislative Session. The table for FY 2023 represents actual Statutory General Fund cash flow balances through June 30, 2023. The tables for FY 2024 and FY 2025 represent projected Statutory General Fund cash flow balance for each 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 2023 LEGISLATIVE SESSION
ACTUALS FOR FISCAL YEAR ENDED JUNE 30, 2023
($'s in Thousands)

	Jul-22 Act	Aug-22 Act	Sep-22 Act	Oct-22 Act	Nov-22 Act	Dec-22 Act	Jan-23 Act	Feb-23 Act	Mar-23 Act	Apr-23 Act	May-23 Act	Jun-23 Act
Beginning Cash Balance	18,942,960	17,804,767	16,810,605	17,480,286	18,146,069	18,350,219	18,021,637	19,408,028	18,589,111	19,524,039	20,998,355	20,860,043
Individual Income Tax	823,337	980,963	1,478,870	1,037,726	860,313	1,129,779	1,528,709	615,071	1,103,697	2,235,264	777,835	1,405,414
Corporate Tax	80,840	79,218	844,098	90,025	107,531	851,540	463,622	169,511	534,383	607,269	70,573	754,506
Sales Tax	720,976	652,021	695,965	696,164	629,331	590,524	717,185	289,569	684,064	631,316	563,788	641,243
Property Tax	21,046	248	0	55,419	262,080	20,627	7,447	642	(14)	(1,267)	206,932	194,325
Tobacco Tax	3,638	56,540	55,064	51,864	44,644	60,246	77,174	27,558	27,888	36,258	37,559	88,904
Insurance Tax	2,393	19,510	123,985	7,113	7,504	132,449	1,269	44,448	163,975	1,394	5,748	139,649
Excise Tax	204,402	124,092	129,157	253,292	124,717	156,374	214,691	125,932	171,806	219,101	198,853	193,081
Investment Earnings	13,167	24,485	22,698	29,872	39,746	53,493	51,754	58,478	54,875	65,173	66,964	75,043
Interagency Grants	6,123	44,667	4,249	3,947	(123)	6,714	23,477	15,463	20,985	11,758	7,827	29,673
Other Revenue	393,339	515,395	443,699	315,662	454,136	354,128	702,778	324,388	357,105	268,245	404,365	349,950
Total Revenue	2,269,260	2,497,139	3,797,785	2,541,084	2,529,879	3,355,876	3,788,107	1,671,061	3,118,765	4,074,511	2,340,443	3,871,789
Transfer In	1,755,462	268,871	221,055	407,214	101,225	101,816	106,915	146,370	126,015	122,857	97,482	388,980
Total Sources	4,024,722	2,766,010	4,018,839	2,948,298	2,631,104	3,457,692	3,895,022	1,817,431	3,244,780	4,197,368	2,437,925	4,260,769
Compensation	510,862	349,547	359,798	358,880	361,407	512,345	353,387	377,602	365,954	367,221	371,032	528,110
Agency Operations	306,296	319,335	241,774	209,587	253,878	233,583	273,366	218,633	308,375	203,230	246,454	247,122
Aid to Schools	217,717	1,392,343	1,023,605	575,017	221,344	756,818	1,006,894	1,003,604	1,190,589	1,208,616	977,077	488,159
Aid to Cities & Towns	308,947	46,289	117,304	9,524	13,607	315,683	9,232	9,570	13,924	7,491	6,056	26,507
Aid to Counties	197,863	33,328	45,799	39,349	18,696	185,390	17,716	21,695	20,694	15,159	30,033	20,245
Aid to Higher Ed	92,848	109,925	127,417	79,396	68,302	95,874	150,717	79,386	67,752	67,318	101,380	78,180
Aid to Non-Gov't	89,031	40,048	50,458	53,363	33,776	35,065	38,927	36,639	39,636	85,887	42,997	39,290
Aid to Other Gov't	29,302	9,637	27,264	9,417	19,527	11,202	9,876	14,032	10,995	8,860	9,794	10,399
DHS Payments to Individuals	1,445,729	740,456	368,035	509,644	672,508	974,361	525,393	669,826	162,144	570,064	645,292	361,892
Other Aid to Individuals	90,220	409,810	751,702	47,865	17,341	8,167	5,976	7,806	13,854	10,369	6,238	8,628
Other Expenditures	(6,325)	43,378	(2,096)	(19,935)	8,035	3,381	6,610	6,436	(2,332)	5,366	4,162	25,062
Total Expenditures	3,282,491	3,494,095	3,111,061	1,872,107	1,688,420	3,131,870	2,398,095	2,445,229	2,191,585	2,549,581	2,440,517	1,833,594
Transfer Out	1,880,423	266,079	238,096	410,408	147,793	654,405	110,536	191,119	118,267	173,471	135,721	720,309
Transfer Out Debt Service	0	0	0	0	590,741		0	0	0	0	0	0
Total Uses	5,162,914	3,760,174	3,349,157	2,282,515	2,426,954	3,786,274	2,508,631	2,636,348	2,309,852	2,723,052	2,576,237	2,553,903
Sources Less Uses	(1,138,192)	(994,164)	669,682	665,783	204,150	(328,583)	1,386,391	(818,917)	934,928	1,474,316	(138,312)	1,706,866
High Point	18,791,783	18,141,573	18,842,320	18,353,134	19,561,225	18,586,486	20,255,074	19,754,136	20,339,386	21,426,388	21,213,263	22,694,356
Low Point	17,237,199	16,777,247	16,833,486	17,200,457	17,856,057	17,292,843	18,033,721	18,570,565	18,298,808	18,753,622	20,232,864	20,316,442
Ending Cash Balance	17,804,768	16,810,604	17,480,287	18,146,069	18,350,219	18,021,637	19,408,028	18,589,111	19,524,039	20,998,355	20,860,043	22,566,909

STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS
END OF 2023 LEGISLATIVE SESSION
ESTIMATES FOR FISCAL YEAR ENDING JUNE 30, 2024
($'s in Thousands)

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est
Beginning Cash Balance	22,566,909	19,530,990	17,375,218	16,254,182	15,765,252	15,369,195	14,968,862	15,396,967	14,152,324	14,092,293	14,801,809	14,122,890
Individual Income Tax	933,147	1,081,286	538,190	1,035,216	952,248	1,505,779	2,202,188	473,461	724,126	2,323,404	862,072	1,673,441
Corporate Tax	105,339	54,940	594,632	116,033	76,419	576,800	48,743	33,450	301,519	207,776	61,597	485,440
Sales Tax	714,558	672,114	687,667	722,755	673,808	609,735	705,041	534,340	505,203	687,321	589,348	564,694
Property Tax	14,974	0	0	157,337	157,337	18,731	3,746	(0)	0	(0)	201,225	193,772
Tobacco Tax	5,817	60,748	58,422	51,172	46,687	46,868	72,533	25,747	33,095	49,548	37,514	91,702
Insurance Tax	4,138	14,807	132,388	318	7,274	128,943	3,208	29,761	162,188	213	4,993	128,692
Excise Tax	183,570	133,526	107,185	222,384	131,300	122,790	224,795	145,312	132,865	269,261	143,340	226,636
Investment Earnings	1,843	61,353	59,760	57,863	56,412	54,102	52,554	51,121	49,370	49,754	50,873	84,370
Interagency Grants	9,861	15,475	5,929	11,764	8,087	25,909	9,769	10,389	18,201	16,581	13,785	12,484
Other Revenue	272,794	361,713	360,070	293,309	247,087	408,997	537,218	278,548	938,878	332,434	270,576	370,308
Total Revenue	2,246,042	2,455,963	2,544,242	2,668,150	2,356,659	3,498,654	3,859,794	1,582,129	2,865,446	3,936,290	2,235,324	3,831,539
Transfer In	2,424,842	405,879	133,993	104,482	181,033	204,932	96,653	98,801	120,599	100,365	326,420	157,679
Total Sources	4,670,884	2,861,843	2,678,235	2,772,632	2,537,692	3,703,586	3,956,447	1,680,930	2,986,045	4,036,655	2,561,744	3,989,218
Compensation	393,921	388,010	392,317	365,419	592,529	395,407	387,335	401,902	402,751	379,465	648,225	410,349
Agency Operations	263,985	321,300	225,865	339,697	119,110	224,219	356,542	167,920	239,083	319,354	178,256	348,556
Aid to Schools	368,335	1,648,175	1,139,194	683,277	317,781	992,101	1,180,614	1,170,388	1,444,299	1,398,954	1,175,146	617,486
Aid to Cities & Towns	465,780	30,388	147,668	28,372	22,639	686,626	14,372	19,099	13,703	4,723	10,905	6,737
Aid to Counties	303,818	36,277	52,425	36,132	38,857	368,482	20,117	35,065	20,366	18,147	43,012	13,469
Aid to Higher Ed	152,802	226,594	167,546	131,115	142,949	136,729	260,434	117,307	111,840	133,261	139,944	111,574
Aid to Non-Gov't	72,833	77,309	45,592	50,478	41,737	55,114	52,181	57,877	39,639	126,478	59,734	35,241
Aid to Other Gov't	39,823	33,334	44,919	27,310	18,721	23,406	20,410	11,261	17,460	33,622	1,451	16,607
DHS Payments to Individuals	1,254,985	1,101,955	503,050	640,121	759,291	737,066	1,056,812	784,403	572,871	676,459	591,461	489,596
Other Aid to Individuals	116,139	484,860	858,711	203,499	58,860	41,453	22,985	14,794	31,814	21,051	9,073	52,974
Other Expenditures	40,520	19,692	28,283	13,383	12,787	18,370	13,444	18,205	13,167	61,456	5,215	13,354
Total Expenditures	3,472,943	4,367,894	3,605,570	2,518,800	2,125,260	3,678,975	3,385,243	2,798,221	2,906,995	3,172,970	2,862,424	2,115,942
Transfer Out	4,233,860	649,720	193,701	742,762	241,301	424,944	143,099	127,352	139,082	154,168	378,239	173,722
Transfer Out Debt Service	0	0	0	0	567,187		0	0	0	0	0	0
Total Uses	7,706,803	5,017,615	3,799,271	3,261,562	2,933,748	4,103,919	3,528,343	2,925,573	3,046,077	3,327,138	3,240,663	2,289,664
Sources Less Uses	(3,035,919)	(2,155,772)	(1,121,037)	(488,930)	(396,056)	(400,333)	428,104	(1,244,643)	(60,031)	709,517	(678,919)	1,699,553
High Point	21,380,459	19,156,167	17,687,988	16,292,969	16,148,357	15,574,968	16,560,084	15,648,793	15,091,357	15,689,228	15,045,013	15,822,443
Low Point	19,397,603	17,338,178	16,254,182	15,391,665	15,369,195	14,575,652	14,870,230	14,059,063	14,092,293	14,022,923	14,122,890	13,992,175
Ending Cash Balance	19,530,990	17,375,218	16,254,182	15,765,252	15,369,195	14,968,862	15,396,967	14,152,324	14,092,293	14,801,809	14,122,890	15,822,443

STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS
END OF 2023 LEGISLATIVE SESSION
ESTIMATES FOR FISCAL YEAR ENDING JUNE 30, 2025

($'s in Thousands)

	Jul-24 Est	Aug-24 Est	Sep-24 Est	Oct-24 Est	Nov-24 Est	Dec-24 Est	Jan-25 Est	Feb-25 Est	Mar-25 Est	Apr-25 Est	May-25 Est	Jun-25 Est
Beginning Cash Balance	15,822,443	14,247,878	12,989,266	13,313,475	13,572,063	13,024,444	13,007,041	14,040,162	12,859,713	12,296,157	13,213,419	12,586,855
Individual Income Tax	965,978	1,110,427	1,722,569	1,223,031	731,576	1,727,427	2,200,391	441,773	833,197	2,266,966	907,240	1,705,606
Corporate Tax	85,358	43,033	477,330	91,300	61,449	464,589	60,857	40,730	345,828	240,883	67,442	521,328
Sales Tax	751,411	713,031	733,853	754,600	708,681	638,690	723,061	541,449	521,343	694,740	610,653	589,612
Property Tax	14,906	0	0	156,508	156,508	18,632	3,726	(0)	(0)	(0)	201,226	193,773
Tobacco Tax	5,794	60,464	63,184	46,635	46,546	46,826	72,032	26,006	33,133	49,426	37,567	91,678
Insurance Tax	4,209	15,143	137,328	311	8,073	134,173	3,285	28,142	166,138	238	5,115	133,080
Excise Tax	195,837	145,164	112,889	245,573	140,793	135,102	251,752	159,819	143,910	275,619	159,779	239,210
Investment Earnings	2,615	27,476	24,382	25,053	23,312	22,047	20,680	19,357	18,208	16,570	15,217	22,118
Interagency Grants	12,416	9,846	16,879	16,728	6,508	8,369	9,401	28,060	9,626	8,031	8,701	15,273
Other Revenue	366,582	450,157	486,965	341,933	289,323	470,076	630,567	333,825	289,074	361,140	354,576	370,791
Total Revenue	2,405,105	2,574,740	3,775,380	2,901,671	2,172,769	3,665,932	3,975,752	1,619,159	2,360,457	3,913,613	2,367,517	3,882,468
Transfer In	612,532	561,777	270,471	118,417	108,842	153,094	135,348	118,741	127,273	176,078	133,463	118,665
Total Sources	3,017,638	3,136,517	4,045,851	3,020,088	2,281,612	3,819,026	4,111,100	1,737,901	2,487,730	4,089,691	2,500,980	4,001,133
Compensation	409,938	400,966	372,926	543,125	481,536	414,511	402,481	411,371	418,342	388,551	630,282	416,850
Agency Operations	333,840	293,909	239,192	265,247	137,590	239,064	331,336	155,179	245,844	235,731	186,857	277,847
Aid to Schools	371,032	1,662,886	1,156,481	688,372	319,709	999,881	1,188,570	1,178,134	1,448,881	1,403,788	1,205,188	619,230
Aid to Cities & Towns	418,457	28,906	121,038	23,832	20,467	392,386	18,530	18,571	79,021	17,003	15,638	97,830
Aid to Counties	338,114	27,482	45,193	56,446	19,608	318,655	24,018	22,944	17,650	19,313	38,633	20,838
Aid to Higher Ed	81,532	121,166	99,307	65,379	59,733	85,819	145,181	73,325	62,801	72,098	76,647	62,168
Aid to Non-Gov't	40,212	42,925	32,654	41,058	31,187	53,213	39,749	34,338	34,703	67,684	47,324	34,510
Aid to Other Gov't	32,807	27,235	41,188	27,880	19,978	24,351	34,562	5,137	28,989	43,540	21,794	47,611
DHS Payments to Individuals	1,728,694	582,621	731,873	753,959	819,916	1,164,726	735,000	859,910	559,052	776,484	734,217	529,282
Other Aid to Individuals	104,942	484,341	618,462	171,048	25,432	8,839	17,532	11,104	26,037	14,001	9,377	29,529
Other Expenditures	21,393	14,236	13,247	19,368	18,788	9,786	15,553	7,958	13,164	13,384	12,173	16,810
Total Expenditures	3,880,961	3,686,673	3,471,562	2,655,715	1,953,945	3,711,231	2,952,511	2,777,972	2,934,482	3,051,577	2,978,128	2,152,505
Transfer Out	711,243	708,456	250,080	105,786	262,747	125,198	125,469	140,378	116,803	120,853	149,416	94,011
Transfer Out Debt Service	0	0	0	0	612,539		0	0	0	0	0	0
Total Uses	4,592,203	4,395,129	3,721,642	2,761,500	2,829,231	3,836,429	3,077,979	2,918,349	3,051,285	3,172,429	3,127,544	2,246,516
Sources Less Uses	(1,574,566)	(1,258,612)	324,209	258,587	(547,619)	(17,403)	1,033,121	(1,180,449)	(563,555)	917,261	(626,564)	1,754,618
High Point	16,024,861	14,385,144	13,836,579	14,053,283	13,911,238	13,714,390	14,797,923	14,080,042	13,091,402	14,036,962	13,408,952	14,415,223
Low Point	14,058,416	12,989,266	12,969,946	13,071,936	13,024,444	12,628,183	13,156,640	12,859,713	12,264,271	12,284,766	12,572,908	12,343,855
Ending Cash Balance	14,247,878	12,989,266	13,313,475	13,572,063	13,024,444	13,007,041	14,040,162	12,859,713	12,296,157	13,213,419	12,586,855	14,341,472

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	$ 552
Revenues	1,890
Total Resources	$ 2,442
Expenditures	1,233
Projected Unreserved Balance Before Transfers	$1,209
Transfers to Other Funds	263
Projected Unrestricted Balance at June 30, 2023	$ 946

During the 2023 Legislative Session, Minnesota increased the share of medical assistance claims the Health Care Access Fund pays by $582 million in Fiscal Year 2025, and $646 million in Fiscal Years 2026-27. This action spends a balance in the account accrued due to federal funding changes due to the Inflation Reduction Act, and a new federal rule providing funds for states operating reinsurance and BHP programs. Starting calendar year 2025, the State also expanded MinnesotaCare to cover undocumented Minnesotans. Despite all these legislative changes, the Health Care Access Fund retains a projected balance of $261 million in Fiscal Year 2027, with a small structural imbalance.

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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 2022, 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

[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. In Fiscal Year 2021, the 7.5 percent discount rate required by statute deviated from GASB reporting for all three retirement systems in Minnesota; for GASB purposes MSRS and PERA utilized a 6.5 percent discount rate, while TRA utilized a 7.0 percent discount rate. In Fiscal Year 2022, for GASB purposes, MSRS used a discount rate of 6.75 percent, PERA used a discount rate of 6.5 percent, and TRA used a discount rate of 7.0 percent. The 2023 Legislature further reduced the investment return assumption to 7.0 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2023 and years thereafter. 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, 2022, are available from the following public web sites:

MSRS: https://www.msrs.state.mn.us/annual-reports-fy-2022
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, 2022, are available from the following public web sites:

MSRS: https://www.msrs.state.mn.us/annual-reports-fy-2022
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-91 through F-109) and Required Supplementary Information (pages F-158 through F-189) 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 56,908 active employees, 52,661 retirees, disabilitants, and beneficiaries, and 31,298 members who no longer contribute, but are eligible for future monthly benefits or a refund of their contributions, as of June 30, 2022. 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 98.6 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, 2022, follow:

	State Employees Retirement Fund	**State Patrol Retirement Fund**	**Correctional Employees Retirement Fund**	**Judges Retirement Fund**	**Legislators Retirement Fund**	**Totals**
Benefit Recipients:						
Retirees	40,310	888	3,294	324	257	45,373
Beneficiaries	4,505	167	290	74	92	5,128
Disabilitants	1,731	85	330	14	0	2,160
Terminated members:						
Vested, no benefits	17,822	78	1,475	19	25	19,419
Non-Vested	10,668	41	1,169	1	0	11,879
Active members:						
Vested	34,817	629	3,038	280	12	38,776
Non-Vested	16,402	308	1,382	40	0	18,132
Total Membership	126,555	2,196	10,978	752	386	140,867
Annualized Payroll	*$3,434,267,000*	*$107,240,000*	*$294,479,000*	*$54,436,000*	*$689,000*	*$3,891,111,000*

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, 2022, for the defined contribution funds total $10,560,948,000.

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, 2022, PERA's three multi-employer, cost-sharing, defined benefit plans cover 164,754 members currently employed and earning benefits; 162,741 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 129,804 persons currently receiving benefits. These three plans represent 99.4% of PERA's defined benefit plan assets. In addition, PERA's multi-employer agent defined benefit plan for volunteer firefighters covers 4,186 active members, 1,156 members eligible for future benefits and 140 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, 2022, follow:

	General Employees Retirement Fund (GERF)	**Public Employees Police & Fire Fund (PEPFF)**	**Public Employees Correctional Fund (PECF)**	**Totals**
Benefit Recipients:				
Retirees	103,121	8,236	1,407	112,764
Beneficiaries	9,370	1,959	87	11,416
Disabilitants	3,489	1,912	223	5,624
Terminated Members:				
Vested, no benefits	68,636	1,864	4,129	74,629
Non Vested	84,675	957	2,480	88,112
Active Members:				
Vested	90,150	8,310	1,960	100,420
Non Vested	59,837	3,319	1,604	64,760
Total Membership	419,278	26,557	11,890	457,725

Annualized Payroll	*$7,042,154,000*	*$1,127,134,000*	*$220,292,000*	*$8,389,580,000*

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 606 reporting employer units, 84,308 active members and a total of 69,891 retirees, survivors, beneficiaries and disabilitants who were receiving monthly benefits, as of June 30, 2022.

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, 2022, follow:

Benefit Recipients:	
Retirees	62,976
Disabilitants	427
Beneficiaries	6,488
Terminated Members:	
Vested, deferred	17,812
Non Vested	38,903
Active Members:	
Vested	68,822
Non Vested	15,486
Total Membership	210,914

Annualized Payroll	*$5,944,310,000*

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 $81.32 billion, as of June 30, 2022. The Combined Funds market value was $85.65 billion, as of June 30, 2023 (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. The 2023 Legislature further reduced the annualized assumed investment return to 7.0 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2023 and 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. In Fiscal Year 2022, the 7.5 percent discount rate required by statute deviated from GASB reporting for all three retirement systems in Minnesota. For GASB purposes MSRS utilized a 6.75 percent discount rate while PERA utilized a 6.5 percent discount rate and TRA utilized a 7.0 percent discount rate. See "Retirement Systems Funding" in this APPENDIX B for additional information regarding statutory and financial reporting discount rates.

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 March 2023 SBI meeting, an increase to the maximum end of the Private Markets target allocation range to 32 percent was approved.

The target allocation to each asset class as of June 2023 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 25 percent of the fund. A 5 percent deviation would equal 1.25 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 32 percent. An increase to the maximum allowable allocation to Private Markets from 25 to 32 percent was approved at the March 2023 SBI meeting.

The following table represents the actual asset allocation and the market value for the Combined Funds as of June 30, 2022 and June 30, 2023 (unaudited).

COMBINED FUNDS INVESTMENTS
PERIODS ENDING JUNE 30, 2022 AND JUNE 30, 2023 (UNAUDITED)
($′s in Millions)

	Target Allocation as of June 30, 2022	**Actual Mix 6/30/2022**	**Market Value 6/30/2022[1]**	**Target Allocation as of June 30, 2023**	**Actual Mix 6/30/2023 (unaudited)**	**Market Value 6/30/2023[1] (unaudited)**
Public Equities	**50%**	48.81%	$39,693	50%	50.50%	$43,265
Total Fixed Income	**25**	24.82	20,183	25	24.05	20,597
Private Markets	**25**	26.37	21,444	25	25.45	21,791
Invested Private Markets		*25.15*	*20,455*		*25.20*	*21,580*
Uninvested Allocation Invested in Cash Equivalents		*1.22*	*989*		*0.25*	*211*
Total	**100%**	**100%**	**$81,320**	**100%**	**100 %**	**$85,653**

(1) Market value based on fair value as defined in GASB 31.

Source: SBI Quarterly Board Book Performance and SBI staff, periods ended June 30, 2022, and June 30, 2023 (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 negative 6.4 percent for the Fiscal Year ending June 30, 2022. The rate of return in the Combined Funds was 8.9 percent for the one-year period that began on July 1, 2022 and ended June 30, 2023 (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, 2022									
	2018	2019	2020	2021	2022	3 Yr.	5 Yr.	10 Yr.	20 Yr.	30 Yr.
Combined Funds	**10.3%**	**7.3%**	**4.2%**	**30.3%**	**-6.4%**	**8.3%**	**8.5%**	**9.4%**	**8.2%**	**8.6%**
Composite Index	9.7%	7.6%	4.0%	28.8%	-6.3%	7.9%	8.2%	9.0%	8.0%	8.4%

	Period Ending June 30, 2023 (unaudited)									
	2019	2020	2021	2022	2023	3 Yr.	5 Yr.	10 Yr.	20 Yr.	30 Yr.
Combined Funds	**7.3%**	**4.2%**	**30.3%**	**-6.4%**	**8.9%**	**9.9%**	**8.2%**	**8.8%**	**8.5%**	**8.4%**
Composite Index	7.6%	4.0%	28.8%	-6.3%	8.7%	9.5%	8.0%	8.6%	8.3%	8.2%

Source: SBI Quarterly Board Book for the periods ended June 30, 2022 and June 30, 2023 (unaudited).

Actual Combined Funds returns relative to the total fund composite index are shown above. For the 10-year period ending June 30, 2023 (unaudited), the Combined Funds outperformed the composite index by 0.2 percent points. For the 20-year period ending June 30, 2023 (unaudited), the Combined Funds outperformed the composite index by 0.2 percent points. The annualized rate of return was 8.4 percent for the past 30-year period ending June 30, 2023 (unaudited).

Comparing the Actual Combined Funds returns relative to the 7.0 percent annualized investment return assumption for the period ended June 30, 2023 (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 2022 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 2022 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)

Minnesota State Retirement Systems (MSRS)				
Plans Covered	Type	State Employer Participation	State Provides Other Non-Employer Contributions	FY 2022 State Pension Employer Contributions(1)
State Employees Retirement Fund	**Multiple employer, cost-sharing plans**	Yes(2)	No	$211,485
Correctional Employees Retirement Fund	**Multiple employer, cost-sharing plans**	Yes	No	$55,072
Judges Retirement Fund	**Single employer, State plan**	Yes	No	$12,248
Legislators Retirement Fund(3)	**Single employer, State plan**	Yes	No	$0
State Patrol Retirement Fund	**Single employer, State plan**	Yes	No	$32,258
Unclassified Employees Retirement Fund	Defined Contribution	Yes	No	$8,617
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 2022 State Pension Employer Contributions(1)
General Employees Retirement Fund	**Multiple employer, cost-sharing plan**	Yes(4)	Yes	$2,160
Public Employees Police and Fire Fund	**Multiple employer, cost-sharing plan**	No	Yes(4)	$589
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 2022 State Pension Employer Contributions(1)
Teachers Retirement Fund	**Multiple employer, cost-sharing plan**	Yes(5)	Yes(5)	$17,187(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, 2022; PERA, Schedule Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only, Fiscal Year ended June 30, 2022; TRA, Schedule of Employer and Non-Employer Allocations, Fiscal Year ended June 30, 2022.

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 for three consecutive years 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

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[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 for three consecutive years 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.

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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 Legislators Retirement Fund(5)	MSRS Judges Retirement Fund (JRF)	PERA Public Employees Police and Fire Fund (PEPFF)	Total
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	-	-	8,761	6,000	9,000	84,419
2022	16,000	29,831	14,827	-	-	8,886	6,000	9,000	84,379
2023	16,000	29,831	14,827	-	-	8,758	6,000	9,000	84,553
**2024*	16,000	29,831	14,827	-	-	8,543	6,000	9,000	84,731
**2025*	16,000	29,831	14,827	-	-	8,372	6,000	9,000	84,913
**2026*	16,000	29,831	14,827	-	-	8,204	6,000	9,000	83,862
**2027*	16,000	29,831	14,827	-	-	8,040	6,000	9,000	83,698

(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 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 2024-FY 2027 as of the end of the 2023 Legislative Session.
Source: MMB General Fund balance analysis

The following table summarizes the one-time direct state aids appropriated by the 2023 Legislature, in addition to those included in the table above.

2023 LEGISLATURE: ONE-TIME DIRECT STATE AID TO PENSION FUNDS PAYABLE IN FY 2024 ($'s in Thousands)

Plan	Amount
MSRS General Employees Retirement Plan	$76,440
MSRS Correctional Employees Plan	10,446
MSRS State Patrol Retirement Plan	11,971
MSRS Legislators Retirement Plan	91
MSRS Judges Retirement Plan	293
PERA General Employees Retirement Fund	170,093
PERA Public Employees Police and Fire Plan	19,397
PERA Public Employees Correctional Fund	5,256
TRA	176,167
SPTRFA	15,747
Total	$485,900

The following table summarizes State General Fund Appropriation pension aid provided to local governments during the last nine fiscal years and estimates for Fiscal Year 2023 through Fiscal Year 2027.

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
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	121,295	2,729	0	637	2,094	15,500	142,255
2022	121,776	2,729	0	607	2,094	15,500	142,706
2023	129,930	2,729	0	707	2,094	15,500	150,890
**2024*	135,230	2,729	0	637	2,094	15,500	156,190
**2025*	140,620	2,729	0	637	2,094	15,500	161,580
**2026*	146,230	2,729	0	637	2,094	15,500	167,190
**2027*	152,080	2,729	0	637	2,094	15,500	173,040

(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 2024-FY 2027 as of the end of the 2023 Legislative Session.

Source: MMB General Fund balance analysis

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, 2022, 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(1)

(1) On July 1, 2025, TRA's full funding date will be extended to June 30, 2053, based on changes made by the 2023 Legislature.

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 recently adopted 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 and approved by the LCPR on March 3, 2020. 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.

An updated four-year experience study for MSRS' State Employees Retirement Fund covered the period July 1, 2018 through June 30, 2022, and was completed June 29, 2023. Based on the results of this study, several changes in economic and demographic actuarial assumptions were recommended, including:

- reduced disability rates;
- lower early retirement rates;
- higher normal retirement rates;
- higher withdrawal rates for males;
- lower withdrawal rates for females;
- adjusted mortality tables;
- lower merit and seniority payroll increases; and
- lower investment return assumption of 7.0 percent.

These changes, not including the investment return assumption that was already enacted by the 2023 Legislature, are estimated to decrease required contributions by 0.19 percent of active member covered payroll. Any assumption changes require approval of the MSRS Board of Directors and LCPR. The MSRS Board approved these changes on September 21, 2023. The LCPR has not yet considered these recommendations.

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.

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 were first 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. The July 1, 2018 through June 30, 2022, experience study for TRA was completed in August 2023. The report contained recommendations to update certain demographic assumptions, including the mortality tables used for pre-retirement members, healthy retirees, beneficiaries, and disabled members, changes to the rate of early reduced benefits, unreduced benefits, and the form of payment selected at time of retirement, changes to the rates of termination of employment, and changes to disability rates at age 45 and older to better match experience. The report contained a recommendation to lower the investment return assumption from 7.5 percent to 7.0 percent, which the Legislature enacted in the 2023 Legislative Session. The demographic assumption changes, not including the investment return assumption that was already enacted by the 2023 Legislature, are estimated to decrease required contributions by 1.12 percent of active member covered payroll. These changes were approved by the TRA Board of Trustees at their September 13, 2023 meeting, and have not yet been considered by the LCPR. If approved, the recommendations would become effective with the July 1, 2024, actuarial valuation.

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, 2022, the aggregate market value of all of the assets of the Retirement Systems, as determined by the Retirement Systems' actuaries, was approximately $82.613 billion. As of June 30, 2022, the aggregate actuarial value of all assets of the Retirement Systems was $83.782 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, 2022, 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, 2022[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	$16,069	$16,045	$23	99.86%	$15,830	$239	98.51%	51,219	75,336
— Correctional Employees Retirement Fund	1,878	1,499	380	79.79%	1,474	404	78.46%	4,420	6,558
— State Patrol Retirement Fund	1,068	897	170	84.04%	884	184	82.76%	937	1,259
— Judges Retirement Fund	403	258	146	63.84%	254	149	62.96%	320	432
— Legislators Retirement Fund[7]	166	0	166	N/A	0	166	N/A	12	374
Subtotal	$19,584	$18,699	$885		$18,442	$1,142		56,908	83,959
Public Employees Retirement Association (PERA):									
— General Employees Fund	$30,190	$26,397	$3,793	87.44%	$26,034	$4,156	86.23%	149,987	269,291
— PERA Police & Fire Fund	11,351	10,564	788	93.06%	10,415	936	91.75%	11,629	14,928
— Local Correctional Service Fund	945	993	-48	105.09%	975	-30	103.17%	3,564	8,326
Subtotal	$42,486	$37,954	$4,533		$37,424	$5,062		165,180	292,545
Teachers' Retirement Association (TRA):	$31,616	$25,926	$5,690	82.00%	$25,592	$6,024	80.95%	84,308	126,606
Custodial Subtotal	$93,686	$82,579	$11,108		$81,458	$12,228		306,396	503,110
2. Other Funds to Which the State Contributes									
Local Police & Fire Associations[8]	$176	$232	-$56	131.57%	$232	-$56	131.57%	114	236
St. Paul Teachers' Retirement Fund	1,750	1,203	547	68.73%	1,154	596	65.95%	3,400	9,682
Other Contribution Subtotal	$1,926	$1,435	$491		$1,386	$540		3,514	9,918
TOTAL	**$95,612**	**$84,014**	**$11,599**		**$82,844**	**$12,768**		**309,910**	**513,028**

(1)The information provided in this table reflects the condition of all funds as of June 30, 2022 and is derived from actuarial valuation results as of July 1, 2022. 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-91 through F-109) and "Required Supplementary Information" (see pages F-158 through F-189).

(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, 2022 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 December 31, 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, 2022; St. Paul Teachers' Retirement Fund Association actuarial valuation report, Fiscal Year ended June 30, 2022; Bloomington Fire Relief Association actuarial valuation report, calendar year ended December 31, 2021.

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. In Fiscal Year 2022, the 7.5 percent discount rate required by statute deviated from GASB reporting for all three retirement systems in Minnesota. For GASB purposes MSRS utilized a 6.75 percent discount rate, PERA utilized a 6.5 percent discount rate, and TRA utilized a 7.0 discount rate. In Fiscal Year 2023, the statutorily required discount rate was reduced to 7.0 percent.

The Fiscal Year 2022 GASB 67 Reports are based on June 30, 2022 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, 2022. 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 2022 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 negative 6.4 percent for Fiscal Year 2022. 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, 2022
($'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	$17,473,133	$15,829,850	$1,643,293	90.60%	$3,434,267	47.85%
State Patrol	1,164,176	883,581	280,595	75.90%	107,240	261.65%
State Correctional	2,073,612	1,473,921	599,691	71.08%	294,479	203.64%
Judges	431,898	253,971	177,927	58.80%	54,463	326.86%
Legislators[3]	114,007	0	114,007	0.00%	689	16,546.73%
MSRS Totals	$21,256,826	$18,441,323	$2,815,503	86.75%	$1,891,111	72.36%
TRA	$33,603,815	$25,596,344	$48,007,471	76.17%	$5,573,701	143.67%
PERA:						
General Employees	$33,954,218	$26,034,185	$7,920,033	76.67%	$7,042,154	112.47%
Police and Fire	14,767,098	10,415,493	4,351,605	70.53%	1,127,314	386.02%
Local Government Correctional	1,307,715	975,315	332,400	74.58%	220,292	150.89%
Total PERA	$50,029,031	$37,424,993	$12,604,038	74.81%	$8,389,760	150.23%

[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, 2022.

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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 2022 are as follows:

MINNESOTA RETIREMENT SYSTEMS
SENSITIVITY OF THE FISCAL YEAR 2022 NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE
USING GASB STATEMENT NO. 67
Actuarial Valuation Date as of July 1, 2022
($'s in Thousands)

	With 1% Decrease		**Current Discount Rate**		**With 1% Increase**	
	Rate	**NPL**	**Rate**	**NPL**	**Rate**	**NPL**
MSRS						
State Employees	5.75%	$3,856,432	6.75%	$1,643,283	7.75%	$(187,478)
State Patrol	5.75%	$433,983	6.75%	$280,595	7.75%	$154,800
State Correctional	5.75%	$912,949	6.75%	$599,691	7.75%	$345,903
Judges	5.75%	$221,472	6.75%	$177,927	7.75%	$140,577
Legislators	2.69%	$125,022	3.69%	$114,007	4.69%	$104,596
TRA	6.00%	$12,623,342	7.00%	$48,007,471	8.00%	$4,223,896
PERA						
General Employees	5.50%	$12,510,107	6.50%	$7,920,033	7.50%	$4,155,464
Police and Fire	4.40%	$6,585,596	5.40%	$4,351,605	6.40%	$2,545,577
Local Government Correctional	4.42%	$585,506	5.42%	$332,400	6.42%	$133,402

Source. Retirement Systems' GASB 67 and 68 Accounting reports, Fiscal Year ended June 30, 2022.

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.[4]

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. The 2018 Legislature unanimously passed the 2018 Omnibus Retirement Act (Laws of Minnesota 2018, Chapter 211) ("2018 Act"). The 2018 Act was signed by the then Governor Dayton on May 31, 2018. It 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 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:[5]

The prospective benefit reforms included in the 2018 Act were phased in over a period of years and included the elimination of augmentation, elimination of early retirement subsidies for the MSRS General Plan, PERA General Plan, TRA, and SPTRFA, and a reduction in the annual rate of interest on refunds from 4 percent to 3 percent.

The 2018 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.

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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
[4] 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
[5] 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

The COLA-related changes in the 2018 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 2018 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 would increase by 0.1 percent each year until it reached 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 became tied to the COLA as announced each year by the federal Social Security Administration.
  PERA General Plan: The increase as of a January 1, 2019, is 50 percent of the increase announced by the SSA, but no less than 1 percent and no greater than 1.5 percent.
  PERA Correctional Plan: The increase as of a January 1, 2019, is equal to the increase announced by the SSA, but no less than 1 percent and no greater than 2.5 percent. When the plan's funded ratio is less than 85 percent for two years or less than 80 percent for one year, the 2.5 percent maximum is reduced to 1.5 percent and remains at 1.5 percent thereafter.
- *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 2018 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 2018 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 2018 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 2018 Act imposed contribution increases for the following plans, with increases to be phased in over a period of years:

Pension	Plan	Employee	Employer	Supplemental Employer
MSRS	General Plan	0.50%	0.75%	N/A
MSRS	Unclassified Plan	0.50%	0.25%	N/A
MSRS	Correctional Plan	0.50%	1.55%	4.45%
MSRS	State Patrol	1.00%	1.50%	7.00%
PERA	Police & Fire Plan	1.00%	1.50%	N/A
TRA	TRA	0.25%	1.25%	N/A
SPTRFA	SPTRFA	0.25%	2.50%	N/A

The 2018 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	FY20	FY21
PEPFF	$4.5	$4.5	$9
SPTRFA	$5	$5	$5

The 2018 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 2018 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 2018 Act also provided direct appropriations to executive branch State agencies to offset the estimated cost of the increased employer contribution rates.

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 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.

The 2022 Legislature made several small policy changes to the retirement plans, including restoring segmented annuities for members of PERA who have had a break in public employment and allowing for retroactive implementation of segmented annuities for members who have retired since the provision was repealed in 2018. These changes only apply to members who ceased employment covered by the PERA General Employees Retirement Plan prior to 2012. Additionally, the Legislature permitted retired teachers covered by TRA to return to work without an earnings limitation until 2024. The LCPR approved a more comprehensive pension finance bill that contemplated reducing the assumed rate of return and several other benefits and contribution changes supplemented by the General Fund. However, this bill was not heard by the House Ways and Means committee or the Senate Finance committee and was not passed by either body.

The 2023 Legislature reduced the assumed rate of return for actuarial valuations from 7.5 percent to 7.0 percent for all retirement plans. The interest rate used for calculating buybacks was also reduced from 7.5 to 7.0 percent. A one-time, non-compounded postretirement adjustment of up to one percent in 2024 was enacted for all retirement plans, with the exception of the uncoordinated members who will receive a one-time postretirement adjustment of 3.0 percent. This one-time payment is to retirees who have been retired for at least 12 full months as of June 30, 2023. Active members of the MSRS State Employees Plan will receive a decrease in employee contributions for two years, from 6.0 to 5.5 percent. End dates for supplemental contributions were adjusted in the MSRS Correctional Plan, State Patrol Retirement Plan, and Judges Retirement Plan, and contributions will now remain in effect until each plan is 100 percent or more funded for three consecutive years on a market value basis. The vesting period for MSRS State Employees Plan and PERA General Employees Retirement Plan active members employed on July 1, 2023 and those hired after June 30, 2023 was reduced from five years to three years. The 2023 Legislature also made changes to the duty disability application process for MSRS State Patrol Retirement Plan and PERA Public Employee Police and Fire Plan, requiring individuals to receive treatment of a psychological condition prior to application and made changes to disability benefits and reemployment offset requirements for PERA's Public Employee Police and Fire Fund.

The 2023 Legislature provided one-time direct state aids to each of the retirement plans of the following amounts:

Retirement Plan	Amount
MSRS	$99,239,947
PERA	194,746,328
TRA	176,166,838
SPTRFA	15,746,887

The 2023 Legislature made additional changes specific to TRA and SPTRFA. Beginning July 1, 2026, the normal retirement age is reduced from 66 to 65. Employer contributions will increase by 0.75 percent and employee contributions will increase by 0.25 percent effective July 1, 2026 in order to pay for this benefit. The amortization period was also extended five years to July 1, 2053 for TRA only. The 2023 Legislature also made separate changes specific to the SPTRFA. The changes allow for unreduced benefits to individuals retiring after July 1, 2023 who are age 62 or older with at least 30 years of service. Employee contribution rates will increase an additional 1.0 percent beginning July 1, 2025 to cover the cost of this new benefit.

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 98.6 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, 2022.

The State Employees Retirement Fund which includes the General Employees Retirement Plan and its three special groups, the State Fire Marshals Plan, the Military Affairs Plan and the Transportation Pilots Plan, was 99.86 percent funded, with the actuarial value of assets totaling 16.045 billion, and the actuarial accrued liability totaling 16.069 billion, as of July 1, 2022. 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, decreased from 111.46 percent as of the July 1, 2021 actuarial valuation to 98.51 percent as of the July 1, 2022, actuarial valuation. The decline is due to investment losses during the fiscal year.

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, 2022 actuarial valuation for the State Employees Retirement Fund calculated that statutory contributions currently received from members and employers are 3.92 percent of payroll above the amount required to fully fund the retirement plan by 2048. The contribution changed from a sufficiency of 3.12 percent of payroll as of July 1, 2021, to a sufficiency of 3.92 percent of payroll as of July 1, 2022 (projected annual payroll for the fiscal year beginning on the July 1, 2022 actuarial valuation date was $3.4 billion). The primary reason for the improvement was recognition of a portion of the investment gains from FY 2021. Gains and losses are smoothed over a five-year period.

Actuarial valuation results as of July 1, 2022 show that the MSRS Correctional Employees Retirement Fund is 79.79 percent funded, with the actuarial value of assets totaling 1.499 billion, and the actuarial accrued liability totaling $1.878 billion. The contribution sufficiency of 3.70 percent of payroll as of July 1, 2021 increased during the fiscal year, resulting in a contribution sufficiency of 4.18 percent of payroll as of July 1, 2022. Funding status, determined on a market value of assets basis, decreased from 89.27 percent as of the July 1, 2021, actuarial valuation to 78.46 percent as of the July 1, 2022, actuarial valuation because there is no smoothing of asset gains and losses using this method.

The State Patrol Retirement Fund is 84.04 percent funded, with the actuarial value of assets totaling $897 million, and the actuarial accrued liability totaling $1.068 billion based on July 1, 2022 actuarial valuation results. The contribution sufficiency increased from 11.99 percent of payroll as of July 1, 2021 to 12.38 percent of payroll as of July 1, 2022. Annual State contributions of $1 million are reflected in the computations of the contribution sufficiency as of the July 1, 2021 and the July 1, 2022 actuarial valuation dates. The funding status, determined on a market value of assets basis, decreased from 96.57 percent as of the July 1, 2021, actuarial valuation to 82.76 percent as of the July 1, 2022, actuarial valuation because there is no smoothing of asset gains and losses using this method.

The Judges Retirement Fund, is 63.84 percent funded, with the actuarial value of assets totaling $258 million and the actuarial accrued liability totaling $403 million based on July 1, 2022 actuarial valuation results. The contribution sufficiency for the plan of 4.84 percent of payroll as of the July 1, 2021 actuarial valuation was increased, resulting in a contribution sufficiency of 5.54 percent of payroll as of the July 1, 2022 actuarial valuation. The improvement is due to better than expected investment returns in FY 2021 and the smoothing of gains over a five year period. Funding status, determined on a market value of assets basis, decreased from 70.69 percent as of the July 1, 2021 actuarial valuation to 62.96 percent as of the July 1, 2022 actuarial valuation due to investment losses in FY 2022, and 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 methods and assumptions listed below for FY 2022. The 2023 Legislature reduced the assumed rate of return from 7.5 to 7.0 percent, to be used in future actuarial valuations:

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, 2022	$(215,625)

Sources: MSRS Annual Comprehensive Report, June 30, 2022, and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2022.

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).

**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*		
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%
2021	6.00%	6.25%	12.25%	9.13%	3.12%
2022	6.00%	6.25%	12.25%	8.33%	3.92%

Sources: MSRS Annual Comprehensive Financial Reports (2013 – 2022) – 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 (%)**
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
2021	1,493,476	9,563,516	4,589,409	15,197,610	100	100	90.2	97.1
2022	1,539,574	9,977,891	4,551,293	16,045,475	100	100	99.5	99.9

Source: MSRS Annual Comprehensive Report, June 30, 2022 – 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, 2022. 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, 2022.

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). Beginning July 1, 2023, employee contributions are reduced to 5.50 percent of payroll for two years. The rate will return to 6.00 percent after June 30, 2025.
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 and terminated before July 1, 2023; actively employed on July 1, 2023 with at least three years before application for retirement; three years of service if employed after June 30, 2023; or 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 2022 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, 2022. 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 2021, 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	
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
2021	206,381	48,823	N/A	11,916	8,639	24,809(4)	300,568
2022	212,759	55,104	N/A	12,248	8,682	32,258(4)	321,051

(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 annually beginning in Fiscal Year 2018. This amount is recognized as a General Fund contribution 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 (2013-2022).

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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, 2022.

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 2022

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Long-term Expected Return	6.75 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 Financial Report, June 30, 2022 and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2022.

GASB Statements No. 67 and No. 68 actuarial valuation results show that as of June 30, 2021, employers contributing to the MSRS' largest cost-sharing fund, the State Employees Retirement Fund (the General Employees Retirement Plan), incurred NPL of 1.643 billion. Actuaries determined this amount assuming a long-term expected single discount rate of return of 6.75 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 income of $700.6 million. Lastly, as of the June 30, 2022 measurement date, Fiduciary Net Position as a percentage of the Total Pension Liability was 90.60 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 2022, 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, 2022
($ 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	FY2022 Pension Expense / (Income)	State's Share of Pension Expense/ (Income)
State Employees	$17,473,133	$15,829,850	$1,643,283	90.60%	99.416%	$1,633,685	$(700,638)	$(694,928)
State Patrol	1,164,176	883,581	280,595	75.90%	100.000%	280,595	(11,463)	(11,463)
Correctional Employees	2,073,612	1,473,921	599,691	71.08%	99.949%	599,385	(34,485)	(34,417)
Judges	431,898	253,971	177,927	58.80%	100.000%	177,927	174,965	17,965
Legislators	114,007	0	114,007	0.00%	100.000%	114,007	(18,107)	(18,107)
Totals	$21,256,826	$18,441,323	$2,815,503	86.75%		$2,805,599	$(746,728)	$(740,950)

Source: MSRS 2022 Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022.

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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, 2022
($'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	$ 62,413	$ 441,892	$ 13,819	$ 2,149	$ 150,864	$ 230	$ 152,445	$ 140,796	$ 154,131	$ 1,118,739
Non-Employer Contributing Entity	-	-	126,546	33,209	279,641	134,248	-	-	-	573,644
Total	$ 62,413	$ 441,892	$ 140,365	$ 35,358	$ 430,505	$ 134,478	$ 152,445	$ 140,796	$ 154,131	$ 1,692,383
State's Proportionate Share % of the Net Pension Liability as of:										
Current Year Measurement Date	76.55%	99.96%	3.29%	4.58%	9.84%	30.95%	100.00%	100.00%	100.00%	
Prior Year Measurement Date	75.21%	99.95%	3.36%	4.88%	10.23%	31.75%	100.00%	100.00%	100.00%	
Difference between Expected and Actual Experience	$ 15,446	$ 7,799	$ 862	$ 6,791	$ 11,660	$ 4,196	$ 605	$ -	$ 2,707	$ 50,066
Changes in Assumption	1,148,417	215,556	85,704	51,967	157,764	-	19,756	-	75,120	1,754,284
Change in Proportionate Share	64,853	391	-	33,355	-	-	-	-	-	98,599
Contributions Subsequent to the Measurement Date	161,340	54,939	17,582	9,586	48,226	15,684	18,248	8,682	32,258	366,545
Deferred Outflows of Resources	$ 1,390,056	$ 278,685	$ 104,148	$ 101,699	$ 217,650	$ 19,880	$ 38,609	$ 8,682	$ 110,085	$ 2,269,494
Difference between Expected and Actual Experience	$ 7,206	$ 4,487	$ 4,296	$ -	$ 12,194	$ 2,346	$ 1,667	$ -	$ 3,549	$ 35,745
Changes in Assumption	859,837	123,514	3,105	19,427	388,407	2,587	-	-	61,080	1,457,957
Net Difference Between Projected and Actual Earnings	1,726,053	201,469	121,562	67,561	360,977	41,811	35,913	-	123,260	2,678,606
Change in Proportionate Share	-	106	8,683	10,090	101,335	7,059	-	-	-	127,273
Deferred Inflows of Resources	$ 2,593,096	$ 329,576	$ 137,646	$ 97,078	$ 862,913	$ 53,803	$ 37,580	$ -	$ 187,889	$ 4,299,581
Net Pension Expense	$(1,581,490)	$ (121,911)	$ 25,600	$ 11,638	$ (41,675)	$ 12,809	$ 4,449	$ 2,646	$ 812	$ (1,687,122)

(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]	CERF[1]	GERF[1]	P&FF[2]	TRF[3]	SPTRF[4]	JRF[1]	LRF[1]	SPRF[1]
Actuarial Valuation/ Measurement Date	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021
Long-Term Expected Rate	6.50%	6.50%	6.50%	6.50%	7.00%	7.50%	6.50%	6.50%	6.50%
20 Year Municipal Bond Rate[5]	1.92%	1.92%	1.92%	1.92%	2.13%	1.92%	1.92%	1.92%	1.92%
Experience Study Dates	2014 - 2018	2015 - 2019	2014 - 2018	2015 - 2019	2014 - 2018	2011-2016	2015 - 2019	N/A	2015 - 2019
Inflation	2.25%	2.25%	2.25%	2.25%	2.50%	2.50%	2.25%	2.25%	2.25%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	Service Related Rates	2.85 - 9.25%	3.00 - 9.00%	2.50%	4.25%	Service Related Rates
Payroll Growth	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.50%	N/A	3.00%

(1) For SERF, CERF, GERF, JRF, LRF, and SPRF mortality rate assumptions, the Pub-2010 General Mortality Table was used and adjusted for mortality improvements based on Scale MP-2018 for SERF and LRF, Scale MP-2019 for CERF, JRF, and SPRF, and Scale MP-2020 for GERF. There are various adjustments in each plan to match experience. For the prior measurement period, Scale MP-2019 was used for GERF, and the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2015 for CERF, JRF, LRF, and SPRF. In fiscal year 2023, GERF will adjust for mortality improvements based on Scale MP-2021.

(2) For P&FF mortality rate assumptions, the Pub-2010 Public Safety Mortality Table was used and adjusted for mortality improvements based on Scale MP-2020. There are various adjustments to match experience. For the prior measurement period, the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2019. In fiscal year 2023, P&FF will adjust for mortality improvements based on Scale MP-2021.

(3) For TRF mortality rate assumptions, the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2015. There are various adjustments to match experience.

(4) For SPTRF mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2020 for the current measurement period and Scale MP-2019 for the prior measurement period. There are various adjustments to match experience.

(5) Source: Fidelity Index for SERF, CERF, GERF, P&FF, SPTRF, JRF, LRF, and SPRF, and Bond Buyers for TRF.

See "APPENDIX E – STATE FINANCIAL STATEMENTS Note 8 - Pension and Investment Trusts" (pages F-91 through F-109) and "Required Supplementary Information" (see pages F-158 through F-189), for additional information on pension disclosures related to the implementation of GASB 68. The State's Fiscal Year 2022 financial statements and corresponding pension related disclosures and required supplementary information are based on the June 30, 2021 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, 2022
($'s in Thousands)

	With a 1% Decrease[5]		Current Discount Rate		With a 1% Increase[5]	
	Rate	NPL[1]	Rate	NPL[1]	Rate	NPL[1]
SERF[3][4]	5.50%	$ 1,799,982	6.50%	$ 62,413	7.50%	$ (1,373,116)
CERF[3][4]	5.50%	753,399	6.50%	441,892	7.50%	189,961
GERF[3]	5.50%	286,274	6.50%	140,365	7.50%	20,639
P&FF[3][4]	5.50%	112,256	6.50%	35,358	7.50%	(27,679)
TRF[3]	6.00%	869,642	7.00%	430,505	8.00%	70,378
SPTRF	6.50%	197,977	7.50%	134,478	8.50%	81,810
JRF[3][4]	5.50%	196,507	6.50%	152,445	7.50%	114,703
LRF[3][4]	0.92%	156,756	1.92%[2]	140,796	2.92%	127,416
SPRF[3][4]	5.50%	300,696	6.50%	154,131	7.50%	33,986

(1) Net Pension Liability (Asset).

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

(3) The discount rate changed from 7.50 percent for SERF, CERF, GERF, P&FF, TRF, JRF, and SPRF, and from 2.45 percent for LRF.

(4) The discount rate for Fiscal Year 2023 will change to 6.75 percent for SERF, CERF, JRF, and SPRF, 5.40 percent for P&FF, and 3.69 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. 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 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, 2022
($'s in Thousands)

Description	Amount[(1)]
Total OPEB Liability	$ 721,365
Changes of Assumption	$ 75,341
Transactions Subsequent to the Measurement Date	39,972
Deferred Outflows of Resources	$ 115,313
Difference between Expected and Actual Experience	$ 81,718
Changes of Assumption	14,076
Deferred Inflows of Resources	$ 95,794
Total OPEB Expense	$ 55,185

(1) Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents discretely presented component units' 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, 2020
Measurement Date(1)	June 30, 2021
Discount Rate: 20 Year Municipal Bond Rate(2)	2.16%
Healthcare Cost Trend Rate	7.2% reduced to 3.8% by 2071
Experience Study Dates	2015 – 2019
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 Pub-2010 General Employee Headcount-Weighted Mortality Table with mortality improvement Scale MP-2020 as applicable to the employee group covered.

See "APPENDIX E – STATE FINANCIAL STATEMENTS Note 9 – Termination and Postemployment Benefits" (pages F-110 through F-114) and "Required Supplementary Information" (see pages F-158 through F-189), 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, 2022
($'s in Thousands)

With a 1% Decrease(2)		Current Discount Rate		With a 1% Increase(2)	
Rate	TOPEBL	Rate(1)	TOPEBL	Rate	TOPEBL
1.16%	$ 773,754	2.16%	$ 721,365	3.16%	$ 671,458

(1) The discount rate changed from 2.21 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, 2022
($'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%	$ 646,224	3.8%	$ 721,365	4.8%	$ 810,384

(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.

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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 CERTIFICATES
($'s in Thousands)

Category	Type		Principal Amount		
1	Transportation	$	381,452		
	Refunding Bonds		1,177,915		
	Various Purpose		2,274,925		
	Total Category 1				3,834,292
2	School Loan	$	8,986		
	Rural Finance Authority		90,067		
	Total Category 2			$	99,053
3	Trunk Highway	$	1,753,105		
	Trunk Highway Refunding		564,530		
	Total Category 3			$	2,317,635
	Total Outstanding as of the Date of the Certificates			$	6,250,980

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 CERTIFICATES

($'s in Thousands)

Purpose of Issue	Law Authorizing	Total Authorization (1)(2)	Previously Issued as Par Bonds	Previously Issued as Premium	Bonds issued Aug. 2023(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	1,779,573.0	1,779,561.7	0.0	0.0	$11.3
Various Purpose	2008, Ch. 179	788,149.7	785,466.9	2,480.1	0.0	$202.7
Various Purpose	2009, Ch. 93	255,151.7	250,515.2	3,493.2	0.0	$1,143.3
Various Purpose	2010, Ch. 189	707,408.0	694,527.2	12,522.628	0.0	$358.2
Various Purpose	X2010, Ch. 1	30,607.8	27,597.1	2,255.9	0.0	$754.8
Various Purpose	X2011, Ch. 12	547,743.5	524,740.5	22,919.9	0.0	$83.1
Trunk Highway	2012, Ch. 287	17,506.8	17,485.0	0.0	0.0	$21.8
Various Purpose	2012, Ch. 293	562,279.2	512,150.2	47,331.8	0.0	$2,797.2
Various Purpose	X2012, Ch. 1	52,279.291	45,636.000	6,569.900	0.0	$73.4
Various Purpose	2013, Ch. 136	171,583.6	150,997.8	20,427.2	0.0	$158.6
Various Purpose	2014, Ch. 294	883,343.3	736,337.2	145,092.8	0.0	$1,913.3
Various Purpose	X2015 Ch. 5	188,426.6	154,471.1	33,418.9	0.0	$536.6
Trunk Highway	X2017, Ch. 3	940,853.3	708,729.3	0.0	170,000.0	$62,124.0
Various Purpose	X2017, Ch. 8	1,033,806.3	823,900.5	179,586.5	1,000.0	$29,319.3
Various Purpose	2018, Ch. 214	881,287.2	661,254.2	152,994.8	18,000.0	$49,038.2
Trunk Highway	2018, Ch. 214	414,906.8	36,360.0	0.0	50,000.0	$328,546.8
Various Purpose	2019, Ch. 2	102,402.0	74,269.3	19,230.8	6,500.0	$2,402.0
Various Purpose	2020, Ch. 67	50,050.0	32,934.6	2,100.4	15,015.0	$0.0
Various Purpose	X2020, Ch. 3	1,392,145.0	558,804.1	122,516.9	80,000.0	$630,824.0
Trunk Highway	X2020, Ch. 3	300,300.0	68,000.0	0.0	34,000.0	$198,300.0
Trunk Highway	X2021, Ch. 5	413,413.0	35,000.0	0.0	10,000.0	$368,413.0
Various Purpose	2023, Ch. 32	50,050.0	0.0	0.0	4,500.0	$45,550.0
Trunk Highway	2023, Ch. 68	599,200.0	0.0	0.0	0.0	$599,200.0
Various Purpose	2023, Ch. 72	1,517,449.0	0.0	0.0	71,500.0	$1,445,949.0
Totals		$14,608,635.0	$9,606,734.2	$773,359.3	$460,515.0	$3,768,026.5

(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 CERTIFICATES
($'s in Thousands)

	Original Principal				Outstanding Principal 06/30/2023		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 2012B August 16, 2012	-	234,000	2032	2.00% - 5.00%	-	117,000	-	-
Series 2013A August 15, 2013	273,350	-	2033	4.00% - 5.00%	150,320		-	-
Series 2013B August 15, 2013	-	200,000	2033	4.00% - 5.00%	-	110,000	-	-
Series 2013D November 6, 2013	283,820	-	2033	3.00% - 5.00%	153,615	-	-	-
Series 2013E November 6, 2013	-	112,000	2033	4.00% - 5.00%	-	61,600	-	-
Series 2013F November 6, 2013 (Refunding)	373,940	-	2026	3.125% - 5.00%	122,060	-	-	-
Series 2014A August 21, 2014	429,670	-	2034	5.00%	255,500	-	234,205	-
Series 2014B August 21, 2014	-	288,000	2034	3.00% - 5.00%	-	172,800	-	158,400
Series 2014C August 21, 2014 (Taxable)	26,040	-	2033	2.75% - 3.75%	13,330	-	12,115	-
Series 2014D August 21, 2014 (Taxable Refunding)	28,210	-	2032	2.43% - 4.00%	8,615	-	7,695	-
Series 2014E August 21, 2014 (Refunding)	-	123,315	2026	2.75% - 4.00%	-	37,355	-	25,650
Series 2015A August 19, 2015	368,225	-	2035	5.00%	236,405	-	218,220	-
Series 2015B August 19, 2015	-	310,000	2035	2.95% - 5.00%	-	201,500	-	186,000
Series 2015C August 19, 2015 (Taxable)	7,200	-	2025	2.55% - 3.00%	2,160	-	1,440	-
Series 2015D August 19, 2015 (Refunding)	376,655	-	2027	5.00%	186,170	-	148,570	-
Series 2015E August 19, 2015 (Refunding)	-	14,900	2027	3.00% - 5.00%	-	6,715	-	5,365
Series 2016A August 11, 2016	265,890		2036	5.00%	182,970	-	169,900	-
Series 2016B August 11, 2016	-	215,000	2036	2.25% - 5.00%	-	150,500	-	139,750
Series 2016D August 11, 2016 (Refunding)	310,565	-	2029	2.25-5.00%	212,190		179,650	-
Series 2017A October 11, 2017	312,295	-	2037	5.00%	230,845	-	215,455	-
Series 2017B October 11, 2017	-	114,000	2037	2.25% - 5.00%	-	85,500	-	79,800
Series 2017D October 11, 2017 (Refunding)	323,770	-	2030	3.00% - 5.00%	232,525	-	202,995	-
Series 2017E October 11, 2017 (Refunding)	-	81,110	2029	3.00% - 5.00%	-	49,055	-	41,680
Series 2018A August 21, 2018	397,720	-	2038	5.00%	319,080		299,420	-
Series 2018B August 21, 2018	-	206,000	2038	3.00% - 5.00%	-	164,800	-	154,500
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%	346,540	-	326,420	-
Series 2019B August 20, 2019	-	190,690	2039	3.00% - 5.00%	-	162,085	-	152,550
Series 2019C August 20, 2019 (Taxable)	36,345	-	2029	1.95% - 3.00%	29,940		27,805	-
Series 2019D August 20, 2019 (Refunding)	27,570	-	2029	5.00%	13,770		11,750	-
Series 2020A August 25, 2020	330,360	-	2040	5.00%	297,770	-	281,475	-
Series 2020B August 25, 2020	-	152,020	2040	1.50 - 4.00%	-	136,810	-	129,205
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%	60,485	-	23,555	-
Series 2020E August 25, 2020 (Refunding)	-	163,380	2030	2.00% - 3.00%	-	117,260	-	90,160
Series 2020F August 25, 2020 (Taxable Refunding)	223,970	-	2031	0.47% - 1.35%	203,595	-	178,205	-
Series 2020G August 25, 2020 (Taxable Refunding)	-	180,190	2032	0.40% - 1.32%	-	167,630	-	146,355
Series 2021A September 23, 2021	565,150	-	2041	4.00% - 5.00%	536,890	-	508,630	-
Series 2021B September 23, 2021	-	311,000	2041	1.625% - 5.00%	-	295,450	-	279,900
Series 2022A August 23, 2022	251,775	-	2042	5.00%	251,775	-	239,410	-
Series 2022B August 23, 2022	-	220,000	2042	3.25% - 5.00%	-	220,000	-	209,000
Series 2022C August 23, 2022 (Taxable)	9,200	-	2032	4.00%	9,200	-	8,830	-
Series 2022D August 23, 2022 (Refunding)	106,660	-	2032	5.00%	106,660	-	96,350	-
Series 2023A August 10, 2023	160,725	-	2043	5.00%	-	-	160,725	-
Series 2023B August 10, 2023	-	264,000	2043	4.00% - 5.00%	-	-	-	264,000
Series 2023C August 10 , 2023 (Taxable)	14,865	-	2033	4.75%	-	-	14,865	-
Series 2023D August 10, 2023 (Refunding)	329,145	-	2033	5.00%	-	-	329,145	-
Series 2023E August 10, 2023 (Refunding)	-	255,320	2033	5.00%	-	-	-	255,320
Totals for Date:	**6,404,645**	**3,634,925**			**4,198,925**	**2,256,060**	**3,933,345**	**2,317,635**

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 CERTIFICATES[1]

($'s in Thousands)

Fiscal		General Fund			Trunk Highway Fund	
Year	Principal	Interest	Total	Principal	Interest	Total
2024	-	90,495	90,495	-	42,953	42,953
2025	398,415	172,899	571,314	199,295	83,090	282,385
2026	373,865	154,779	528,644	191,190	75,077	266,267
2027	346,270	137,897	484,167	182,420	67,509	249,929
2028	339,730	121,798	461,528	178,935	60,284	239,219
2029	322,455	106,763	429,218	177,095	53,329	230,424
2030	300,145	93,389	393,534	173,345	46,717	220,062
2031	284,610	81,003	365,613	168,730	40,220	208,950
2032	231,035	69,552	300,587	157,305	33,853	191,158
2033	216,335	58,796	275,131	141,490	27,945	169,435
2034	213,635	48,256	261,891	130,080	22,627	152,707
2035	172,435	38,913	211,348	113,535	18,253	131,788
2036	151,140	31,106	182,246	99,135	14,744	113,879
2037	132,950	24,286	157,236	83,635	11,798	95,433
2038	119,880	18,248	138,128	72,885	9,334	82,219
2039	104,490	12,921	117,411	67,180	7,075	74,255
2040	84,835	8,471	93,306	56,880	5,099	61,979
2041	64,715	5,014	69,729	47,350	3,442	50,792
2042	48,425	2,468	50,893	39,750	2,053	41,803
2043	20,170	895	21,065	24,200	985	25,185
2044	7,810	195	8,005	13,200	264	13,464
	$ 3,933,345	$ 1,278,143	$ 5,211,488	$ 2,317,635	$ 626,652	$ 2,944,287

[1] FY 2024 debt service excludes amounts paid prior to the date of issue of the Certificates.

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-115)
Note 11 – Long-Term Liabilities – Primary Government (see page E-116 through E-130)
Note 12 – Long-Term Liabilities – Component Units (see pages E-130 through E-135).

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
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	563,171	211,009	42,801	$816,981
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	592,426	213,138	45,040	$850,604
2023	547,759	247,908	38,723	$834,390
2024 (est)	557,659	260,448	40,237	$858,344
2025 (est)	582,255	269,312	41,127	$892,694

[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.

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 S&P Global Market Intelligence data used to develop the February 2023 Forecast and reflects the State's 2023 Fiscal Year.

As of February 28, 2023, 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: 2.03 percent

Guideline #2: Total principal outstanding (issued, and authorized but unissued) as a percent of State personal income: 3.41 percent

Guideline #3: Of the State's general obligation bonds outstanding on June 30, 2022, 42.1 percent were scheduled to mature within five years and 74.3 percent were scheduled to mature with ten years. Furthermore, of the State's general obligation bonds outstanding on June 30, 2023, 42.7 percent were scheduled to mature within five years and 74.8 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 2022 valuation, was estimated by the Commissioner of Revenue to be $954,166,060,000. 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
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
2021	800,340,712	10,475,389	810,816,101	4.38
2022	942,129,180	12,036,880	954,166,060	17.68

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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 "2012 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. MMB issued $338,300,000 principal amount of State General Fund Appropriation Refunding Bonds, Series 2022A (the "2022 State Appropriation Refunding Bonds") in September 2022 to refund the outstanding 2012 State Appropriation Refunding Bonds. As of the date of this Official Statement, there are $300,185,000 of the 2022 State Appropriation Refunding Bonds outstanding.

The 2012 Legislature authorized, in Minnesota Statutes, Section 16A.965, the issuance of State appropriation bonds. MMB issued $462,065,000 aggregate principal amount of State General Fund Appropriation Bonds, Tax-Exempt Series 2014A and Taxable Series 2014B (the "Minnesota Sports Facility Authority State Appropriation Bonds"). Net proceeds of the State Appropriation Bonds were applied to the financing of a portion of the costs of acquisition, construction, improving and equipping of the professional football stadium project of the Minnesota Sports Facility Authority as provided by Minnesota Statutes, Chapter 473J. The project is in downtown Minneapolis and was completed for the 2016 National Football League season. The 2023 Legislature appropriated funds to MMB from the General Fund, in conjunction with MMB's use of available funds in the Stadium Reserve, to redeem and prepay the Minnesota Sports Facility Authority State Appropriation Bonds. MMB redeemed and prepaid these bonds in full on June 26, 2023.

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 $62,745,000 of the Certificates of Participation outstanding. The lease purchase agreement must not be terminated, except for non-appropriation in respect of lease rental payments.

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 $13,575,000 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 $63,405,000 of par amount is outstanding as of the date of this Official Statement. In November 2021, the State issued $52,515,000 of State general fund various purpose appropriation bonds ("2021A Various Purpose Appropriation Bonds"), $6,920,000 of which were issued to finance $7,090,000 of additional project costs. As of the date of this Official Statement, there are $6,660,000 of these bonds outstanding. The State offered for sale $26,080,000 Taxable General Fund

Appropriation Bonds, Series 2023 (the "Series 2023 Bonds") on the same day as it offered for sale the Series 2023 Certificates.

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 ("EV Infrastructure Project"). Of the $52,515,000 2021A Various Purpose Appropriation Bonds issued by the State in November 2021, $1,875,000 were issued to finance $2,000,000 of EV Infrastructure Project costs. As of the date of this Official Statement, there are $1,715,000 of these bonds outstanding.

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 ("Public TV Project"). Of the $52,515,000 2021A Various Purpose Appropriation Bonds issued by the State in November 2021, $14,050,000 were issued to finance $15,000,000 of Public TV Project costs. As of the date of this Official Statement, there are $12,830,000 of these bonds outstanding.

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 ("Environmental Response Project"). Of the $52,515,000 2021A Various Purpose Appropriation Bonds issued by the State in November 2021, $29,670,000 were issued to finance $30,400,000 of Environmental Response Project costs. As of the date of this Official Statement, there are $28,550,000 of these bonds outstanding.

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. The Certificates are being issued for the purpose of renovation and expansion of a state office building serving the House of Representatives.

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 $46,685,000 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 $110,720,000 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 $15,910,000 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 $18,835,000 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 $66,405,000 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 $9,390,000 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 $28,610,000 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 $71,960,000 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 $56,470,000 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 $56,210,000 of these housing infrastructure bonds in September 2021, and $43,790,000 of these housing infrastructure bonds in September 2022. As of the date of this Official Statement, there are $95,705,000 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 2024 through Fiscal Year 2045, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA issued $60,405,000 of these housing infrastructure bonds in September 2022 and $26,635,000 of these housing infrastructure bonds in September 2023. As of the date of this Official Statement, there are $85,495,000 of these MHFA housing infrastructure bonds outstanding.

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, 2023, $55,012,723 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 September 30, 2023, $25,762,852 of principal is outstanding and unpaid under the GESP program.

Various State agencies, with the Commissioner of Management and Budget's assistance, have entered into individual equipment lease financing agreements from time to time for the purpose of financing the acquisition of equipment not financeable under the master lease statute. As of the date of this Official Statement, principal in the amount of $2,654,565 is outstanding under such equipment leases. The nature of the State's obligation to make rental payments under these equipment leases is the same as under the master leases described above.

Lease Purchase Financing For Real Estate

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 $25,130,000 of Port Authority refunding bonds outstanding. The State's obligation to make rent payments is not a general or moral obligation indebtedness of the State; rather the State is obligated to make rental payments only to the extent moneys are appropriated from time to time for this purpose. The Legislature appropriated 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, 2023, there are approximately $6,300,000 of 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, 2023, 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 $18,100,000,000. 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, 2023 is currently estimated at $2,500,000,000, with the maximum amount of principal and interest payable in any one month being $1,065,000,000. 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 the Department of Iron Range Resources and Rehabilitation ("IRRR") 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 IRRR issued $37,830,000 of these bonds in October 2013 for this program. As of the date of this Official Statement, there are $23,885,000 of the bonds outstanding.

Minnesota Laws 2023, Chapter 62, Article 6, Section 13 provides that the Commissioner of IRRR shall issue additional revenue bonds in the principal amount of up to $42,000,000, 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 building projects, such as energy efficiency, technology, infrastructure, 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. As of the date of this Official Statement, IRRR has not yet issued any of these revenue bonds.

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, 2023, the total amount of principal on bonds plus interest on the bonds enrolled in the program, through the year 2052, is approximately $928,100,000. 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 2024 the total amount of principal and interest outstanding as of September 30, 2023 is $45,700,000 with the maximum amount of principal and interest payable in any one month currently estimated at $39,300,000.

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 Certificates
($'s in Thousands)

	Number of Series	Final Maturity	Original Principal Amount	Outstanding Principal Amount
Rental Housing..........................	11	2049	$ 78,590	$ 77,850
Residential Housing Finance.....	77	2054	4,450,445	3,029,200
Multifamily Housing.................	1	2051	15,000	12,460
	89		$4,544,035	$3,119,510

The MHFA has also issued and there were outstanding six series of its conduit multifamily revenue bonds in the approximate aggregate principal amount of $75,083,894 as of June 30, 2023, fifty-nine series of its Homeownership Finance Bonds in the approximate aggregate principal amount of $1,002,961,614 as of September 30, 2023, and three series of its Home Ownership Mortgage-backed Exempt Securities in the approximate aggregate principal amount of $4,727,005 as of August 31, 2023. The MHFA has also issued an Index Bank Note, in a cumulative aggregate principal amount not to exceed $1,700,000,000 and a maximum principal amount outstanding of not to exceed $100,000,000. The Index Bank Note had an outstanding balance of $23,860,852 as of September 30, 2023. 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 $1,599,365,000. 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 $313,800,000 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 $139,620,000 tax exempt bonds and $31,090,000 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. One guarantee has been issued to date with an outstanding balance of $1,673,941. The guarantee is 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 $1,092,024,606 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 $5,335,000 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 $42,725,000 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 $374,925,000 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. MPFA anticipates selling additional state revolving fund revenue bonds in the Fall or Winter of 2023 in an approximate principal amount not to exceed $540,000,000.

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 $192,300,497 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 $2,845,000 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. MnDOT and MMB jointly entered into a loan agreement with the U.S. Department of Transportation on December 1, 2022, for a maximum amount of $48,207,963 ("TIFIA Loan"). The TIFIA Loan 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 has drawn $34,764,200.35 under the TIFIA Loan.

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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
Decennial Census 2020					
2010	308,746	5,304	1.75%	-	-
2020	331,449	5,706	1.72	7.4%	7.6%
Intercensal Population Estimates Vintage 2020					
2011	311,583	5,347	1.72	0.7%	0.7%
2012	313,878	5,378	1.71	0.7%	0.6%
2013	316,060	5,415	1.71	0.7%	0.7%
2014	318,386	5,453	1.71	0.7%	0.7%
2015	320,739	5,484	1.71	0.7%	0.6%
2016	323,072	5,525	1.71	0.7%	0.8%
2017	325,122	5,569	1.71	0.6%	0.8%
2018	326,838	5,609	1.72	0.5%	0.7%
2019	328,330	5,640	1.72	0.5%	0.6%
2020	329,484	5,657	1.72	0.4%	0.3%
Intercensal Population Estimates Vintage 2021					
2020	331,512	5,710	1.72		
2021	332,032	5,711	1.72	0.2%	0.0%
2022	333,288	5,717	1.72	0.4%	0.1%

*Due to challenges posed by the COVID-19 pandemic, the Population estimates Program could not use the 2020 decennial census as the population estimates base. Instead, we include both the 2020 Vintage Population Estimates and the 2021 Vintage Population Estimates. The 2020 Decennial Census revealed that the 2020 Vintage estimates are too low for Minnesota by 49,152 people. When updated intercensal data becomes available, that growth will be spread over the decade from 2010-2020.

Source: U.S. Department of Commerce, U.S. Census Bureau, www.census.gov/data/tables/2020/dec/2020-apportionment-data.html, www.census.gov/data/tables/time-series/demo/popest/intercensal-2000-2010-state
Data extracted by MMB staff in June 2023.

NON-FARM EMPLOYMENT-MIX OF MINNESOTA AND UNITED STATES FOR 2022
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Total Private	2,525.0	86.1	129,743	88.8
Goods-Producing	462.8	15.8	21,094	14.4
Mining and Logging	6.4	0.2	623	0.4
Construction	132.7	4.5	7,674	5.3
Manufacturing Durables	207.8	7.1	7,956	5.4
Manufacturing Non-Durables	115.9	4.0	4,841	3.3
Private Service Providing	2,062.2	70.3	108,649	74.4
Wholesale Trade	130.8	4.5	5,684	4.0
Retail Trade	281.5	9.6	15,776	10.8
Transportation, Warehousing, Utilities	113.4	3.9	6,473	4.4
Information	45.5	1.6	3,001	2.1
Financial Activities	192.0	6.5	8,949	6.1
Professional and Business Services	387.4	13.2	22,260	15.2
Education and Health Services	548.5	18.7	24,423	16.7
Leisure and Hospitality	256.3	8.7	15,665	10.8
Other Services	106.7	3.6	5,697	3.9
Government	408.7	13.9	22,710	15.2
Total (Non-Farm)	**2,933.7**	**100.0**	**146,122**	**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 2023.

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EMPLOYMENT-MIX IN DURABLE GOODS INDUSTRIES OF UNITED STATES AND MINNESOTA FOR 2022
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Wood Products	12.8	6.2	429	5.4
Fabricated Metal Products	44.9	21.6	1,432	18.0
Machinery	35.4	17.1	1,105	13.9
Computers and Electronic Products	43.3	20.8	1,088	13.7
Transportation Equipment	11.9	5.7	1,726	21.7
Medical Equipment and Supplies	27.4	13.2	336	4.2
Other Durables	32.1	15.4	1,841	23.1
Total Durable Goods Manufacturing	207.8	100.0	7,956	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 2023.

EMPLOYMENT-MIX IN NON-DURABLE GOODS INDUSTRIES OF UNITED STATES AND MINNESOTA FOR 2022
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Food Manufacturing	47.3	40.8	1,696	35.0
Other Non-Durables	68.7	59.2	3,145	65.0
Total Non-Durable Goods	115.9	100.0	4,841	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 2023.

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NON-FARM EMPLOYMENT-MIX OF UNITED STATES AND MINNESOTA: 2000, 2010 AND 2020 (Thousands of Jobs)

Category	Minnesota 2000	Minnesota 2010	Minnesota 2020	Minnesota %Change 00-10	Minnesota %Change 10-20	United States 2000	United States 2010	United States 2020	United States % Change 00-10	United States % Change 10-20
Total Private	2,275.5	2,221.3	2,379.6	(2.4)	7.1	111,235	107,855	120,276	(3.0)	11.5
Goods-Producing	523.7	386.3	439.4	(26.2)	13.7	24,649	17,751	20,068	(28.0)	13.1
Mining and Logging	8.1	6.0	6.2	(26.3)	3.8	599	705	619	17.7	(12.2)
Construction	118.9	87.6	124.0	(26.3)	41.5	6,787	5,518	7,269	(18.7)	31.7
Manufacturing Durables	255.6	183.4	198.8	(28.2)	8.4	10,877	7,064	7,580	(35.1)	7.3
Manufacturing Non-Durables	141.1	109.3	110.5	(22.5)	1.0	6,386	4,464	4,600	(30.1)	3.0
Private Service Providing	1,751.8	1,835.0	1,940.2	4.8	5.7	86,585	90,104	100,209	4.1	11.2
Wholesale Trade	126.6	119.1	125.0	(5.9)	4.9	5,933	5,387	5,640	(9.2)	4.7
Retail Trade	307.2	277.1	275.6	(9.8)	(0.6)	15,280	14,446	14,853	(5.5)	2.8
Transportation, Warehousing, Utilities	103.4	89.8	103.1	(13.2)	14.8	4,410	4,179	5,555	(5.2)	32.9
Information	69.3	53.2	43.2	(23.2)	(18.8)	3,630	2,707	2,694	(25.4)	(0.5)
Financial Activities	160.8	163.2	193.3	1.4	18.4	7,783	7,695	8,724	(1.1)	13.4
Professional and Business Services	323.7	325.5	361.4	0.6	11.0	16,666	16,783	20,246	0.7	20.6
Education and Health Services	324.5	457.8	534.3	41.1	16.7	15,252	19,975	23,235	31.0	16.3
Leisure and Hospitality	221.7	235.2	204.7	6.1	(13.0)	11,862	13,049	13,327	10.0	2.1
Other Services	114.7	114.1	99.7	(0.5)	(12.6)	5,168	5,331	5,394	3.2	1.2
Government	407.6	416.5	405.9	2.2	(2.6)	20,790	22,490	21,909	8.2	(2.6)
Total (Non-Farm)	**2,683.1**	**2,637.9**	**2,785.5**	**(1.7)**	**5.6**	**132,024**	**130,345**	**142,185**	**(1.3)**	**9.1**

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 2023.

MINNESOTA AND UNITED STATES PER CAPITA PERSONAL INCOME

Year	Minnesota	U.S.	Minnesota as % of U.S.
2012	$47,726	$44,548	107.1
2013	$47,838	$44,798	106.8
2014	$49,967	$46,887	106.6
2015	$51,985	$48,725	106.7
2016	$52,596	$49,613	106.0
2017	$54,266	$51,550	105.3
2018	$56,539	$53,786	105.1
2019	$58,543	$56,250	104.1
2020	$62,210	$59,763	104.1
2021	$66,232	$64,117	103.3
2022	$68,010	$65,423	104.0

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 2023.

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PERSONAL INCOME GROWTH AND RESIDENT POPULATION IN TWELVE STATE NORTH CENTRAL REGION
2000-2010 AND 2010-2020

State	2000 Personal Income (Millions)	2010 Personal Income (Millions)	2000-2010 Annual Compound Rate of Increase (%)	Regional Growth Rank 2000-2010	2020 Personal Income (Millions)	2010-2020 Annual Compound Rate of Increase (%)	Regional Growth Rank 2010-2020	2010 Census Population (Thousands)	2010 Per Capita Personal Income ($)	2010 Regional Rank	2020 Census Population (Thousands)	2020 Per Capita Personal Income ($)	2020 Regional Rank
Illinois	$412,966	$543,084	2.8	10	$794,460	3.9	8	12,846	$42,278	3	12,787	$62,132	1
Indiana	$171,502	$231,707	3.1	9	$354,338	4.3	4	6,491	$35,695	12	6,789	$52,194	11
Iowa	$80,229	$116,906	3.8	5	$169,994	3.8	10	3,051	$38,312	8	3,191	$53,280	9
Kansas	$76,105	$114,240	4.1	4	$164,334	3.7	11	2,859	$39,960	6	2,938	$55,935	6
Michigan	$302,001	$353,316	1.6	12	$537,494	4.3	5	9,880	$35,760	11	10,070	$53,378	10
Minnesota	$160,089	$226,957	3.6	7	$355,211	4.6	3	5,312	$42,724	2	5,710	$62,210	2
Missouri	$156,676	$222,564	3.6	6	$320,698	3.7	12	5,996	$37,118	9	6,154	$52,112	12
Nebraska	$49,768	$75,490	4.3	3	$112,630	4.1	6	1,830	$41,248	5	1,963	$57,387	5
North Dakota	$16,623	$29,881	6.0	1	$47,411	4.7	1	675	$44,264	1	780	$60,821	3
Ohio	$324,978	$425,362	2.7	11	$631,331	4.0	7	11,542	$36,854	10	11,798	$53,514	8
South Dakota	$20,276	$33,804	5.2	2	$53,622	4.7	2	816	$41,423	4	888	$60,398	4
Wisconsin	$158,832	$222,983	3.5	8	$329,623	4.0	9	5,692	$39,175	7	5,896	$55,904	7
Region	**$1,930,042**	**$2,596,294**	**3.0**		**$3,871,143**	**4.1**		**66,991**	**$38,756**		**68,961**	**$56,135**	
United States	**$8,654,561**	**$12,586,509**	**3.8**		**$19,812,171**	**4.6**		**309,378**	**$40,683**		**331,512**	**$59,763**	

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 2023.

PERSONAL INCOME GROWTH IN TWELVE STATE NORTH CENTRAL REGION: 2021-2022
($'s in Millions)

Growth Rank	State	2021 Personal Income	2022 Personal Income	Percent Growth
1	South Dakota	$57,718	$59,872	3.7
2	Nebraska	$120,189	$124,611	3.7
3	Iowa	$182,525	$188,526	3.3
4	North Dakota	$50,003	$51,575	3.1
5	Indiana	$384,520	$395,839	2.9
6	Minnesota	$378,285	$388,828	2.8
7	Wisconsin	$351,551	$360,684	2.6
8	Missouri	$341,254	$349,370	2.4
9	Kansas	$172,918	$176,676	2.2
10	Illinois	$852,082	$865,923	1.6
11	Ohio	$670,036	$680,435	1.6
12	Michigan	$567,807	$570,065	0.4
	Region	**$4,128,887**	**$4,212,403**	**2.0**
	United States	**$21,288,709**	**$21,804,788**	**2.4**

Note: Columns may not add due to rounding
Note: Current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/index.htm
Data extracted by MMB staff June 2023.

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NON-FARM EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION: 2000-2010 AND 2010-2020
(Thousands of Jobs)

State	2000 Non-Farm Employment	2010 Non-Farm Employment	2000-2010 Percent Increase (Decrease)	Regional Growth Rank 2000-2010	2020 Non-Farm Employment	2010-2020 Percent Increase (Decrease)	Regional Growth Rank 2010-2020
Illinois	6,042	5,610	(7.2)	10	5,699	1.6	12
Indiana	3,005	2,800	(6.8)	9	2,993	6.9	2
Iowa	1,479	1,469	(0.6)	4	1,509	2.7	10
Kansas	1,347	1,331	(1.2)	5	1,359	2.1	11
Michigan	4,678	3,867	(17.3)	12	4,039	4.5	7
Minnesota	2,683	2,638	(1.7)	6	2,784	5.5	4
Missouri	2,754	2,669	(3.1)	7	2,777	4.0	8
Nebraska	913	945	3.5	3	989	4.7	5
North Dakota	328	377	14.8	1	412	9.5	1
Ohio	5,625	5,036	(10.5)	11	5,263	4.5	6
South Dakota	378	403	6.6	2	426	5.9	3
Wisconsin	2,832	2,725	(3.8)	8	2,823	3.6	9
Region	**32,063**	**29,869**	(6.8)		**31,073**	4.0	
U.S.	**132,011**	**130,345**	(1.3)		**142,186**	9.1	

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces. Data extracted by MMB staff June 2023.

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NON-FARM EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION: 2020-2021 AND 2021-2022
(Thousands of Jobs)

State	2020 Non-Farm Employment	2021 Non-Farm Employment	2020-2021 Percent Increase	Regional Growth Rank 2020-2021	2022 Non-Farm Employment	2022-2021 Percent Increase	Regional Growth Rank 2022-2021
Illinois	5,699	5,811	2.0	9	6,033	3.8	2
Indiana	2,994	3,085	3.0	3	3,194	3.5	3
Iowa	1,509	1,539	2.0	8	1,570	2.0	11
Kansas	1,359	1,380	1.5	11	1,419	2.8	5
Michigan	4,039	4,199	4.0	1	4,362	3.9	1
Minnesota	2,786	2,855	2.5	4	2,934	2.8	6
Missouri	2,776	2,844	2.5	5	2,928	2.9	4
Nebraska	988	1,007	1.9	10	1,026	1.9	12
North Dakota	412	417	1.1	12	427	2.4	10
Ohio	5,263	5,388	2.4	7	5,529	2.6	8
South Dakota	426	440	3.3	2	453	2.7	7
Wisconsin	2,824	2,892	2.4	6	2,965	2.5	9
Region	**31,075**	**31,857**	**2.5**		**32,839**	3.1	
U.S.	**142,186**	**146,285**	**2.9**		**152,575**	4.3	

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Data extracted by MMB staff June 2023.

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MINNESOTA & UNITED STATES UNEMPLOYMENT RATES (Percent)

	Annual Average	
Year	**Minnesota %**	**U.S. %**
2013	5.0	7.4
2014	4.3	6.2
2015	3.8	5.3
2016	3.9	4.9
2017	3.5	4.4
2018	3.0	3.9
2019	3.3	3.7
2020	6.3	8.1
2021	3.8	5.4
2022	2.7	3.6

	Monthly Figures (Seasonally Adjusted)	
Month	**Minnesota %**	**U.S. %**
2022		
January	2.8	4.0
February	2.6	3.8
March	2.4	3.6
April	2.3	3.6
May	2.4	3.6
June	2.4	3.6
July	2.6	3.5
August	2.7	3.7
September	2.9	3.5
October	3.0	3.7
November	3.0	3.6
December	2.9	3.5
2023		
January	2.9	3.4
February	3.0	3.6
March	2.8	3.5
April	2.8	3.4
May	2.9	3.7
June	2.9	3.6
July	3.0	3.5
August	3.1	3.8

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 2023.

MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500

($ in millions)

Rank 2022	Rank 2021	Company	Revenues	Assets	Profits	Industry Category	Industry Rank
5	5	UnitedHealth Group	$ 324,162	$ 245,705	$ 20,120	Health Care: Insurance and Managed Care	1
33	32	Target	$ 109,120	$ 53,335	$ 2,780	General Merchandisers	3
90	95	Cenex Harvest States (CHS)	$ 47,792	$ 18,825	$ 1,679	Food Production	3
94	68	Best Buy	$ 46,298	$ 15,803	$ 1,419	Specialty Retailers: Other	3
116	102	Minnesota Mining & Manufacturing (3M)	$ 34,229	$ 46,455	$ 5,777	Chemicals	2
149	150	U.S. Bancorp	$ 27,401	$ 674,805	$ 5,825	Commercial Banks	8
160	154	C.H. Robinson Worldwide	$ 24,697	$ 5,955	$ 941	Transportation and Logistics	1
213	232	Land O'Lakes	$ 19,226	$ 9,770	$ 241	Food Consumer Products	4
219	201	General Mills	$ 18,993	$ 31,090	$ 2,707	Food Consumer Products	5
271	278	Xcel Energy	$ 15,310	$ 61,188	$ 1,736	Utilities: Gas and Electric	11
289	277	Ameriprise Financial	$ 14,347	$ 158,468	$ 2,559	Diversified Financials	7
293	293	Ecolab	$ 14,188	$ 21,464	$ 1,092	Chemicals	8
330	327	Hormel Foods	$ 12,459	$ 13,307	$ 1,000	Food Consumer Products	7
412	351	Thrivent Financial for Lutherans	$ 9,347	$ 110,100	$ 1,085	Insurance: Life, Health (Mutual)	8
424	419	Polaris Industries	$ 8,988	$ 5,718	$ 447	Miscellaneous	4

Source: Fortune Magazine, http://fortune.com/fortune500/
Data extracted by MMB staff June 2023.

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APPENDIX E
SELECTED STATE FINANCIAL STATEMENTS
For the Fiscal Year
Ended June 30, 2022

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APPENDIX E
SELECTED STATE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022
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 • Judy Randall, 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 Audit of the Financial Statements

Opinions

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, 2022, which collectively comprise the state's basic financial statements as listed in the Table of Contents.

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, 2022, 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.

We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund, and the Minnesota State Lottery, which is a nonmajor proprietary fund, and which cumulatively represent 56 percent, 50 percent, and 52 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, Minnesota Sports Facilities Authority, Office of Higher Education, Public 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 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.

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Emphasis of Matter

As discussed in Note 20 to the basic financial statements, effective July 1, 2021, the State of Minnesota adopted new accounting guidance *GASB Statement No. 87, Leases*. The guidance requires lessees to recognize lease liabilities and intangible right-to-use lease assets, and lessors to recognize leases receivable and deferred inflows of resources. Our opinions are not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Minnesota Management and Budget and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the State of Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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*.

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 is the responsibility of management and, although not a part of the 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The Combining and Individual Fund Statements – Nonmajor Funds and the General Obligation Debt Schedule 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 basic financial statements. The information has been subjected to the auditing procedures applied 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introduction and the Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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 and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the State of Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Minnesota's internal control over financial reporting and compliance.

Lori Leysen, CPA
Deputy Legislative Auditor

Scott Tjomsland, CPA
Audit Director

December 16, 2022

MINNESOTA

2022 Annual Comprehensive 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, 2022 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 are located immediately following this discussion and analysis and 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 full 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 Statement of Net Position presents all of the state's financial resources along with capital and leased assets and long-term obligations. The statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the state. Net position is the difference between assets plus

deferred outflows of resources and liabilities plus deferred inflows of resources 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 worsening.
- 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Balance 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 full 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 Financial 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 Custodial 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 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 and Individual Fund Financial Statements included in this report.

Notes to the Financial Statements

The notes provide additional narrative and financial information that are 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

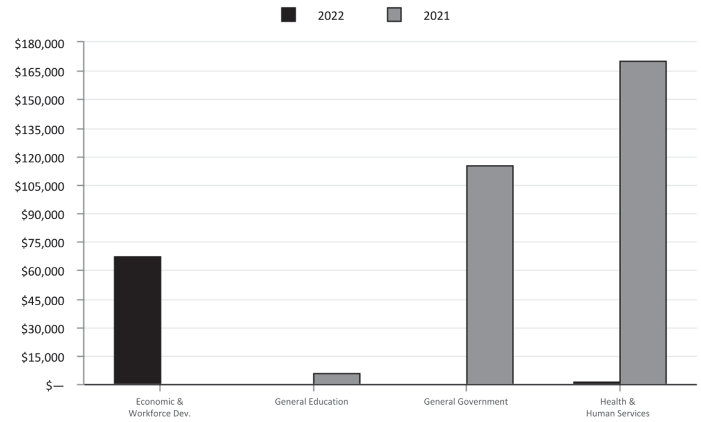
Other supplementary information includes Combining and Individual Fund Financial Statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial 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 Peacetime Emergency ended July 1, 2021 but the COVID-19 pandemic continues to significantly disrupt economic activity and increase public and private health emergency response costs, including those within the state.

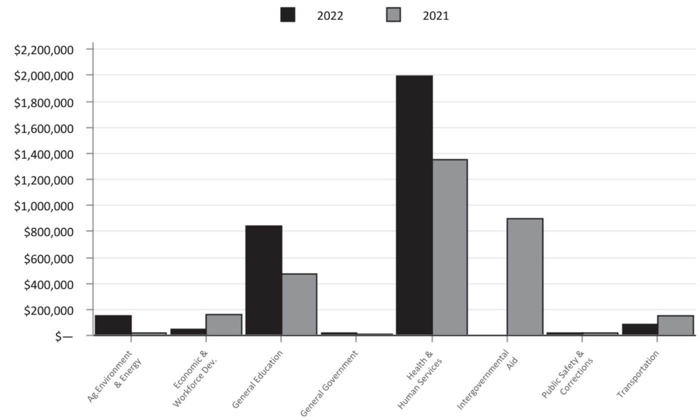
The following graph shows the majority of the functional expenditures in governmental funds related to the impacts of COVID-19. The Federal Fund expenditures are reimbursed by the federal government and are recorded as Federal Revenue in the governmental funds statement of revenues, expenditures and changes in fund balances and Operating Grants and Contributions in the governmental activities statement of activities.

Functional Expenditures by Fund Related to COVID-19
Governmental Funds - General Fund
Fiscal Years Ended June 30, 2022 and 2021
(In Thousands)



General Fund expenditures related to COVID-19 were almost completely eliminated during the current year with the exception of economic and workforce development which related to grants issued to Minnesota owned and operated businesses that demonstrated a financial hardship as a result of COVID-19. Prior year expenditures related to general government grants to counties for support to small businesses and health and human services grants to cities and counties to respond to the pandemic as well as costs associated with laboratories, testing, supplies, and vaccinations.

Functional Expenditures by Fund Related to COVID-19
Governmental Funds - Federal Fund
Fiscal Years Ended June 30, 2022 and 2021
(In Thousands)



The Federal Fund expenditures related to COVID-19 changed significantly in many functions. The largest increase related to health and human services which resulted for several reasons. Under the American Rescue Plan (ARP), the federal participation rate increased by an additional ten percent for the Home and Community Based Services program. This program provides home healthcare for targeted individuals with disabilities and/or mental illnesses. Childcare stabilization grants to help stabilize the childcare industry continue to increase. Grants were also received to help build the public infrastructure to prepare for future pandemics. In addition, the impact of the increase in the federal participation rate grew as the case load continued to increase for healthcare facilities treating non-emergency healthcare patients. These increases were offset by decreases in costs associated with immunizations, laboratory fees, testing and related supplies, emergency childcare, housing support, and other services related to the impacts of COVID-19. General education grants for aid to school districts as well as agricultural, environmental and energy resources grants for aid to families to reduce energy costs under the Low Income Energy Assistance Program continued to grow, while transportation aid to airports and economic and development aid to small businesses and family housing were reduced. During the prior year, the state issued approximately $900 million in intergovernmental grants to local units of governments for the local share of the state fiscal stabilization funds.

The COVID-19 impacts on business-type activities are explained in 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 $35.3 billion at the end of fiscal year 2022, compared to $24.6 billion at the beginning of the year.

Net Position
June 30, 2022 and 2021
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current Assets[1]	$ 33,393,600	$ 27,129,446	$ 3,942,104	$ 2,618,243	$ 37,335,704	$ 29,747,689
Noncurrent Assets:						
Capital and Leased Assets[1]	20,206,510	19,630,474	2,065,931	2,142,742	22,272,441	21,773,216
Other Assets[1]	971,426	1,059,696	71,366	81,333	1,042,792	1,141,029
Total Assets[1]	$ 54,571,536	$ 47,819,616	$ 6,079,401	$ 4,842,318	$ 60,650,937	$ 52,661,934
Deferred Outflows of Resources	$ 2,192,101	$ 1,017,004	$ 282,827	$ 175,507	$ 2,474,928	$ 1,192,511
Current Liabilities[1]	$ 9,599,892	$ 9,476,310	$ 1,101,536	$ 1,122,749	$ 10,701,428	$ 10,599,059
Noncurrent Liabilities[1]	11,407,282	12,381,292	809,275	2,159,358	12,216,557	14,540,650
Total Liabilities[1]	$ 21,007,174	$ 21,857,602	$ 1,910,811	$ 3,282,107	$ 22,917,985	$ 25,139,709
Deferred Inflows of Resources[1]	$ 4,237,675	$ 3,547,776	$ 654,252	$ 580,071	$ 4,891,927	$ 4,127,847
Net Position:						
Net Investment in Capital Assets[1]	$ 16,298,410	$ 15,712,819	$ 1,637,005	$ 1,671,095	$ 17,935,415	$ 17,383,914
Restricted	8,007,582	8,015,585	1,902,788	329,437	9,910,370	8,345,022
Unrestricted	7,212,796	(297,162)	257,372	(844,885)	7,470,168	(1,142,047)
Total Net Position[1]	$ 31,518,788	$ 23,431,242	$ 3,797,165	$ 1,155,647	$ 35,315,953	$ 24,586,889

[1] 2021 has been restated to be consistent with the 2022 presentation.

The largest portion, $17.9 billion of $35.3 billion, of the state's net position reflects investment in capital and leased assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets) less any related outstanding debt or lease obligations used to acquire those assets. The state uses these capital and leased assets to provide services to Minnesotans. These 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 or lease obligations related to these assets. Therefore, the resources needed to repay this debt related to capital and leased assets must be provided from other sources.

Approximately $9.9 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 15 – Equity in the notes to the financial statements.

The remaining net position balance represents unrestricted net position of $7.5 billion.

The state's combined net position for governmental and business-type activities increased $10.7 billion (43.6 percent) over the course of this fiscal year. This resulted from a $8.1 billion (34.5 percent) increase in net position of governmental activities, and a $2.6 billion (228.6 percent) increase in net position of business-type activities.

Changes in Net Position
For Fiscal Years Ended June 30, 2022 and 2021
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for Services	$ 1,717,172	$ 1,687,307	$ 2,887,108	$ 2,872,605	$ 4,604,280	$ 4,559,912
Operating Grants and Contributions	19,263,067	18,039,863	3,749,566	6,518,820	23,012,633	24,558,683
Capital Grants	197,138	222,208	1,320	—	198,458	222,208
General Revenues:						
Individual Income Taxes(1)	16,861,833	14,326,962	—	—	16,861,833	14,326,962
Corporate Income Taxes(1)	2,866,222	2,275,049	—	—	2,866,222	2,275,049
Sales Taxes	7,428,258	6,736,757	—	—	7,428,258	6,736,757
Property Taxes	743,116	788,623	—	—	743,116	788,623
Motor Vehicle Taxes	1,810,109	1,836,728	—	—	1,810,109	1,836,728
Fuel Taxes	899,424	855,981	—	—	899,424	855,981
Other Taxes	3,550,530	3,315,179	—	—	3,550,530	3,315,179
Tobacco Settlement	195,055	259,124	—	—	195,055	259,124
Investment/Interest Income	(189,612)	97,485	6,184	7,923	(183,428)	105,408
Other Revenues	121,981	155,267	360	918	122,341	156,185
Total Revenues	$ 55,464,293	$ 50,596,533	$ 6,644,538	$ 9,400,266	$ 62,108,831	$ 59,996,799
Expenses						
Agricultural, Environmental and Energy Resources	$ 1,374,916	$ 1,363,384	$ —	$ —	$ 1,374,916	$ 1,363,384
Economic and Workforce Development	801,833	942,801	—	—	801,833	942,801
General Education	12,289,924	11,785,920	—	—	12,289,924	11,785,920
General Government	824,252	1,461,124	—	—	824,252	1,461,124
Health and Human Services	23,208,505	21,194,790	—	—	23,208,505	21,194,790
Higher Education	1,125,695	1,038,674	—	—	1,125,695	1,038,674
Intergovernmental Aid	2,011,220	2,860,441	—	—	2,011,220	2,860,441
Public Safety and Corrections	1,072,825	1,359,127	—	—	1,072,825	1,359,127
Transportation	3,324,527	3,462,174	—	—	3,324,527	3,462,174
Interest	255,709	41,328	—	—	255,709	41,328
State Colleges and Universities	—	—	2,036,082	2,076,496	2,036,082	2,076,496
Unemployment Insurance	—	—	1,865,743	7,884,357	1,865,743	7,884,357
Lottery	—	—	560,581	615,118	560,581	615,118
Other Expenses	—	—	627,955	640,261	627,955	640,261
Total Expenses	$ 46,289,406	$ 45,509,763	$ 5,090,361	$ 11,216,232	$ 51,379,767	$ 56,725,995
Excess (Deficiency) Before Transfers	$ 9,174,887	$ 5,086,770	$ 1,554,177	$ (1,815,966)	$ 10,729,064	$ 3,270,804
Transfers	(1,087,341)	(620,256)	1,087,341	620,256	—	—
Changes in Net Position	$ 8,087,546	$ 4,466,514	$ 2,641,518	$ (1,195,710)	$ 10,729,064	$ 3,270,804
Net Position, Beginning(1)	$ 23,431,242	$ 18,964,728	$ 1,155,647	$ 2,351,357	$ 24,586,889	$ 21,316,085
Net Position, Ending(1)	$ 31,518,788	$ 23,431,242	$ 3,797,165	$ 1,155,647	$ 35,315,953	$ 24,586,889

(1) 2021 has been restated to be consistent with the 2022 presentation.

Approximately 55 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 37 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 7 percent of the total revenues. The remaining 1 percent came from other general revenues.

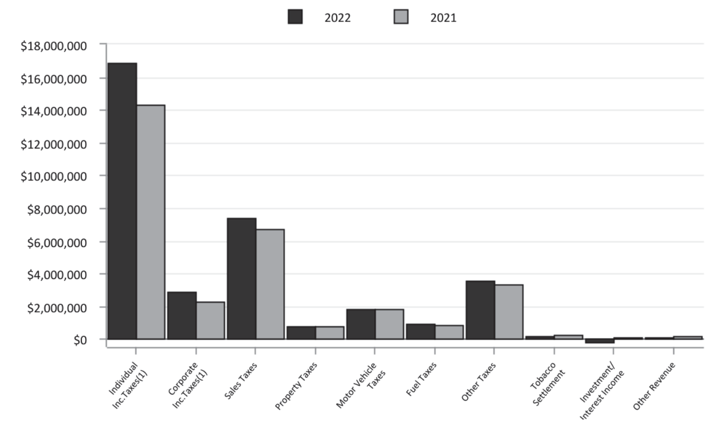
The state's expenses cover a range of services. The largest expenses were for general education and health and human services.

Governmental Activities

Governmental activities increased the state's net position by $8.1 billion in the current year compared to an increase of $4.5 billion in the prior year.

Revenues increased $4.9 billion (9.6 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.

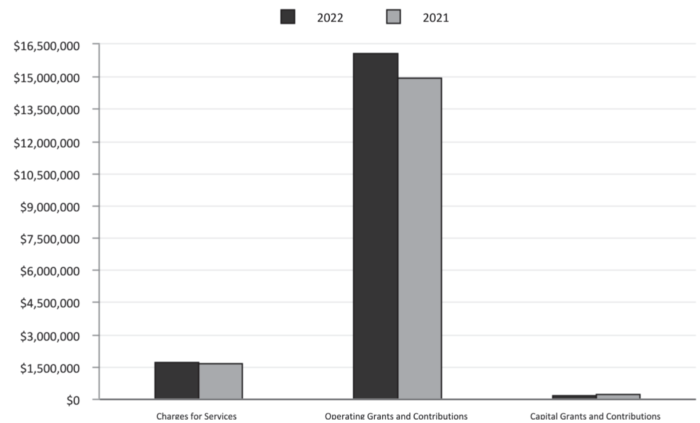
General Revenues - Governmental Activities
Fiscal Years Ended June 30, 2022 and 2021
(In Thousands)



(1) 2021 has been restated to be consistent with the 2022 presentation.

The state's largest general revenues, sales and income taxes, continue to show strong economic growth as the state recovers from the depressed economy during the pandemic. Most of the higher wage earners continued to remain employed and taxable capital gains increased significantly over the prior year contributing to the increase in income taxes. This increase was slightly offset by a decrease in individual income taxes due to a change in tax law related to the treatment of pass-through entities. Corporate profits were also higher compared to the prior year. This contributed to increased sales taxes during the current year. The increase in other taxes resulted from an increase in taxes on homes and automobile insurance premiums, lawful gambling, and deed transfer taxes as well as an increase in hospital surcharge taxes as a result of continued increases in patients receiving healthcare services after the slowdown in the prior year due to the pandemic. During the prior year, the state received a court settlement from J.J. Reynolds Tobacco Company and ITG Brands, LLC to pay the unpaid tobacco settlement.

Program Revenues, Net of COVID-19 - Governmental Activities
Fiscal Years Ended June 30, 2022 and 2021[1]
(In Thousands)

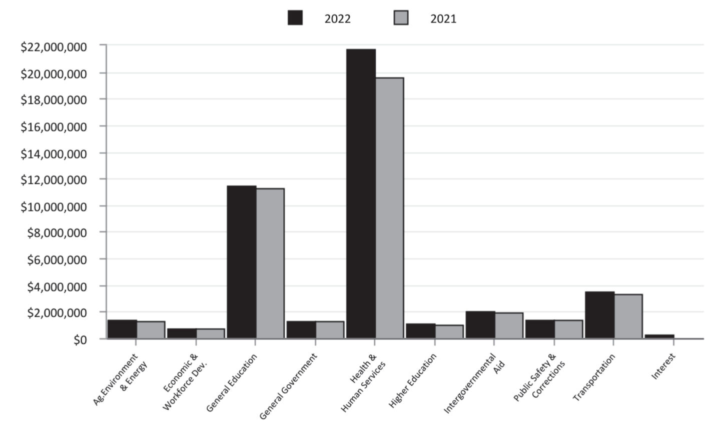


The operating grants and contributions, net of the COVID-19 revenue, increased over the prior year. This was primarily due to an increase in the federal government's share of medical assistance resulting from the continued increase in caseloads as the state recovers from the backlog of noncritical services coming out of the pandemic. In addition, the federal government increased grants to school districts for nutrition and childcare and local units of government for transportation. These increases were partially offset by decreases in investment income that were restricted for program purposes.

There was a $779.6 million (1.7 percent) increase in governmental activities expenses compared to the prior year. This included an increase in expenses of $1.9 billion related to the impacts of pension reporting and an increase in expenses of $163.2 million related to COVID-19 offset by an increase in non-pension related expenses of $2.9 billion. Pension reporting impacted all functional expenses except higher education and intergovernmental aid. See the chart on the Changes in Net Pension Liability and Related Deferred Inflows and Outflows for the impact by functional expenses. COVID-19 impacted primarily health and human services and general education expenses.

The following graph shows the functional expenses for governmental activities, excluding the impacts of the changes related to pensions and COVID-19 expenses.

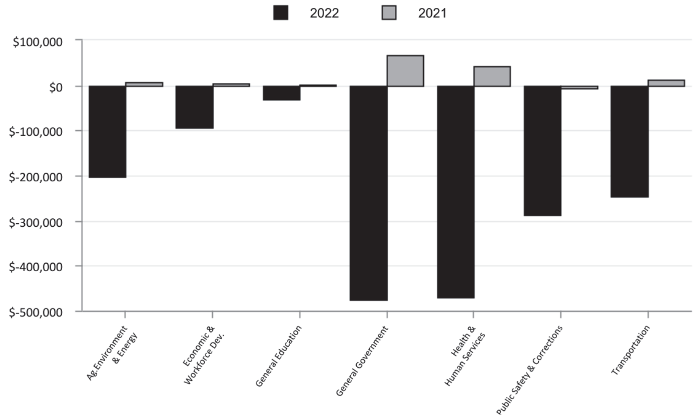
Functional Expenses, Net of Pension and COVID-19 Impacts
Governmental Activities
Fiscal Years Ended June 30, 2022 and 2021
(In Thousands)



Several functional expenses, net of the impacts of pension and COVID-19 expenses, increased during the current fiscal year. The general education expense increase resulted from additional support to school districts for nutrition and childcare as well as a 2.45 percent per pupil formula increase offset by a decrease in the number of pupils. The primary reason for the significant increase in health and human services expenses relates to the continued increase in medical assistance caseloads. Higher education grants to the University of Minnesota and Office of Higher Education (component units) also increased during the current fiscal year. The public safety expenses remained relatively consistent during the year with a decrease resulting from expenses in the prior year for the planning and response to the potential civil unrest from a high profile trial that was nationally televised and related protests, which was substantially offset by purchases of body-worn cameras and state trooper salary increases. The transportation expense increase is the result of increases in grants to Metropolitan Council (component unit) and local units of governments for transportation projects.

The following graph shows the changes in functional expenses for governmental activities related to the impacts of pension reporting.

Net Pension Expense
Governmental Activities
Fiscal Years Ended June 30, 2022 and 2021
(In Thousands)



Business-type Activities

Net position for the state's business-type activities increased by $2.6 billion during the current year compared to a decrease of $1.2 billion in the prior year. The impacts of pension related reporting on business-type activities resulted in a decrease in expenses of $263.9 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.

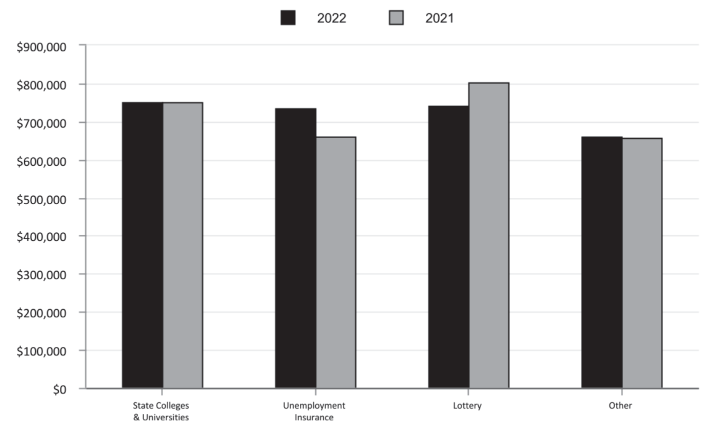
The increase in the net position of the state's business-type activities primarily resulted from a $256.6 million increase in net position in the State Colleges and Universities Fund and a $2.3 billion increase in net position in the Unemployment Insurance Fund.

The State Colleges and Universities Fund's net position increased $256.6 million during the current year compared to an increase of $10.5 million in the prior year. The operating grants and contributions increase was the result of an increase in federal grants associated with the Higher Education Emergency Relief funds, which was partially offset by a decrease in federal grants for PELL grants. In addition, net pension expense decreased $210.6 million. The Unemployment Insurance Fund's net position increased $2.3 billion during the current year compared to a decrease of $1.2 billion in the prior year.

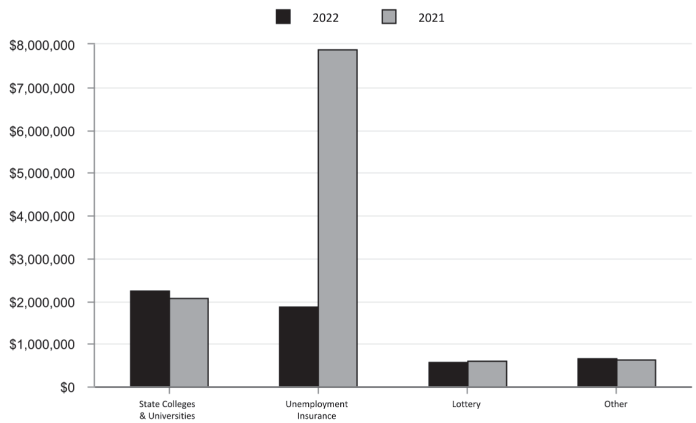
The impacts of COVID-19 have been significantly reduced as the state recovers from this pandemic during fiscal year 2022. Insurance premiums are recovering as businesses reopen and wages continue to increase. Also, the federal government no longer paid a portion of the employer premiums. Additionally, as businesses reopen, the pandemic extension benefits have ended and the federally paid unemployment benefit that started in March 2020 ended in September 2021, decreasing the unemployment benefits and federal grants significantly. The Unemployment Insurance Fund also received $2.1 billion in Coronavirus

State and Local Fiscal Recovery funds (part of the federal governments American Rescue Plan) and a General Fund transfer, which were used to pay back the principal and interest on the loan from the federal government.

Charges for Services - Business-Type Activities
Fiscal Years Ended June 30, 2022 and 2021
(In Thousands)



Expenses Net of Pension Impact - Business-Type Activities
Fiscal Years Ended June 30, 2022, and 2021
(In Thousands)



Long-Term Liabilities

The state's total long-term liabilities decreased by $2.2 billion (14.6 percent) during the current fiscal year. This decrease is primarily attributable to a decrease in the Net Pension Liability of $1.5 billion and the Title XII advance from the federal government to cover the Unemployment Insurance Fund (enterprise fund) deficit in the prior year that was repaid in the current year. For additional details, see the Business-type Activities section. In addition, these decreases were offset by the increases associated with the issues of general obligation bonds for trunk highway projects and other various state purposes. 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 $23.0 billion, an increase of $6.2 billion over the prior year.

The General Fund is the main operating fund of the state. At the end of the current fiscal year, the fund balance of the General Fund was $14.5 billion, an increase of $5.6 billion 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, income taxes were significantly higher over prior year as higher wage earners continue to be employed, taxable capital gains increased

during the current year, and corporate profits were significantly higher. The growth in individual income taxes were offset slightly by a decrease due to a change in tax law related to the treatment of pass-through entities. In addition, disposable cash grew as a result of the increase in wages, resulting in additional consumer spending. This contributed to the increase in sales taxes. The increase in other taxes resulted from an increase in taxes on homes and automobiles insurance premiums, lawful gambling, and deed transfer taxes as well as an increase in hospital surcharge taxes as a result of continued increases in patients receiving healthcare services after the slowdown in previous years due to the pandemic. Tobacco settlement decreased as a result of the court settlement on past unpaid tobacco settlements in the prior year.

The General Fund expenditures, net of expenditures related to COVID-19, increased slightly over the prior year. General education expenditures remained fairly consistent with a 2.45 percent per pupil formula increase offset by a decrease in the number of pupils. Health and human services expenditures increased for both the General Fund and the Federal Fund (special revenue fund) for the federal government's share resulted from an increase in caseloads for medical assistance during the current year. General Fund intergovernmental aid and higher education expenditures increases were the result of an increase in grants to local governments and the University of Minnesota (component unit) respectfully. Public safety expenditures decreased during the current year related to prior year expenditures for the planning and response to the potential civil unrest from a high profile trial and related protests. Transportation grants to Metropolitan Council (component unit) also increased during the current year. In addition, the General Fund's share of the grants to Minnesota Comprehensive Health Association (component unit) for the premium security program deceased during the current year due to an increase in the amount reimbursed by the federal government in the Federal Fund. This program helps keep premiums affordable to individual purchasers within the state. The increase in general education and transportation expenditures in the Federal Fund resulted from additional federal support to school districts for nutrition and childcare and local units of governments for transportation respectively.

During the current year, fuel taxes increased in the Trunk Highway, Municipal State-aid Street, and County State-aid Street funds (special revenue funds) as a result of an increase in travel as the economy continues to recover from the pandemic.

The increase in transportation expenditures resulted from additional capital project grants to airports, which was offset slightly by a decrease in capital project grants to local units of governments. The increase in higher education expenditures related to grants to the University of Minnesota (component unit) for capital projects in the Building Fund (capital project fund).

Proprietary Funds – Enterprise and Internal Service Funds

The statements for proprietary funds provide the same type of information found in the Government-wide Financial Statements, but in more detail.

Enterprise Funds

The state's enterprise funds are included in the Business-type Activities column of the Statement of Activities. Enterprise funds net position increased by $2.6 billion during the current year. This primarily resulted from a $256.6 million increase in net position of the State Colleges and Universities Fund and a $2.3 billion increase in net position of the Unemployment Insurance Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

Internal Service Funds

The state's internal service funds are included in the Governmental Activities column of the Statement of Activities; however, eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made.

The implementation of GASB 68, "Accounting and Financial Reporting for Pensions," which required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions, has caused some 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 2022. These are material to understanding changes in General Fund balances that occurred in fiscal year 2022. 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 2022.

Actions Establishing the Fiscal Year 2022 Budget

The budget for the 2022-23 biennium was adopted in May and June 2021. The February 2021 Budget and Economic Forecast projected a budgetary balance of $1.672 billion for the 2022-23 biennium. General Fund revenues for the biennium were forecast to be $50.937 billion, $3.292 billion (6.9 percent) higher than the previous biennium. General Fund expenditures for the biennium were expected to be $50.657 billion, $2.871 billion (6.0 percent) higher than the previous biennium. The 2021 Legislative Sessions concluded in June with a balanced budget for the 2022-23 biennium. The enacted budget decreased net General Fund resources by $29 million and appropriated an additional $1.706 billion over the February 2021 Forecast base spending amount. Reserves were reduced by $100 million and spending and revenue changes made to fiscal year 2021 increased available resources by $90 million. After accounting for all resource and expenditure changes enacted for the current biennium, the General Fund balance at the end of the 2022-23 biennium was estimated to be $127 million.

Investments over base spending in the General Fund included $558 million in new spending in E-12 education, largely due to a 2.45 percent increase for fiscal year 2022 and a 2.0 percent increase for fiscal year 2023 to the basic education formula, $106 million increase in higher education spending, $100 million higher spending for the courts and public safety, $254 million higher appropriations for health and human services spending, a $227 million increase in transportation General Fund spending, $163 million in increased appropriations for state government agencies, $218 million in economic development spending, and $81 million in other areas of the General Fund budget. Revenue changes included conformity to federal tax law related to unemployment insurance income and federal Paycheck Protection Program loans which resulted in lower projected revenue collections relative to forecast. The net tax income decrease was then partially offset by enactment of a $633 million transfer from the state fiscal recovery account within the Federal Fund.

After the 2021 legislative sessions, the enacted budget for the 2022-23 biennium included $3.920 billion in carry forward from fiscal year 2021, $50.907 billion in General Fund revenues, $52.363 billion in General

Fund spending, $2.136 billion in cash flow and budgetary reserves, $201 million in a stadium reserve account, and a $127 million ending budgetary balance.

Budget and Forecast Actions Impacting Fiscal Year 2022

The November 2021 Budget and Economic Forecast increased the projected ending balance for the 2022-23 biennium by $8.6 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 2021 forecast, $870 million was allocated to the Budget Reserve Account, bringing it to the target level of $2.656 billion. An additional $111 million was attributable to projected growth in the stadium reserve account. After these reserve allocations, the estimated available General Fund balance was $7.746 billion, $7.619 million higher than estimates after the 2021 legislative sessions. The overall forecast gain was driven by a favorable close to fiscal year 2021 which increased resources carried into fiscal year 2022 by $3.106 billion and the General Fund revenue forecast was increased $5.130 billion. Spending estimates for the biennium were reduced $364 million.

With the February 2022 forecast, an improved revenue forecast and lower spending estimates resulted in a $1.507 billion increase in the projected balance compared to the November 2021 forecast. Given this, the 2022-23 biennium was projected to conclude with an available budgetary balance of $9.253 billion and an additional $3.006 billion in the budget reserve and cash flow account and $327 million in the stadium reserve account.

The 2022 legislature made significant changes to resources and appropriations for the 2022-23 biennial budget. General Fund resources were reduced $634 million, largely due to the repeal of a $633 million transfer from the state fiscal recovery account within the Federal Fund that had been previously enacted. Enacted spending changes totaled $1.570 billion in supplemental appropriations. Significant spending increases included $500 million in bonus payments to frontline workers, $406 million for a General Fund transfer to reimburse the Unemployment Insurance Fund (enterprise fund), $300 million in General Fund resources for the state reinsurance program, and $190 million for additional COVID-19 response and recovery. After the accounting for enacted spending and resource changes, the General Fund was projected to end the 2022-23 biennium with a balance of $7.049 billion.

Fiscal Year 2022 ended with a General Fund balance of $8.744 billion, $3.28 billion above prior estimates. Total revenues, transfers-in, and other resources in fiscal year 2022 were $2.979 billion higher than previously forecast. Tax revenue was $2.838 billion more than projections and non-tax revenues were $76 million above previous projections. Prior period adjustments were $61 million higher than estimated.

Fiscal year 2022 spending was $1.307 billion below prior estimates. Of that amount, $973 million is due to unspent appropriations that have spending authority that carries into fiscal year 2023. The most significant appropriation carrying forward was $500 million for Frontline Worker Payments; these payments have subsequently been made in fiscal year 2023. E-12 education spending was $117 million lower due to lower than projected pupil counts, while health and human services spending was $117 million below prior estimates due to grant and administrative underspending that can be spent during fiscal year 2023. Actual cancellations of direct appropriated funding totaled $34 million. The budget reserve ended with a balance of $2.672 billion, $17 million higher than expected due to a statutory allocation from surplus assigned risk insurance plan balances. The cash flow account balance was unchanged at $350 million. The stadium reserve account closed the fiscal year with a balance of $229 million, $17 million higher than previous 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 2022 with a balance of $9.459 billion. On a GAAP basis, the General Fund reported a balance of $14.525 billion for fiscal year 2022, a difference of $5.066 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 $2.483 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 $2.583 billion. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 17 – Budgetary Basis vs. GAAP of the notes to the financial statements.

Capital and Leased Assets and Debt Administration

Capital and Leased Assets

The state's investment in capital and leased assets for governmental and business-type activities as of June 30, 2022, was $27.8 billion, less accumulated depreciation/amortization of $5.5 billion, resulting in a net book value of $22.3 billion. This investment in capital and leased assets includes both capital and leased 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, 2022 and 2021
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Capital Assets not Depreciated:						
Land	$ 2,898,734	$ 2,844,724	$ 93,421	$ 93,934	$ 2,992,155	$ 2,938,658
Buildings, Structures, Improvements	342,252	342,252	—	—	342,252	342,252
Construction in Progress	283,371	217,477	92,004	73,166	375,375	290,643
Development in Progress	263,935	244,144	—	—	263,935	244,144
Infrastructure	12,733,387	12,278,516	—	—	12,733,387	12,278,516
Easements/Intangible	554,371	516,407	596	596	554,967	517,003
Art and Historical Treasures	9,071	9,071	—	—	9,071	9,071
Total Capital Assets not Depreciated	$ 17,085,121	$ 16,452,591	$ 186,021	$ 167,696	$ 17,271,142	$ 16,620,287
Capital Assets Depreciated:						
Buildings, Structures, Improvements(1)	$ 3,523,209	$ 3,506,622	$ 4,010,366	$ 3,967,581	$ 7,533,575	$ 7,474,203
Infrastructure	514,775	452,059	30,571	30,251	545,346	482,310
Library Collections	—	—	33,548	34,686	33,548	34,686
Internally Generated Computer Software	444,443	402,586	65,190	64,877	509,633	467,463
Easements	4,028	4,028	—	—	4,028	4,028
Equipment, Furniture, Fixtures	983,846	967,963	356,172	350,705	1,340,018	1,318,668
Total Capital Assets Depreciated	$ 5,470,301	$ 5,333,258	$ 4,495,847	$ 4,448,100	$ 9,966,148	$ 9,781,358
Less: Accumulated Depreciation(1)	(2,744,821)	(2,574,696)	(2,648,969)	(2,517,927)	(5,393,790)	(5,092,623)
Capital Assets Net of Depreciation	$ 2,725,480	$ 2,758,562	$ 1,846,878	$ 1,930,173	$ 4,572,358	$ 4,688,735
Leased Capital Assets Amortized(1):						
Buildings, Structures, Improvements	$ 453,110	$ 411,140	$ 31,499	$ 31,476	$ 484,609	$ 442,616
Easements	279	88	—	—	279	88
Equipment, Furniture, Fixtures	8,093	8,093	13,397	13,397	21,490	21,490
Total Leased Capital Assets Amortized	$ 461,482	$ 419,321	$ 44,896	$ 44,873	$ 506,378	$ 464,194
Less: Accumulated Amortization(1)	(65,573)	—	(11,864)	—	(77,437)	—
Leased Capital Assets Net of Amortization	$ 395,909	$ 419,321	$ 33,032	$ 44,873	$ 428,941	$ 464,194
Total	$ 20,206,510	$ 19,630,474	$ 2,065,931	$ 2,142,742	$ 22,272,441	$ 21,773,216

(1) 2021 has been restated as a result of the implementation of GASB 87 "Leases" in fiscal year 2022.

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 2021, indicated that the average PQI for principal arterial pavement was 3.6 and 3.5 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 2021, indicated that 94.0 percent of principal arterial system bridges and 93.4 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. Maintaining existing infrastructure continues to be the focus over capitalization.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 – Capital and Leased 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, 2022, as follows:

- AAA by Fitch Ratings
- AAA by S&P Global Ratings
- Aa1 by Moody's Investors Service Inc. (upgraded to Aaa in July 2022)

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, the Lewis and Clark Regional Water System project, the environmental response PCA superfund, the public television equipment, and the electric vehicle infrastructure.

The Certificates of Participation were issued by the state to finance the legislative office facility.

Outstanding Bonded Debt and Unamortized Premium
June 30, 2022 and 2021
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
General Obligation	$ 7,376,400	$ 6,915,311	$ 186,863	$ 199,199	$ 7,563,263	$ 7,114,510
Revenue	25,645	28,580	205,979	232,993	231,624	261,573
State Appropriation Bonds	954,340	956,012	—	—	954,340	956,012
Certificate of Participation	73,361	76,257	—	—	73,361	76,257
Total	$ 8,429,746	$ 7,976,160	$ 392,842	$ 432,192	$ 8,822,588	$ 8,408,352

During fiscal year 2022, the state issued the following bonds:

- $565.2 million in general obligation state various purpose bonds
- $311.0 million in general obligation state trunk highway bonds
- $29.7 million in state appropriation bonds for Environmental Response PCA Superfund
- $14.0 million in state appropriation bonds for Public Television Equipment
- $6.9 million in state appropriation bonds for the Duluth Regional Exchange District
- $1.9 million in state appropriation bonds for Electric Vehicle Infrastructure
- $41.3 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 11 – Long-Term Liabilities - Primary Government in the notes to the financial statements.

Requests for Information

This financial report is designed to provide Minnesotans, taxpayers, customers, investors, and creditors with a general overview of the state's finances and to demonstrate the state's accountability for the money it receives.

Please contact us if you have questions about this report or to request additional financial information.

Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota, 55155-1489
651-201-8000
https://www.mn.gov/mmb/

STATE OF MINNESOTA

STATEMENT OF NET POSITION
JUNE 30, 2022
(IN THOUSANDS)

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 22,919,341	$ 3,401,241	$ 26,320,582	$ 1,905,920
Investments	3,591,347	20,028	3,611,375	1,627,525
Accounts Receivable	3,863,322	439,741	4,303,063	577,135
Due from Component Units	33,188	—	33,188	—
Due from Primary Government	—	—	—	302,986
Accrued Investment/Interest Income	33,518	—	33,518	28,097
Federal Aid Receivable	2,863,383	55,277	2,918,660	31,479
Inventories	52,006	21,735	73,741	61,299
Loans and Notes Receivable	21,573	2,721	24,294	328,065
Leases Receivable	2,367	2,969	5,336	15,014
Internal Balances	5,609	(5,609)	—	—
Other Assets	7,946	4,001	11,947	39,124
Total Current Assets	$ 33,393,600	$ 3,942,104	$ 37,335,704	$ 4,916,644
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ —	$ 49,040	$ 49,040	$ 2,164,248
Investments-Restricted	—	302	302	3,687,556
Accounts Receivable-Restricted	—	—	—	174,417
Due from Primary Government-Restricted	—	—	—	30,292
Due from Primary Government	—	—	—	1,937
Due from Component Units	64,783	—	64,783	—
Investments	—	—	—	6,452,093
Derivative Instrument-Rate Swap	—	—	—	15,792
Accounts Receivable	713,751	3,419	717,170	476,722
Loans and Notes Receivable	184,505	7,789	192,294	3,052,593
Leases Receivable	6,984	10,816	17,800	669,684
Leased Assets (Net)	395,909	33,032	428,941	244,829
Depreciable Capital Assets (Net)	2,725,480	1,846,878	4,572,358	6,950,922
Nondepreciable Capital Assets	4,351,734	186,021	4,537,755	2,770,118
Infrastructure (Not depreciated)	12,733,387	—	12,733,387	—
Other Assets	1,403	—	1,403	17,096
Total Noncurrent Assets	$ 21,177,936	$ 2,137,297	$ 23,315,233	$ 26,708,299
Total Assets	$ 54,571,536	$ 6,079,401	$ 60,650,937	$ 31,624,943
DEFERRED OUTFLOWS OF RESOURCES				
Bond Refunding	$ 88,518	$ 1,603	$ 90,121	$ 3,780
Deferred Pension Outflows	2,007,798	261,696	2,269,494	422,207
Deferred Other Postemployment Benefits Outflows	95,785	19,528	115,313	66,123
Total Deferred Outflows of Resources	$ 2,192,101	$ 282,827	$ 2,474,928	$ 492,110
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 7,730,083	$ 315,805	$ 8,045,888	$ 402,915
Due to Component Units	265,112	11	265,123	—
Due to Primary Government	—	—	—	53,084
Unearned Revenue	492,622	671,020	1,163,642	147,034
Accrued Interest Payable	110,658	—	110,658	63,789
Bonds and Notes Payable	678,789	35,499	714,288	922,418
Leases Payable	70,479	11,732	82,211	19,703
Certificates of Participation Payable	2,525	—	2,525	955
Claims Payable	193,678	33,049	226,727	309,990
Compensated Absences Payable	55,946	20,676	76,622	270,533
Other Liabilities	—	13,744	13,744	4,516
Total Current Liabilities	$ 9,599,892	$ 1,101,536	$ 10,701,428	$ 2,194,937

STATE OF MINNESOTA

STATEMENT OF NET POSITION
JUNE 30, 2022
(IN THOUSANDS)

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ —	$ —	$ —	$ 154,390
Unearned Revenue-Restricted	—	—	—	192,913
Accrued Interest Payable-Restricted	—	—	—	14,067
Accounts Payable	—	—	—	62,951
Due to Primary Government	—	—	—	64,783
Unearned Revenue	133,851	—	133,851	11,460
Bonds and Notes Payable	7,721,193	380,919	8,102,112	7,953,306
Leases Payable	263,344	20,326	283,670	163,237
Due to Component Units	1,937	—	1,937	—
Certificates of Participation Payable	70,836	—	70,836	1,750
Claims Payable	708,985	1,261	710,246	553,458
Compensated Absences Payable	346,536	144,272	490,808	37,265
Other Postemployment Benefits	629,756	91,609	721,365	431,072
Net Pension Liability	1,530,844	161,539	1,692,383	33,271
Funds Held in Trust	—	—	—	426,085
Other Liabilities	—	9,349	9,349	54,342
Total Noncurrent Liabilities	$ 11,407,282	$ 809,275	$ 12,216,557	$ 10,154,350
Total Liabilities	$ 21,007,174	$ 1,910,811	$ 22,917,985	$ 12,349,287
DEFERRED INFLOWS OF RESOURCES				
Accumulated Increase in Fair Values of Derivative Instruments	$ —	$ —	$ —	$ 21,988
Bond Refunding	17,628	3,693	21,321	15,113
Deferred Leases	9,351	13,949	23,300	667,400
Deferred Revenue	451,931	—	451,931	38,002
Deferred Pension Inflows	3,682,140	617,441	4,299,581	877,054
Deferred Other Postemployment Benefits Inflows	76,625	19,169	95,794	11,677
Total Deferred Inflows of Resources	$ 4,237,675	$ 654,252	$ 4,891,927	$ 1,631,234
NET POSITION				
Net Investment in Capital Assets	$ 16,298,410	$ 1,637,005	$ 17,935,415	$ 6,301,283
Restricted to:				
Improve Agricultural, Environmental and Energy Resources	$ 3,310,572	$ —	$ 3,310,572	$ —
Enhance Arts and Culture	49,493	—	49,493	—
Acquire, Maintain, and Improve Land and Buildings	—	357	357	—
Retire Indebtedness	468,268	123,538	591,806	—
Develop Economy and Workforce	238,349	4,576	242,925	—
Enhance E-12 Education	22,886	—	22,886	—
Enhance State Government	36,560	—	36,560	—
Enhance Health and Human Services	78,063	5,231	83,294	—
Enhance Higher Education	309	25,078	25,387	—
Enhance 911 Services and Increase Safety	12,976	122,401	135,377	—
School Aid-Expendable	9,884	—	9,884	—
School Aid-Nonexpendable	1,765,381	—	1,765,381	—
Construct Highways and Improve Infrastructure	2,014,841	—	2,014,841	—
Unemployment Benefits	—	1,542,970	1,542,970	—
Other Purposes	—	78,637	78,637	—
Component Units	—	—	—	10,192,121
Total Restricted	$ 8,007,582	$ 1,902,788	$ 9,910,370	$ 10,192,121
Unrestricted	$ 7,212,796	$ 257,372	$ 7,470,168	$ 1,643,128
Total Net Position	$ 31,518,788	$ 3,797,165	$ 35,315,953	$ 18,136,532

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(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	$ 1,374,916	$ 518,960	$ 316,525	$ 15,042	$ (524,389)		$ (524,389)	
Economic and Workforce Development	801,833	58,914	307,160	—	(435,759)		(435,759)	
General Education	12,289,924	18,942	2,124,011	—	(10,146,971)		(10,146,971)	
General Government	824,252	372,355	61,024	—	(390,873)		(390,873)	
Health and Human Services	23,208,505	497,522	15,360,459	—	(7,350,524)		(7,350,524)	
Higher Education	1,125,695	—	7,253	—	(1,118,442)		(1,118,442)	
Intergovernmental Aid	2,011,220	—	—	—	(2,011,220)		(2,011,220)	
Public Safety and Corrections	1,072,825	204,072	260,275	—	(608,478)		(608,478)	
Transportation	3,324,527	46,407	826,360	182,096	(2,269,664)		(2,269,664)	
Interest	255,709	—	—	—	(255,709)		(255,709)	
Total Governmental Activities	$ 46,289,406	$ 1,717,172	$ 19,263,067	$ 197,138	$ (25,112,029)		$ (25,112,029)	
Business-type Activities:								
State Colleges and Universities	$ 2,036,082	$ 751,587	$ 709,188	$ 1,320		$ (573,987)	$ (573,987)	
Unemployment Insurance	1,865,743	733,796	3,039,821	—		1,907,874	1,907,874	
Lottery	560,581	740,162	—	—		179,581	179,581	
Others	627,955	661,563	557	—		34,165	34,165	
Total Business-type Activities	$ 5,090,361	$ 2,887,108	$ 3,749,566	$ 1,320		$ 1,547,633	$ 1,547,633	
Total Primary Government	$ 51,379,767	$ 4,604,280	$ 23,012,633	$ 198,458	$ (25,112,029)	$ 1,547,633	$ (23,564,396)	
Component Units:								
Housing Finance	$ 938,029	$ 18,404	$ 535,614	$ —				$ (384,011)
Metropolitan Council	997,932	356,099	554,264	714,865				627,296
University of Minnesota	4,242,380	1,422,005	2,121,969	117,514				(580,892)
Others	725,496	149,460	236,739	10,771				(328,526)
Total Component Units	$ 6,903,837	$ 1,945,968	$ 3,448,586	$ 843,150				$ (666,133)
General Revenues:								
Taxes:								
Individual Income Taxes					$ 16,861,833	$ —	$ 16,861,833	$ —
Corporate Income Taxes					2,866,222	—	2,866,222	—
Sales Taxes					7,428,258	—	7,428,258	—
Property Taxes					743,116	—	743,116	—
Motor Vehicle Taxes					1,810,109	—	1,810,109	—
Fuel Taxes					899,424	—	899,424	—
Other Taxes					3,550,530	—	3,550,530	87,640
Tobacco Settlement					195,055	—	195,055	—
Unallocated Investment/Interest Income					(189,612)	6,184	(183,428)	(304,904)
Other Revenues					121,981	360	122,341	385,603
State Grants Not Restricted					—	—	—	1,159,888
Transfers					(1,087,341)	1,087,341	—	—
Total General Revenues and Transfers					$ 33,199,575	$ 1,093,885	$ 34,293,460	$ 1,328,227
Change in Net Position					$ 8,087,546	$ 2,641,518	$ 10,729,064	$ 662,094
Net Position, Beginning, as Reported					$ 23,423,160	$ 1,155,647	$ 24,578,807	$ 17,399,960
Prior Period Adjustments					—	—	—	70,213
Change in Accounting Principle					8,082	—	8,082	4,265
Net Position, Beginning, as Restated					$ 23,431,242	$ 1,155,647	$ 24,586,889	$ 17,474,438
Net Position, Ending					$ 31,518,788	$ 3,797,165	$ 35,315,953	$ 18,136,532

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 15,481,267	$ 326,998	$ 6,537,591	$ 22,345,856
Investments	1,440,524	—	2,150,823	3,591,347
Accounts Receivable	3,751,575	516,291	303,910	4,571,776
Interfund Receivables	89,290	34	177,510	266,834
Due from Component Units	451	—	97,520	97,971
Accrued Investment/Interest Income	27,045	—	6,473	33,518
Federal Aid Receivable	—	2,795,277	68,106	2,863,383
Inventories	—	2,247	49,402	51,649
Loans and Notes Receivable	79,604	4,767	121,707	206,078
Leases Receivable	—	—	6,558	6,558
Investment in Land	—	—	15,954	15,954
Total Assets	$ 20,869,756	$ 3,645,614	$ 9,535,554	$ 34,050,924
LIABILITIES				
Accounts Payable	$ 3,967,364	$ 2,999,907	$ 800,120	$ 7,767,391
Interfund Payables	4,854	—	203,967	208,821
Due to Component Units	92,966	158,181	13,671	264,818
Unearned Revenue	138,719	479,169	—	617,888
Total Liabilities	$ 4,203,903	$ 3,637,257	$ 1,017,758	$ 8,858,918
DEFERRED INFLOWS OF RESOURCES				
Deferred Leases	$ —	$ —	$ 6,558	$ 6,558
Deferred Revenue	2,140,459	—	93,151	2,233,610
Total Deferred Inflows of Resources	$ 2,140,459	$ —	$ 99,709	$ 2,240,168
FUND BALANCES				
Nonspendable	$ 1,462,110	$ —	$ 1,814,783	$ 3,276,893
Restricted	107,180	8,357	5,605,114	5,720,651
Committed	80,357	—	924,000	1,004,357
Assigned	2,003,951	—	74,190	2,078,141
Unassigned	10,871,796	—	—	10,871,796
Total Fund Balances	$ 14,525,394	$ 8,357	$ 8,418,087	$ 22,951,838
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 20,869,756	$ 3,645,614	$ 9,535,554	$ 34,050,924

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, 2022
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 22,951,838
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital/leased assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Infrastructure	$ 12,733,387	
Nondepreciable Capital Assets	4,335,519	
Depreciable Capital Assets	5,252,103	
Accumulated Depreciation	(2,585,037)	
Leased Assets	451,180	
Accumulated Amortization	(60,619)	
		20,126,533
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.		1,781,679
Net Deferred Outflows (Inflows) resulting from the refunding of debt included in the Statement of Net Position.		70,890
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.		407,290
Deferred pension outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.		(1,629,226)
Deferred other postemployment benefits outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.		18,900
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	$ (110,630)	
General Obligation Bonds Payable	(6,441,085)	
State Appropriation Bonds Payable	(878,330)	
Revenue Bonds Payable	(25,645)	
Loans and Notes Payable	(4,165)	
Bond Premium Payable	(1,011,325)	
Due to Component Units	(2,231)	
Leases Payable	(328,816)	
Certificate of Participation Payable	(65,270)	
Certificate of Participation Premium Payable	(8,091)	
Claims Payable	(796,311)	
Compensated Absences Payable	(387,055)	
Other Postemployment Benefits	(621,660)	
Net Pension Liability	(1,528,502)	
		(12,209,116)
Net Position of Governmental Activities		$ 31,518,788

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, 2022
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 16,836,132	$ —	$ —	$ 16,836,132
Corporate Income Taxes	2,848,019	—	—	2,848,019
Sales Taxes	6,769,988	—	632,850	7,402,838
Property Taxes	765,534	—	—	765,534
Motor Vehicle Taxes	394,630	—	1,415,597	1,810,227
Fuel Taxes	—	—	900,818	900,818
Other Taxes	3,277,382	—	255,707	3,533,089
Tobacco Settlement	192,965	—	—	192,965
Federal Revenues	48,996	18,981,414	552,636	19,583,046
Licenses and Fees	269,423	4,628	439,285	713,336
Departmental Services	191,385	988	218,656	411,029
Investment/Interest Income	(350,456)	10,432	(182,094)	(522,118)
Other Revenues	499,416	56,040	289,267	844,723
Net Revenues	$ 31,743,414	$ 19,053,502	$ 4,522,722	$ 55,319,638
Expenditures:				
Agricultural, Environmental and Energy Resources	$ 354,669	$ 451,243	$ 725,664	$ 1,531,576
Economic and Workforce Development	354,330	270,377	268,862	893,569
General Education	10,032,021	2,211,701	69,182	12,312,904
General Government	904,011	39,170	119,774	1,062,955
Health and Human Services	8,134,337	15,307,655	168,498	23,610,490
Higher Education	1,016,919	7,557	100,906	1,125,382
Intergovernmental Aid	2,011,024	—	196	2,011,220
Public Safety and Corrections	798,457	214,408	276,331	1,289,196
Transportation	582,994	415,665	2,487,788	3,486,447
Total Current Expenditures	$ 24,188,762	$ 18,917,776	$ 4,217,201	$ 47,323,739
Capital Outlay	77,791	91,974	706,538	876,303
Debt Service	66,943	7,577	883,669	958,189
Total Expenditures	$ 24,333,496	$ 19,017,327	$ 5,807,408	$ 49,158,231
Excess of Revenues over (under) Expenditures	$ 7,409,918	$ 36,175	$ (1,284,686)	$ 6,161,407
Other Financing Sources (Uses):				
Bond Issuance	$ —	$ —	$ 919,649	$ 919,649
Loan Issuance	—	—	3,500	3,500
Lease Financing	8,986	—	33,915	42,901
Bond Issuance Premium	—	—	179,033	179,033
Transfers-In	260,106	1,173	1,139,092	1,400,371
Transfers-Out	(2,061,490)	(46,577)	(431,968)	(2,540,035)
Net Other Financing Sources (Uses)	$ (1,792,398)	$ (45,404)	$ 1,843,221	$ 5,419
Net Change in Fund Balances	$ 5,617,520	$ (9,229)	$ 558,535	$ 6,166,826
Fund Balances, Beginning, as Reported	$ 8,907,874	$ 17,586	$ 7,859,552	$ 16,785,012
Fund Balances, Ending	$ 14,525,394	$ 8,357	$ 8,418,087	$ 22,951,838

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, 2022
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds		$ 6,166,826
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/leased assets are allocated over their estimated useful lives or lease terms as applicable as depreciation/amortization. This is the amount by which capital outlay exceeded the depreciation/amortization in the current period.		
Capital Outlay	$ 876,303	
Depreciation/Amortization	(269,573)	
		606,730
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.		(16,537)
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.		8,036
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.		64,355
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.		(1,145,083)
Net changes due to the additions and amortization of deferred inflows and outflows related to the refunding of debt is reported in the Statement of Activities but not included in governmental funds.		(3,737)
Net changes in the net pension liability and the additions and amortization of deferred inflows and outflows related to pensions is reported in the Statement of Activities but not included in governmental funds.		1,739,665
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.		(13,406)
Repayment of bonds, loans, and leases are reported as expenditures in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.		710,595
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.		(29,898)
Change in Net Position of Governmental Activities		$ 8,087,546

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, 2022
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 12,819,315	$ 14,477,173	$ 16,872,708
Corporate Income Taxes	1,477,622	2,375,832	2,822,875
Sales Taxes	6,204,072	6,574,497	6,612,869
Property Taxes	773,388	771,915	774,121
Other Taxes	2,901,087	3,150,999	3,177,542
Tobacco Settlement	164,109	175,112	192,965
Licenses and Fees	246,801	256,016	264,150
Departmental Services	130,879	97,141	98,433
Investment/Interest Income	25,746	31,756	48,321
Other Revenues	334,249	423,376	459,390
Net Revenues	$ 25,077,268	$ 28,333,817	$ 31,323,374
Expenditures:			
Agricultural, Environmental and Energy Resources	$ 260,353	$ 267,125	$ 246,808
Economic and Workforce Development	348,470	754,295	747,509
General Education	10,192,057	10,191,033	9,998,488
General Government	1,020,249	1,061,969	992,269
Health and Human Services	8,189,138	7,698,056	7,540,294
Higher Education	960,183	960,183	952,924
Intergovernmental Aid	1,937,342	2,467,711	1,967,556
Public Safety and Corrections	847,447	848,737	803,020
Transportation	186,427	186,427	178,322
Total Expenditures	$ 23,941,666	$ 24,435,536	$ 23,427,190
Excess of Revenues Over (Under) Expenditures	$ 1,135,602	$ 3,898,281	$ 7,896,184
Other Financing Sources (Uses):			
Transfers-In	$ 33,307	$ 43,633	$ 37,955
Transfers-Out	(2,025,347)	(2,025,347)	(2,025,347)
Net Other Financing Sources (Uses)	$ (1,992,040)	$ (1,981,714)	$ (1,987,392)
Net Change in Fund Balances	$ (856,438)	$ 1,916,567	$ 5,908,792
Fund Balances, Beginning, as Reported	$ 7,693,500	$ 7,693,500	$ 7,693,500
Prior Period Adjustments	—	—	161,820
Fund Balances, Beginning, as Restated	$ 7,693,500	$ 7,693,500	$ 7,855,320
Budgetary Fund Balances, Ending	$ 6,837,062	$ 9,610,067	$ 13,764,112
Less: Appropriation Carryover	—	—	1,011,140
Less: Reserved for Long-Term Receivables	—	—	42,447
Less: Budgetary Reserve	—	—	3,251,881
Unassigned Fund Balance, Ending	$ 6,837,062	$ 9,610,067	$ 9,458,644

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 1,189,704	$ 1,846,886	$ 364,651	$ 3,401,241	$ 573,485
Investments	20,028	—	—	20,028	—
Accounts Receivable	59,702	346,150	33,889	439,741	83,052
Interfund Receivables	29,936	—	6,063	35,999	—
Federal Aid Receivable	52,456	2,821	—	55,277	—
Inventories	12,509	—	9,226	21,735	357
Loans and Notes Receivable	2,721	—	—	2,721	—
Leases Receivable	2,844	—	125	2,969	1,256
Prepaid Expenses	3,429	—	572	4,001	7,946
Total Current Assets	$ 1,373,329	$ 2,195,857	$ 414,526	$ 3,983,712	$ 666,096
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 49,040	$ —	$ —	$ 49,040	$ —
Investments-Restricted	302	—	—	302	—
Accounts Receivable	—	—	3,419	3,419	207
Loans and Notes Receivable	7,789	—	—	7,789	—
Leases Receivable	10,816	—	—	10,816	1,537
Leased Assets (Net)	18,871	—	14,161	33,032	5,348
Depreciable Capital Assets (Net)	1,721,080	—	125,798	1,846,878	58,414
Nondepreciable Capital Assets	168,239	—	17,782	186,021	261
Prepaid Expenses	—	—	—	—	1,403
Total Noncurrent Assets	$ 1,976,137	$ —	$ 161,160	$ 2,137,297	$ 67,170
Total Assets	$ 3,349,466	$ 2,195,857	$ 575,686	$ 6,121,009	$ 733,266
DEFERRED OUTFLOWS OF RESOURCES					
Bond Refunding	$ 1,603	$ —	$ —	$ 1,603	$ —
Deferred Pension Outflows	217,286	—	44,410	261,696	52,129
Deferred Other Postemployment Benefits Outflows	16,420	—	3,108	19,528	1,245
Total Deferred Outflows of Resources	$ 235,309	$ —	$ 47,518	$ 282,827	$ 53,374
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 202,552	$ 46,784	$ 66,469	$ 315,805	$ 40,867
Interfund Payables	—	14,884	26,724	41,608	52,191
Due to Component Units	—	—	11	11	—
Unearned Revenue	66,053	591,219	13,748	671,020	8,585
Accrued Interest Payable	—	—	—	—	28
Bonds and Notes Payable	35,499	—	—	35,499	17,192
Leases Payable	8,021	—	3,711	11,732	4,677
Claims Payable	2,342	—	30,707	33,049	106,352
Compensated Absences Payable	18,148	—	2,528	20,676	1,744
Other Liabilities	13,744	—	—	13,744	—
Total Current Liabilities	$ 346,359	$ 652,887	$ 143,898	$ 1,143,144	$ 231,636

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Noncurrent Liabilities:					
Bonds and Notes Payable	$ 380,919	$	$ —	$ 380,919	$ 22,240
Leases Payable	9,683		10,643	20,326	330
Claims Payable	1,261		—	1,261	—
Compensated Absences Payable	133,089		11,183	144,272	13,683
Other Postemployment Benefits	71,437		20,172	91,609	8,096
Net Pension Liability	150,831		10,708	161,539	2,342
Other Liabilities	9,349		—	9,349	—
Total Noncurrent Liabilities	$ 756,569	$	$ 52,706	$ 809,275	$ 46,691
Total Liabilities	$ 1,102,928	$	$ 196,604	$ 1,952,419	$ 278,327
DEFERRED INFLOWS OF RESOURCES					
Bond Refunding	$ 3,693	$	$ —	$ 3,693	$ —
Deferred Leases	13,824		125	13,949	2,793
Deferred Pension Inflows	538,464		78,977	617,441	97,245
Deferred Other Postemployment Benefits Inflows	16,714		2,455	19,169	985
Total Deferred Inflows of Resources	$ 572,695	$	$ 81,557	$ 654,252	$ 101,023
NET POSITION					
Net Investment in Capital Assets	$ 1,493,618	$	$ 143,387	$ 1,637,005	$ 22,385
Restricted for:					
Acquire, Maintain, and Improve Land and	$ 357	$	$ —	$ 357	$ —
Retire Indebtedness	123,538		—	123,538	—
Develop Economy and Workforce	—		4,576	4,576	—
Enhance Health and Human Services	—		5,231	5,231	—
Enhance Higher Education	25,078		—	25,078	—
Enhance 911 Services and Increase Safety	—		122,401	122,401	—
Unemployment Benefits	—	1,542,97	—	1,542,970	—
Other Purposes	—		78,637	78,637	—
Total Restricted	$ 148,973	$	$ 210,845	$ 1,902,788	$ —
Unrestricted	$ 266,561	$	$ (9,189)	$ 257,372	$ 384,905
Total Net Position	$ 1,909,152	$	$ 345,043	$ 3,797,165	$ 407,290

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 648,263	$ —	$ —	$ 648,263	$ —
Restricted Student Payments, Net	88,877	—	—	88,877	—
Net Sales	—	—	1,033,482	1,033,482	320,677
Insurance Premiums	—	709,233	332,253	1,041,486	1,052,923
Other Income	14,447	24,563	35,990	75,000	12,406
Total Operating Revenues	$ 751,587	$ 733,796	$ 1,401,725	$ 2,887,108	$ 1,386,006
Less: Cost of Goods Sold	—	—	565,138	565,138	—
Gross Margin	$ 751,587	$ 733,796	$ 836,587	$ 2,321,970	$ 1,386,006
Operating Expenses:					
Purchased Services	$ 264,666	$ —	$ 90,632	$ 355,298	$ 216,166
Salaries and Fringe Benefits	1,179,090	—	127,250	1,306,340	64,908
Student Financial Aid	233,934	—	—	233,934	—
Unemployment Benefits	—	1,847,855	—	1,847,855	—
Claims	—	—	328,020	328,020	1,003,296
Depreciation and Amortization	146,636	—	17,925	164,561	23,015
Supplies and Materials	126,917	—	5,628	132,545	17,932
Repairs and Maintenance	19,278	—	1,157	20,435	16,623
Indirect Costs	—	—	6,699	6,699	2,946
Other Expenses	42,098	—	808	42,906	1,002
Total Operating Expenses	$ 2,012,619	$ 1,847,855	$ 578,119	$ 4,438,593	$ 1,345,888
Operating Income (Loss)	$ (1,261,032)	$ (1,114,059)	$ 258,468	$ (2,116,623)	$ 40,118
Nonoperating Revenues (Expenses):					
Investment Income	$ 2,336	$ 3,127	$ 721	$ 6,184	$ 2,117
Federal Grants	579,826	3,039,821	557	3,620,204	—
Private Grants	31,344	—	—	31,344	—
Grants and Subsidies	99,338	—	—	99,338	—
Other Nonoperating Revenues	—	—	3	3	48
Interest and Financing Costs	(11,677)	(15,248)	(42)	(26,967)	(867)
Grants, Aids and Subsidies	(11,786)	(2,640)	(28,175)	(42,601)	—
Other Nonoperating Expenses	—	—	(17,062)	(17,062)	(552)
Gain (Loss) on Disposal of Capital Assets	739	—	(382)	357	(30)
Total Nonoperating Revenues (Expenses)	$ 690,120	$ 3,025,060	$ (44,380)	$ 3,670,800	$ 716
Income (Loss) Before Transfers and Contributions	$ (570,912)	$ 1,911,001	$ 214,088	$ 1,554,177	$ 40,834
Transfers-In	827,541	407,161	25,283	1,259,985	—
Transfers-Out	—	(13)	(172,631)	(172,644)	(32,798)
Change in Net Position	$ 256,629	$ 2,318,149	$ 66,740	$ 2,641,518	$ 8,036
Net Position, Beginning, as Reported	$ 1,652,523	$ (775,179)	$ 278,303	$ 1,155,647	$ 399,254
Net Position, Ending	$ 1,909,152	$ 1,542,970	$ 345,043	$ 3,797,165	$ 407,290

The notes are an integral part of the financial statements.

STATE OF MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 749,059	$ 971,162	$ 1,371,576	$ 3,091,797	$ 1,379,836
Receipts from Other Revenues	—	24,563	36,468	61,031	12,454
Receipts from Repayment of Program Loans	3,003	—	—	3,003	—
Financial Aid Disbursements	(233,934)	—	—	(233,934)	—
Payments to Claimants	—	(2,011,578)	(794,585)	(2,806,163)	(996,472)
Payments to Suppliers	(451,898)	—	(161,786)	(613,684)	(259,971)
Payments to Employees	(1,377,427)	—	(181,298)	(1,558,725)	(129,582)
Payments to Others	—	—	(66,729)	(66,729)	(552)
Net Cash Flows from Operating Activities	$ (1,311,197)	$ (1,015,853)	$ 203,646	$ (2,123,404)	$ 5,713
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 735,141	$ 3,130,915	$ 557	$ 3,866,613	$ —
Grant Disbursements	(11,588)	(2,655)	(28,175)	(42,418)	—
Transfers-In	795,315	407,161	25,283	1,227,759	—
Transfers-Out	—	(4,643)	(172,631)	(177,274)	(32,798)
Proceeds from Loans	—	899,143	—	899,143	—
Repayment of Loan Principal	—	(2,037,324)	—	(2,037,324)	—
Interest Paid	—	(15,248)	—	(15,248)	—
Net Cash Flows from Noncapital Financing Activities	$ 1,518,868	$ 2,377,349	$ (174,966)	$ 3,721,251	$ (32,798)
Cash Flows from Capital and Related Financing Activities:					
Transfers-In	$ 31,223	$ —	$ —	$ 31,223	$ —
Investment in Capital Assets	(78,412)	—	(2,375)	(80,787)	(12,454)
Proceeds from Disposal of Capital Assets	5,584	—	40	5,624	3,605
Proceeds from Capital Bonds	64,521	—	—	64,521	—
Proceeds from Loans	11,917	—	—	11,917	11,827
Lease Payments	(15,141)	—	(2,062)	(17,203)	(5,295)
Repayment of Loan Principal	(779)	—	—	(779)	(20,407)
Repayment of Bond Principal	(97,667)	—	—	(97,667)	—
Interest Paid	(15,817)	—	(43)	(15,860)	(887)
Net Cash Flows from Capital and Related	$ (94,571)	$ —	$ (4,440)	$ (99,011)	$ (23,611)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of	$ 9,574	$ —	$ —	$ 9,574	$ —
Purchase of Investments	(5,894)	—	—	(5,894)	—
Investment Earnings	2,939	3,127	721	6,787	2,117
Net Cash Flows from Investing Activities	$ 6,619	$ 3,127	$ 721	$ 10,467	$ 2,117
Net Increase (Decrease) in Cash and Cash	$ 119,719	$ 1,364,623	$ 24,961	$ 1,509,303	$ (48,579)
Cash and Cash Equivalents, Beginning, as Reported	$ 1,119,025	$ 482,263	$ 339,690	$ 1,940,978	$ 622,064
Cash and Cash Equivalents, Ending	$ 1,238,744	$ 1,846,886	$ 364,651	$ 3,450,281	$ 573,485

CONTINUED

STATE OF MINNESOTA
PROPRIETARY FUNDS (CONTINUED)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(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)	$ (1,261,032)	$ (1,114,059)	$ 258,468	$ (2,116,623)	$ 40,118
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization	$ 146,636	$ —	$ 17,925	$ 164,561	$ 23,015
Miscellaneous Nonoperating Revenues	—	—	3	3	48
Miscellaneous Nonoperating Expenses	—	—	(17,062)	(17,062)	(552)
Loan Principal Repayments	3,003	—	—	3,003	—
Provision for Loan Defaults	(257)	—	—	(257)	—
Loans Forgiven	1,010	—	—	1,010	—
Change in Assets, Liabilities, Deferred Outflows and Inflows:					
Accounts Receivable	1,409	67,801	6,531	75,741	9,093
Lease Receivable	164	—	—	164	—
Inventories	1,679	—	(266)	1,413	55
Other Assets	—	—	(65)	(65)	5,750
Deferred Outflows	(71,711)	—	(35,609)	(107,320)	(42,567)
Accounts Payable	(450)	(136,085)	(7,076)	(143,611)	(11,107)
Salaries Payable	(356)	—	—	(356)	—
Claims Payable	—	—	(448)	(448)	6,824
Compensated Absences Payable	(2,206)	—	149	(2,057)	465
Unearned Revenues	(4,100)	166,613	(496)	162,017	(2,857)
Other Postemployment Benefits	4,174	—	467	4,641	292
Net Pension Liability	(193,915)	—	(27,124)	(221,039)	(35,044)
Other Liabilities	(15,112)	(123)	—	(15,235)	—
Deferred Inflows	79,867	—	8,249	88,116	12,180
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ (50,165)	$ 98,206	$ (54,822)	$ (6,781)	$ (34,405)
Net Cash Flows from Operating Activities	$ (1,311,197)	$ (1,015,853)	$ 203,646	$ (2,123,404)	$ 5,713
Noncash Investing, Capital and Financing Activities:					
Donated Capital Assets	$ 11.634	$ —	$ —	$ 11.634	$ —
Leased Capital Assets	—	—	125	125	1,463
Capital Assets Acquired though Lease	—	—	24	24	41
Bond Premium Amortization	6,204	—	—	6,204	—

The notes are an integral part of the financial statements.

STATE OF MINNESOTA
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	CUSTODIAL FUND
ASSETS			
Cash and Cash Equivalent Investments	$ 52,037	$ —	$ 131,870
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 4,144,054	$ 64,357	$ —
Investments	90,799,985	1,167,226	—
Accrued Interest and Dividends	183,942	2,324	—
Securities Trade Receivable (Payable)	(599,345)	(12,464)	—
Total Investment Pool Participation	$ 94,528,636	$ 1,221,443	$ —
Receivables:			
Accounts Receivable	$ —	$ —	$ 2,307
Interfund Receivables	15,024	—	—
Taxes Receivable	—	—	66,928
Other Receivables	116,442	—	—
Total Receivables	$ 131,466	$ —	$ 69,235
Securities Lending Collateral	$ 4,205,766	$ —	$ —
Depreciable Capital Assets (Net)	29,200	—	—
Nondepreciable Capital Assets	429	—	—
Lease Assets (Net)	96	—	—
Total Assets	$ 98,947,630	$ 1,221,443	$ 201,105
LIABILITIES			
Accounts Payable	$ 31,641	$ —	$ 163,543
Interfund Payables	15,237	—	—
Accrued Expense	83	—	—
Revenue Bonds Payable	4,965	—	—
Bond Interest	2	—	—
Lease Payable	98	—	—
Compensated Absences Payable	3,617	—	—
Securities Lending Liabilities	4,205,766	—	—
Other Liabilities	2,792	—	—
Total Liabilities	$ 4,264,201	$ —	$ 163,543
NET POSITION			
Net Position Restricted for Pensions and Pooled Investments, Individuals, Organizations, and Other Governments	$ 94,683,429	$ 1,221,443	$ 37,562

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, 2022
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	CUSTODIAL FUND
Additions:			
Contributions:			
Employer	$ 1,632,947	$ —	$ —
Member	1,901,730	—	—
Contributions From Other Sources	10,211	—	—
Participating Plans	—	13,655	—
Total Contributions	$ 3,544,888	$ 13,655	$ —
Net Investment Income (Loss):			
Investment Income (Loss)	$ (6,958,586)	$ (175,379)	$ —
Less: Investment Expenses	(98,063)	(860)	—
Net Investment Income (Loss)	$ (7,056,649)	$ (176,239)	$ —
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 34,568	$ —	$ —
Securities Lending Rebates and Fees	(14,649)	—	—
Net Securities Lending Revenue	$ 19,919	$ —	$ —
Total Investment Income (Loss)	$ (7,036,730)	$ (176,239)	$ —
Employee Insurance Trust	$ —	$ —	$ 39,666
Tax Collections for Other Governments	—	—	791,349
Legal Settlements for External Parties	—	—	979
Courts Interest Held for Other Governments and Individuals	—	—	14,168
Federal Revenue	—	—	188,183
Beneficiary Deposits - Child Support	—	—	516,262
Beneficiary Deposits - Regional Treatment Centers	—	—	5,360
Beneficiary Deposits - Corrections	—	—	30,485
Beneficiary Deposits - Veterans Homes	—	—	1,466
Miscellaneous	—	—	272
Other Additions	16,087	—	—
Transfers-In	113,419	—	—
Total Additions	$ (3,362,336)	$ (162,584)	$ 1,588,190

STATE OF MINNESOTA

FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2022
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	CUSTODIAL FUND
Deductions:			
Benefits	$ 5,864,430	$ —	$ —
Refunds and Withdrawals	576,417	72,025	—
Administrative Expenses	69,940	98	748
Employee Insurance Trust	—	—	38,704
Tax Payments to Other Governments	—	—	791,264
Legal Settlements Paid to External Parties	—	—	7,497
Court Payments to Other Governments and Individuals	—	—	10,263
Federal Revenue Pass through	—	—	268,124
Beneficiary Payments - Child Support	—	—	516,258
Beneficiary Payments - Regional Treatment Centers	—	—	5,005
Beneficiary Payments - Corrections	—	—	32,164
Beneficiary Payments - Veterans Homes	—	—	1,293
Miscellaneous	—	—	1,766
Transfers-Out	28,298	—	—
Total Deductions	$ 6,539,085	$ 72,123	$ 1,673,086
Net Increase (Decrease)	$ (9,901,421)	$ (234,707)	$ (84,896)
Net Position Restricted for Pensions, Pooled Investments, Individuals, Organizations, and Other Governments Beginning, as Reported	$ 104,580,650	$ 1,457,142	$ 122,458
Change in Reporting Entity	2,816	392	—
Change in Fund Structure	1,384	(1,384)	—
Net Position Restricted for Pensions, Pooled Investments, Individuals, Organizations, and Other Governments, Beginning, as Restated	$ 104,584,850	$ 1,456,150	$ 122,458
Net Position Restricted for Pensions, Pooled Investments, Individuals, Organizations, and Other Governments, Ending	$ 94,683,429	$ 1,221,443	$ 37,562

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2021 and JUNE 30, 2022
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 108,873	$ 214,587	$ 901,961	$ 680,499	$ 1,905,920
Investments	—	377,785	971,826	277,914	1,627,525
Accounts Receivable	370	22,732	498,845	55,188	577,135
Due from Primary Government	126	85,506	27,594	189,760	302,986
Accrued Investment/Interest Income	13,332	1,080	1,101	12,584	28,097
Federal Aid Receivable	4,151	25,637	—	1,691	31,479
Inventories	—	39,172	22,080	47	61,299
Loans and Notes Receivable	61,300	—	8,245	258,520	328,065
Leases Receivable	—	—	8,530	6,484	15,014
Other Assets	759	7,945	26,655	3,765	39,124
Total Current Assets	$ 188,911	$ 774,444	$ 2,466,837	$ 1,486,452	$ 4,916,644
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 928,027	$ 832,963	$ 77,416	$ 325,842	$ 2,164,248
Investments-Restricted	2,981,871	105,285	577,750	22,650	3,687,556
Accounts Receivable-Restricted	—	174,417	—	—	174,417
Due from Primary Government-	—	30,292	—	—	30,292
Due from Primary Government	—	—	—	1,937	1,937
Investments	—	451,958	6,000,135	—	6,452,093
Derivative Instrument-Rate Swap	15,792	—	—	—	15,792
Accounts Receivable	—	—	143,057	333,665	476,722
Loans and Notes Receivable	893,433	44,557	51,759	2,062,844	3,052,593
Leases Receivable	—	—	344,853	324,831	669,684
Leased Assets (Net)	7,021	12,053	218,605	7,150	244,829
Depreciable Capital Assets (Net)	1,296	3,439,704	2,679,268	830,654	6,950,922
Nondepreciable Capital Assets	—	2,283,766	444,859	41,493	2,770,118
Other Assets	630	—	15,165	1,301	17,096
Total Noncurrent Assets	$ 4,828,070	$ 7,374,995	$ 10,552,867	$ 3,952,367	$ 26,708,299
Total Assets	$ 5,016,981	$ 8,149,439	$ 13,019,704	$ 5,438,819	$ 31,624,943
DEFERRED OUTFLOWS OF RESOURCES					
Bond Refunding	$ 1	$ —	$ 439	$ 3,340	$ 3,780
Deferred Pension Outflows	12,107	163,150	242,875	4,075	422,207
Deferred Other Postemployment Benefits Outflows	290	56,543	9,216	74	66,123
Total Deferred Outflows of Resources	$ 12,398	$ 219,693	$ 252,530	$ 7,489	$ 492,110

STATE OF MINNESOTA
COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2021 and JUNE 30, 2022
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 28,233	$ 70,529	$ 275,084	$ 29,069	$ 402,915
Due to Primary Government	—	536	653	51,895	53,084
Unearned Revenue	—	26,762	60,385	59,887	147,034
Accrued Interest Payable	34,074	2,694	18,905	8,116	63,789
Bonds and Notes Payable	269,080	324,612	264,171	64,555	922,418
Leases Payable	1,262	779	17,310	352	19,703
Certificates of Participation Payable	—	955	—	—	955
Claims Payable	—	18,732	45,089	246,169	309,990
Compensated Absences Payable	416	32,066	237,870	181	270,533
Other Liabilities	—	—	4,447	69	4,516
Total Current Liabilities	$ 333,065	$ 477,665	$ 923,914	$ 460,293	$ 2,194,937
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ —	$ 117,691	$ 36,699	$ —	$ 154,390
Unearned Revenue-Restricted	—	192,913	—	—	192,913
Accrued Interest Payable-Restricted	—	14,067	—	—	14,067
Accounts Payable	62,951	—	—	—	62,951
Due to Primary Government	—	—	567	64,216	64,783
Unearned Revenue	—	—	7,534	3,926	11,460
Bonds and Notes Payable	3,596,772	1,747,088	1,763,964	845,482	7,953,306
Leases Payable	6,261	11,467	138,818	6,691	163,237
Certificates of Participation Payable	—	1,750	—	—	1,750
Claims Payable	—	14,451	13,164	525,843	553,458
Compensated Absences Payable	3,150	9,063	23,868	1,184	37,265
Other Postemployment Benefits	1,879	377,311	51,399	483	431,072
Net Pension Liability	544	17,024	15,523	180	33,271
Funds Held in Trust	70,388	—	355,435	262	426,085
Other Liabilities	—	—	54,092	250	54,342
Total Noncurrent Liabilities	$ 3,741,945	$ 2,502,825	$ 2,461,063	$ 1,448,517	$ 10,154,350
Total Liabilities	$ 4,075,010	$ 2,980,490	$ 3,384,977	$ 1,908,810	$ 12,349,287
DEFERRED INFLOWS OF RESOURCES					
Accumulated Increase in Fair Values of Derivative Instruments	$ 15,792	$ 6,196	$ —	$ —	$ 21,988
Bond Refunding	—	—	15,113	—	15,113
Deferred Leases	—	—	341,942	325,458	667,400
Deferred Revenue	19,785	—	—	18,217	38,002
Deferred Pension Inflows	22,585	340,064	506,779	7,626	877,054
Deferred Other Postemployment Benefits Inflows	228	6,546	4,844	59	11,677
Total Deferred Inflows of Resources	$ 58,390	$ 352,806	$ 868,678	$ 351,360	$ 1,631,234
NET POSITION					
Net Investment in Capital Assets	$ 794	$ 3,834,112	$ 1,601,543	$ 864,834	$ 6,301,283
Restricted-Expendable	1,140,323	1,181,831	3,876,041	2,194,568	8,392,763
Restricted-Nonexpendable	—	—	1,799,358	—	1,799,358
Unrestricted	(245,138)	19,893	1,741,637	126,736	1,643,128
Total Net Position	$ 895,979	$ 5,035,836	$ 9,018,579	$ 3,186,138	$ 18,136,532

The notes are an integral part of the financial statements.

STATE OF MINNESOTA
COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 and JUNE 30, 2022
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 938,029	$ 997,932	$ 4,242,380	$ 725,496	$ 6,903,837
Program Revenues:					
Charges for Services	$ 18,404	$ 356,099	$ 1,422,005	$ 149,460	$ 1,945,968
Operating Grants and Contributions	535,614	554,264	2,121,969	236,739	3,448,586
Capital Grants and Contributions	—	714,865	117,514	10,771	843,150
Net (Expense) Revenue	$ (384,011)	$ 627,296	$ (580,892)	$ (328,526)	$ (666,133)
General Revenues:					
Taxes	$ —	$ 87,640	$ —	$ —	$ 87,640
Investment Income (Loss)	(163,562)	55,867	(205,293)	8,084	(304,904)
Other Revenues	1,789	218	376,334	7,262	385,603
Total General Revenues before Grants	$ (161,773)	$ 143,725	$ 171,041	$ 15,346	$ 168,339
State Grants Not Restricted	88,822	—	727,857	343,209	1,159,888
Total General Revenues	$ (72,951)	$ 143,725	$ 898,898	$ 358,555	$ 1,328,227
Change in Net Position	$ (456,962)	$ 771,021	$ 318,006	$ 30,029	$ 662,094
Net Position, Beginning, as Reported	$ 1,283,044	$ 4,264,815	$ 8,695,992	$ 3,156,109	$ 17,399,960
Prior Period Adjustment	70,213	—	—	—	70,213
Change in Accounting Principle	(316)	—	4,581	—	4,265
Net Position, Beginning, as Restated	$ 1,352,941	$ 4,264,815	$ 8,700,573	$ 3,156,109	$ 17,474,438
Net Position, Ending	$ 895,979	$ 5,035,836	$ 9,018,579	$ 3,186,138	$ 18,136,532

The notes are an integral part of the financial statements.

Index of Notes to the Financial Statements

Notes to the Financial Statements

These notes provide disclosures relevant to the basic financial statements on the preceding pages.

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statements for the fiscal year ended June 30, 2022:

- GASB Statement No. 87 "Leases" was issued June 2017. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. See Note 4 – Loans, Notes, and Leases Receivable for details related to leases where the state is the lessor, Note 6 – Capital and Leased Assets and Note 11 – Long-Term Liabilities - Primary Government for details related to leased assets and related lease liabilities where the state is the lessee, and Note 20 – Change in Accounting Principle, Change in Reporting Entity, Change in Fund Structure, and Prior Period Adjustment for further discussion on the impacts of implementing this statement.
- GASB Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" was issued June 2018. This statement enhances the relevance and comparability of information about capital assets and the costs of borrowing for a reporting period and to simplify accounting for certain interest costs incurred before the end of a construction period. This statement has no material impact on the state.
- GASB Statement No. 92 "Omnibus 2020" was issued in January 2020. This statement addresses a variety of topics including issues related to leases, intra-entity transfers, postemployment benefits, acquisitions, risk pools, nonrecurring fair value measurements, and derivative instruments terminology. Portions of this statement were effective upon issuance and were previously implemented.
- GASB Statement No. 93 "Replacement of Interbank Offered Rates" was issued March 2020. This statement addresses the accounting and reporting implications that result from the replacement of an Interbank Offering Rate (IBOR) in hedging derivative instruments and leases. This statement has no material impact on the state.
- GASB Statement No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" was issued in June 2020. This statement will increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically

would perform. This statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans, as well as enhance the relevance, consistency, and comparability of the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and investment information for all Section 457 plans. This statement has no material impact on the state.

- Implementation Guide No. 2019-3 "Leases". This guide provides guidance to clarify, explain, or elaborate on the requirements of GASB Statement No. 87, "Leases."
- Implementation Guide No. 2020-1 "Implementation Guidance Update - 2020". This guide provides guidance to clarify, explain, or elaborate on GASB statements previously implemented.

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 whom 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 whom 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.msbi.us*
- 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 its 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 Financial 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 full 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 Financial Statements. Under the full 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 Financial Statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the Government-wide Financial 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 custodial). 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 Financial 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 Custodial 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 Custodial 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, 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, custodial, 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.

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 and Leased Assets

Capital assets and leased assets, 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. Leased assets are generally defined by the state as leased assets with a value that is more than capital assets thresholds by category noted above.

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 historical 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.

Leased assets are recorded at present value of the payments expected to be made during the lease term, plus any amounts paid or lease incentives received from the lessor at or before the commencement of the lease term and any initial direct costs necessary to place the lease asset into service. Leased assets are amortized over the shorter of the lease term or the life of the leased asset.

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 and Leased Assets for further information on capital assets and leased 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, 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 amounts of the debt issued are 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 11 – 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 Financial 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 is reported as a deferred inflow of resources on the Government-wide Financial Statements. This amount is 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. A deferred inflow of resources is also recorded for any applicable lease receivable and is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. These amounts are amortized over the term of the lease.

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 revenue 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 Financial Statements. Internal service fund activity from external customers is reported under governmental activities in the Government-wide Financial 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.

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, 2022 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 Fund (SIF) - Stable Value Fund of the pension and investment trust funds' portfolio. The investment objective of the Supplemental Investment Fund (SIF) is to protect investors from loss of their original investment and to provide a competitive interest rate. On June 30, 2022, the Supplemental Investment Fund (SIF) - Stable Value Fund had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of $1,619,261,000 that is $75,498,000 below the value protected by the wrap contract. The Supplemental Investment Fund (SIF) - Stable Value Fund also includes liquid investment pools with a combined fair value of $50,030,000.

The following table summarizes, by derivative instrument type, the investment derivative instrument activity, and June 30 positions for fiscal year 2022.

Primary Government
Derivative Instrument Activity for the Year Ended June 30, 2022
By Derivative Instrument Type
(In Thousands)

Derivative Instrument Type	Change in Fair Value	Year End Fair Value	Year End Notional Amount
Governmental Activities:			
Futures	$ (10,091)	$ —	$ 74,898
Total Governmental Activities	$ (10,091)	$ —	$ 74,898
Fiduciary Activities:			
Futures	$ (145,316)	$ —	$ 503,202
Equity Options Bought	211	—	—
Equity Options Written	42	(87)	(60)
Futures Options Bought	(6,002)	393	470
Futures Options Written	6,873	(1,425)	(7,548)
FX Forwards	333,563	242,006	27,866,695
Warrants/Stock Rights	(2,474)	32	134
Credit Default Swaps Written	(10,291)	(2,348)	212,662
Pay Fixed Interest Rate Swaps	24,919	24,476	214,650
Receive Fixed Interest Rate Swaps	(5,187)	(5,610)	164,082
Total Return Swaps Equity	(17)	—	(5,231)
Total Fiduciary Activities	$ 196,321	$ 257,437	$ 28,949,056

Credit Risk: Minnesota is exposed to credit risk through twenty-six 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 $875,959,000 should these counterparties fail to perform. These counterparties have S&P Global Ratings (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.
- 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.
- 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 Investors Service Inc (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 Custodial Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2022
(In Thousands)

Quality Rating	Fair Value
AAA	$ 2,541,802
AA	5,335,234
A	1,767,022
BBB	6,162,345
BB	91,296
B	5,156
Unrated	11,398,615
Agencies	3,922
U.S. Governments	949
Total Debt Securities	$ 27,306,341

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2022
(In Thousands)

Quality Rating	Fair Value
AAA	$ 638,718
AA	11,712,132
A	645,909
BBB	2,259,122
BB	1,134,687
B	1,006,521
CCC	439,008
CC	51,661
C	3,444
D	5,880
Unrated	4,609,283
Total Debt Securities	$ 22,506,365

Interest Rate Risk – Investments

Interest rate risk is the risk that the fair value of an investment is adversely impacted by the changes in interest rates of debt investments. 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 Custodial Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
As of June 30, 2022
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in
Debt Securities:		
Asset-Backed Securities	$ 2,720,635	1.22
Collateralized Mortgage Obligations	240,436	6.67
Corporate Debt	3,465,307	2.57
Mortgage-Backed Securities	279,980	8.13
Short-Term Investment Securities	15,703,813	0.13
State or Local Government Bonds	79,315	8.36
U.S. Agencies	1,876,266	1.30
U.S. Treasury	2,242,054	2.09
Yankee Bonds	698,535	2.29
Total Debt Securities	$ 27,306,341	

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
As of June 30, 2022
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
Asset-Backed Securities	$ 683,119	4.35
Bank Loans	274,669	5.35
Collateralized Mortgage Obligations	825,339	8.59
Corporate Debt	3,286,278	8.11
Foreign Country Bonds	259,003	9.32
Mortgage-backed Securities	1,605,138	8.09
Short-Term Investment Securities	4,370,393	0.00
State or Local Government Bonds	97,576	11.17
U.S. Agencies	351,619	11.17
U.S. Treasury	9,466,551	12.74
Yankee Bonds	1,286,680	8.15
Total Debt Securities	$ 22,506,365	

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.
- 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, 2022 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. The typical liquidation period for alternative investments including private equity, real estate, real assets and private credit ranges from three to twelve years. The majority of the distribution is received during the liquidation period, however it is not uncommon for a minimal amount of the fund to remain open while waiting final close from the investor. Cash and a portion of the short-term investments are not leveled under GASB Statement No. 72 "Fair Value Measurement and Application".

As of June 30, 2022 the alternative investments are not expected to be sold at an amount different from the NAV value of the SBI's interest in partner's capital. SBI has a total of $12,136,331,000 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 Custodial Funds
Fair Value of Investments
As of June 30, 2022
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	$ 1,990,718	$ 1,990,338	$ 380	$ —
Real Estate Investment Trust	58,271	58,271	—	—
Equity Total	$ 2,048,989	$ 2,048,609	$ 380	$ —
Fixed Income:				
Asset-backed Securities	$ 2,725,471	$ —	$ 1,945,698	$ 779,773
Mortgage-backed Securities	515,567	—	515,567	—
Corporate Bonds	6,689,548	—	6,689,548	—
Government Issues	3,697,458	4,890	3,692,568	—
Fixed Income Total	$ 13,628,044	$ 4,890	$ 12,843,381	$ 779,773
Total Investments by Fair Value	$ 15,677,033 [1]	$ 2,053,499	$ 12,843,761	$ 779,773

[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 Statement No. 72 "Fair Value Measurement and Application" and are not included in this table.

Primary Government
Pension and Investment Trust Funds
Fair Value of Investments
As of June 30, 2022
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	$ 38,131,626	$ 38,102,052	$ 22,878	$ 6,696
Real Estate Investment Trust	1,060,073	1,060,072	—	1
Other Equity	1,462,846	764,399	9,103	689,344
Equity Total	$ 40,654,545	$ 39,926,523	$ 31,981	$ 696,041
Fixed Income:				
Asset-backed Securities	$ 962,020	$ —	$ 792,407	$ 169,613
Mortgage-backed Securities	2,774,437	—	2,740,216	34,221
Corporate Bonds	5,108,674	—	5,096,742	11,932
Government Issues	10,653,810	—	10,652,134	1,676
Other Debt Instruments	687,968	—	687,968	—
Fixed Income Total	$ 20,186,909	$ —	$ 19,969,467	$ 217,442
Investment Derivatives:				
SWAPS	$ (1,614)	$ —	$ —	$ (1,614)
Options, Rights, Warrants	(106)	32	(138)	—
Investment Derivatives Total	$ (1,720)	$ 32	$ (138)	$ (1,614)
Total Investments by Fair Value	$ 60,839,734	$ 39,926,555	$ 20,001,310	$ 911,869
Investments Measured at Net Asset Value (NAV):	NAV	Number of Investments	Percent of NAV Value (%)	Unfunded Commitments
Private Equity	$ 14,853,769	190	73	$ 8,102,853
Real Estate	1,777,902	33	9	1,934,607
Real Assets	2,284,607	33	11	636,201
Private Credit	1,490,095	42	7	1,462,670
Total Investments at NAV	$ 20,406,373	298	100	$ 12,136,331
Total Investments by Fair Value and NAV	$ 81,246,107 (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 Statement No. 72 "Fair Value Measurement and Application" 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 not have exposure to any one single issuer that equaled or exceeded five percent of the overall portfolio as of June 30, 2022.

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, 2022. 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, 2022
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 2,879	$ —	$ 546,837
Brazilian Real	4,692	19,045	145,632
Canadian Dollar	4,377	25,833	928,103
Danish Krone	121	—	257,633
Euro Currency	7,417	76,415	4,150,017
Hong Kong Dollar	3,475	—	898,669
Japanese Yen	20,410	—	1,616,306
New Taiwan Dollar	578	—	376,472
Pound Sterling	6,652	20,332	1,247,919
Singapore Dollar	454	—	101,687
South African Rand	98	11,919	88,305
South Korean Won	1,676	—	362,706
Swedish Krona	640	—	229,328
Swiss Franc	1,048	—	766,551
Yuan Renminbi	(21,098)	15,022	168,577
Others	31,193	118,993	430,490
Total	$ 64,612	$ 287,559	$ 12,315,232

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, 2022, the investment pool had an average duration of 1.02 days and an average weighted maturity of 108.39 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, 2022, 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, 2022, were $5,910,244,000 and $5,686,480,000, 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 $4,205,766,000 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, 2022
(In Thousands)

Investment Type		Fair Value
Domestic Equities	$	4,363,848
U.S. Government Bonds		682,791
International Equities		314,323
Domestic Corporate Bonds		325,518
Total	$	5,686,480

Component Units

Housing Finance Agency

As of June 30, 2022, the Housing Finance Agency (HFA) had $1,036,900,000 of cash and cash equivalents and $2,981,871,000 of investments. As of June 30, 2022, $1,036,633,000 of deposits and $3,153,712,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 5.6 – 27.8 years.

HFA cash equivalents included $267,000 of investment agreements, which are generally uncollateralized, interest-bearing contracts.

HFA investments had an estimated fair value of $2,981,871,000 as of June 30, 2022. Included in these investments were US Treasuries (not rated) with a par value of $3,560,000, and $3,142,510,000 in U.S. Agencies, also at par value, having an S&P rating of AA+ and Moody's rating of Aaa. An additional $7,375,000 in municipal debt investments at par value had an S&P rating of AA+.

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 $3,790,000 and $3,149,655,000 using Level 1 and Level 2 inputs, respectively. The remaining investments of $(171,574,000) related to premiums/discounts and unrealized appreciation/depreciation.

HFA had investments in single issuers as of June 30, 2022, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of $1,514,182,000 were issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and U.S. Agencies.

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, 2022, as an asset called "Derivative Instrument-Rate Swap." The inception-to-date change in fair value as of June 30, 2022, was reported in deferred inflows of resources as "Accumulated Increase in Fair Values of Derivative Instruments."

As of June 30, 2022, HFA had interest rate swap agreements with the following counterparties: the Bank of New York Mellon (five agreements), Royal Bank of Canada (five agreements) and Wells Fargo (two agreements) for total notional amounts of $138,985,000, $171,460,000, and $78,380,000, and fair values of $9,679,000, $2,556,000, and $1,278,000, respectively. For these counterparties, the fair values for the fiscal year ended June 30, 2022, increased $13,062,000, increased $12,377,000, and increased $4,625,000, 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 Securities Industry and Financial Markets 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 Secured Overnight Financing Rate (SOFR) 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, 2021, the Metropolitan Council (MC) had $1,047,550,000 in cash and cash equivalents and $935,028,000 in investments. Of this amount, $711,033,000 was subject to rating. Using the Moody's rating scale, $332,248,000 of these investments ranged from Aaa-A1, while $378,785,000 were not rated. The remaining amount of $1,271,545,000 was not subject to rating.

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 $2,049,000 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 $925,547,000 and $538,716,000 using Level 1 and Level 2 inputs, respectively. MC measured another $229,336,000 of investments at the net asset value, while the remaining $29,377,000 was cash and cash equivalents. MC also held $250,402,000 in the Internal Equity Pool and $9,200,000 in a cash fund with the State Board of Investment (SBI) was a trust account for other post-employment benefits (OPEB).

MC changed from the simulation model to the segmented time distribution model to report the interest rate sensitivity of its investments. This change better reflects how MC manages its longer-term investments to manage interest rate risk and changes in value. The following table presents the estimated fair value of MC investments subject to interest rate risk using the segmented time distribution model.

Major Component Unit
Metropolitan Council
Fair Value of Investments
As of December 31, 2021
(In Thousands)

Fair Value of Portfolio	Estimated Fair Value
Less Than 1 Year	$ 1,530,620
1-5 Year(s)	378,500
5+ Years	73,458
Total	$ 1,982,578

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 2021, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2021, MC had 286 New York Mercantile Exchange (NYMEX) heating oil futures contracts (12.00 million gallons) acquired from April 02, 2020, through December 22, 2021, to terminate on dates from January 31, 2022, through September 29, 2023. As of December 31, 2021, the ultra-low sulfur diesel futures contracts had a fair value of $26,795,000.

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, 2022, the University of Minnesota (U of M), including its discretely presented component units, had $979,377,000 of cash and cash equivalents and $7,549,711,000 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 $819,047,000 and investments of $3,558,893,000.

As of June 30, 2022, U of M's bank balance of $158,203,000 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, 2022, $2,184,232,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $1,380,645,000 was rated AA or better
- $30,885,000 was rated BBB to A

- $4,633,000 was rated BB or lower
- $768,069,000 was not rated

The securities subject to interest rate risk were comprised of the following:

- $604,291,000 in government agencies with weighted average maturities of 2.0 to 2.3 years
- $36,475,000 in mortgage-backed securities with a weighted average maturity of 13.9 years
- $521,277,000 in cash and cash equivalents with a weighted average maturity of 0.0 years
- $154,427,000 in mutual funds with a weighted average maturity of 4.6 years
- $19,928,000 in corporate bonds with a weighted average maturity of 0.9 years
- $79,765,000 in commercial paper with a weighted average maturity of 0.3 years

As of June 30, 2022, U of M had $77,743,000 of equity investments subject to foreign currency risk. The two components of this amount are $52,911,000 in Euro Currency and $24,832,000 in British Pound Sterling.

As of June 30, 2022, none of the U of M investment holdings are subject to custodial credit risk because the investment securities are held by the University and not by a counterparty.

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 $237,162,000, $1,184,753,000, and $6,257,000 using Level 1, 2 and 3 inputs, respectively. U of M measured another $2,130,721,000 of investments at the net asset value.

Nonmajor Component Units

Nonmajor Component Units
Cash, Cash Equivalents, and Investments
As of December 31, 2021 or June 30, 2022, as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 932	$ 22,650
Minnesota Comprehensive Health Association	123	—
Minnesota Sports Facilities Authority	53,797	—
National Sports Center Foundation	3,197	—
Office of Higher Education	628,004	—
Public Facilities Authority	283,901	—
Rural Finance Authority	27,784	—
Workers' Compensation Assigned Risk Plan	8,603	277,914
Total	$ 1,006,341	$ 300,564

Note 3 – Disaggregation of Receivables

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2022
(In Thousands)

	Governmental Activities			
Description	General Fund[2]	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 1,349,875	$ —	$ —	$ 1,349,875
Sales and Use	962,523	—	36,154	998,677
Property	386,065	—	—	386,065
Health Care Provider	498,984	—	—	498,984
Motor Vehicle/Fuel	—	—	71,036	71,036
Others	58,522	—	39,089	97,611
Child Support	22,101	20,597	129	42,827
Workers' Compensation	—	—	14,232	14,232
Others	473,718	495,694	148,354	1,117,766
Net Receivables	$ 3,751,788	$ 516,291	$ 308,994	$ 4,577,073

	Business-type Activities			
Description	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	$ —	$ 346,150	$ —	$ 346,150
Tuition and Fees[3]	59,702	—	—	59,702
Others	—	—	37,308	37,308
Net Receivables	$ 59,702	$ 346,150	$ 37,308	$ 443,160
Total Government-wide Net Receivables				$ 5,020,233

[1] Includes $83.259 million for Internal Service Funds, less Internal Service Fund eliminations of $78.175 million among Governmental Activities.

[2] Includes $213 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 $278.509 million.

Accounts receivable are reported net of allowances for uncollectible amounts. Significant uncollectible amounts are:

- Corporate and Individual Taxes $202,170,000
- Sales and Use Taxes $44,148,000
- Child Support $93,230,000

Receivable balances not expected to be collected within one year are:

- Corporate and Individual Taxes $303,622,000
- Sales and Use Taxes $98,430,000
- Child Support $41,069,000
- Health Care Provider $101,115,000
- Other Receivables $172,934,000

Note 4 – Loans, Notes, and Leases Receivable

Primary Government

The following table is the loans and notes receivable, net of allowances outstanding as of June 30, 2022.

Primary Government
Loans and Notes Receivable, Net of Allowance
As of June 30, 2022
(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	$ —	$ —	$ —	$ 9,142	$ 9,142
Economic Development	71,317	4,767	34,206	—	110,290
School Districts	1,441	—	—	—	1,441
Agricultural, Environmental and Energy Resources	—	—	85,232	—	85,232
Transportation	—	—	1,841	—	1,841
Others	6,846	—	428	1,368	8,642
Total	$ 79,604	$ 4,767	$ 121,707	$ 10,510	$ 216,588

The state implemented GASB Statement No. 87 "Leases" in fiscal year 2022. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources. The state has entered into various lease arrangements where the state is the lessor in the lease agreements for building space and vehicles. Lease term ranges vary from two to twelve years. The lease receivable was calculated based on the interest rate charged on the lease, if available, or the state's average annual short-term monthly incremental borrowing rate.

In the governmental activities, there is one building space lease agreement through the Iron Range Resources and Rehabilitation (IRRR) to which the lessee has capital spending credits that can reduce or eliminate their lease payments. For fiscal year 2022, the lessee exercised this option to eliminate their lease payments to the state. There are more than two hundred leases for vehicles.

Minnesota State Colleges and University Fund (MnSCU) (enterprise fund) has entered into several lease agreements, primarily for building space.

For further information on leases, see Note 6 – Capital and Leased Assets and Note 11 – Long-Term Liabilities - Primary Government.

Primary Government
Leases Receivable and Revenue
As of and for the Year June 30, 2022
(In Thousands)

Primary Government	Leases Receivable	Lease Revenue
Nonmajor Special Revenue Funds	$ 6,558	$ 1,123
Internal Service Funds	2,793	1,641
State Colleges and Universities Fund	13,660	2,839
Non-Major Enterprise Funds	125	11
Total	$ 23,136	$ 5,614

Component Units

The following table is the loans and notes receivable, net of allowances outstanding as of June 30, 2022.

Component Units
Loans and Notes Receivable
As of December 31, 2021 or June 30, 2022, as applicable
(In Thousands)

Component Unit	Loans and Notes Receivable
Housing Finance Agency	$ 954,733
Metropolitan Council	44,557
University of Minnesota	60,004
National Sports Center Foundation	496
Office of Higher Education	422,813
Public Facilities Authority	1,801,259
Rural Finance Authority	96,796
Total	$ 3,380,658

The following table is a schedule of leases receivable resulting from the implementation of GASB Statement No. 87 "Leases" for the state's component units. The detail supporting the leases receivable of the discretely presented component units of the state can be found within the individual component units' financial statements and notes.

Component Units
Leases Receivable
As of December 31, 2021 or June 30, 2022, as applicable
(In Thousands)

Component Unit	Leases Receivable
University of Minnesota	$ 353,383
Minnesota Sports Facility Authority	331,315
Total	$ 684,698

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, 2022
(In Thousands)

Description	Amount
Due to the General Fund From:	
Nonmajor Governmental Funds	$ 14,084
Nonmajor Enterprise Funds	24,102
Internal Service Funds	50,891
Fiduciary Funds	213
Total Due to General Fund From Other Funds	$ 89,290
Due to the Federal Fund From:	
Unemployment Insurance Fund	$ 34
Total Due to Federal Fund From Other Funds	$ 34
Due to the State Colleges and Universities Fund From:	
Nonmajor Governmental Funds	$ 29,936
Total Due to State Colleges and Universities Fund From Other Funds	$ 29,936
Due to Nonmajor Enterprise Funds From:	
General Fund	$ 4,763
Internal Service Funds	1,300
Total Due to Nonmajor Enterprise Funds From Other Funds	$ 6,063
Due to Fiduciary Funds From:	
Fiduciary Funds	$ 15,024
Total Due to Fiduciary Funds From Other Funds	$ 15,024
Due to Nonmajor Governmental Funds From:	
General Fund	$ 91
Unemployment Insurance Fund	14,850
Nonmajor Governmental Funds	159,947
Nonmajor Enterprise Funds	2,622
Total Due to Nonmajor Governmental Funds From Other Funds	$ 177,510

Primary Government
Interfund Transfers
Year Ended June 30, 2022
(In Thousands)

Description	Amount
Transfers to the General Fund From:	
Federal Fund	$ 46,425
Nonmajor Governmental Funds	60,094
Nonmajor Enterprise Funds	137,786
Internal Service Funds	15,801
Total Transfers to General Fund From Other Funds	$ 260,106
Transfers to the Federal Fund From:	
Unemployment Insurance Fund	$ 13
Nonmajor Governmental Funds	1,160
Total Transfers to Federal Fund From Other Funds	$ 1,173
Transfers to the State Colleges and Universities Fund From:	
General Fund	$ 783,294
Nonmajor Governmental Funds	44,247
Total Transfers to State Colleges and Universities Fund From Other Funds	$ 827,541
Transfers to the Unemployment Insurance Fund From:	
General Fund	$ 405,825
Nonmajor Governmental Funds	1,336
Total Transfers to the Unemployment Insurance Fund From Other Funds	$ 407,161
Transfers to Fiduciary Funds From:	
General Fund	$ 85,121
Fiduciary Funds	28,298
Total Transfers to Fiduciary Funds From Other Funds	$ 113,419
Transfers to Nonmajor Governmental Funds From:	
General Fund	$ 763,227
Federal Fund	152
Nonmajor Governmental Funds	323,871
Nonmajor Enterprise Funds	34,845
Internal Service Funds	16,997
Total Transfers to Nonmajor Governmental Funds From Other Funds	$ 1,139,092
Transfers to Nonmajor Enterprise Funds From:	
General Fund	$ 24,023
Nonmajor Governmental Funds	1,260
Total Transfers to Nonmajor Enterprise Funds From Other Funds	$ 25,283

Component Units

Primary Government and Component Units
Receivables and Payables
As of December 31, 2021 or June 30, 2022, as applicable
(In Thousands)

Component Units	Due from Primary Government	Due to Primary Government
Major Component Units:		
Housing Finance Agency	$ 126	$ —
Metropolitan Council	115,798	536
University of Minnesota	27,594	1,220
Total Major Component Units	$ 143,518	$ 1,756
Nonmajor Component Units	191,697	116,111
Total Component Units	$ 335,215	$ 117,867

Primary Government	Due from Component Units	Due to Component Units
Major Governmental Funds:		
General Fund	$ 451	$ 92,966
Federal Fund	—	158,181
Total Major Governmental Funds	$ 451	$ 251,147
Nonmajor Governmental Funds	97,520	13,671
Nonmajor Enterprise Funds	—	11
Total Primary Government	$ 97,971	$ 264,829 [1]

[1] Due to Component Units on the Government-wide Statement of Net Position totals $267.060 million and includes $2.231 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 $19,896,000 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 $70,386,000 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 $2,231,000 loans payable disclosed above.

Note 6 – Capital and Leased Assets

Primary Government

Primary Government
Capital Asset Activity
Government-wide Governmental Activities
Year Ended June 30, 2022
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Governmental Activities:				
Capital Assets not Depreciated:				
Land	$ 2,844,724	$ 57,386	$ (3,376)	$ 2,898,734
Buildings, Structures, Improvements	342,252	—	—	342,252
Construction in Progress	217,477	168,669	(102,775)	283,371
Development in Progress	244,144	62,463	(42,672)	263,935
Infrastructure	12,278,516	461,224	(6,353)	12,733,387
Easements	516,407	38,873	(909)	554,371
Art and Historical Treasures	9,071	—	—	9,071
Total Capital Assets not Depreciated	$ 16,452,591	$ 788,615	$ (156,085)	$ 17,085,121
Capital Assets Depreciated:				
Buildings, Structures, Improvements [(1)]	$ 3,506,622	$ 34,110	$ (17,523)	$ 3,523,209
Infrastructure	452,059	62,716	—	514,775
Internally Generated Computer Software	402,586	42,956	(1,099)	444,443
Easements	4,028	—	—	4,028
Equipment, Furniture, Fixtures	967,963	75,697	(59,814)	983,846
Total Capital Assets Depreciated	$ 5,333,258	$ 215,479	$ (78,436)	$ 5,470,301
Accumulated Depreciation for:				
Buildings, Structures, Improvements [(1)]	$ (1,612,077)	$ (96,103)	$ 8,190	$ (1,699,990)
Infrastructure	(151,504)	(16,245)	—	(167,749)
Internally Generated Computer Software	(225,510)	(45,679)	504	(270,685)
Easements	(1,329)	(92)	—	(1,421)
Equipment, Furniture, Fixtures	(584,276)	(68,896)	48,196	(604,976)
Total Accumulated Depreciation	$ (2,574,696)	$ (227,015)	$ 56,890	$ (2,744,821)
Total Capital Assets Depreciated, Net	$ 2,758,562	$ (11,536)	$ (21,546)	$ 2,725,480
Leased Capital Assets Amortized[(1)]:				
Buildings, Structures, Improvements	$ 411,140	$ 42,910	$ (940)	$ 453,110
Easements	88	191	—	279
Equipment, Furniture, Fixtures	8,093	—	—	8,093
Total Leased Capital Assets Amortized	$ 419,321	$ 43,101	$ (940)	$ 461,482
Accumulated Amortization for[(1)]:				
Buildings, Structures, Improvements	$ —	$ (61,529)	$ —	$ (61,529)
Easements	—	(187)	—	(187)
Equipment, Furniture, Fixtures	—	(3,857)	—	(3,857)
Total Accumulated Amortization	$ —	$ (65,573)	$ —	$ (65,573)
Total Leased Capital Assets Amortized, Net	$ 419,321	$ (22,472)	$ (940)	$ 395,909
Governmental Act. Capital Assets, Net	$ 19,630,474	$ 754,607	$ (178,571)	$ 20,206,510

(1) The beginning balance has been restated as a result of the implementation of GASB 87 "Leases" in fiscal year 2022.

Capital outlay expenditures in the governmental funds totaled $876,303,000 for fiscal year 2022. Donations of general capital assets received were valued at $15,042,000. Transfers of $143,355,000 were primarily from construction in progress for completed projects. Internal service funds had additions of $12,495,000.

Primary Government
Capital Asset Activity
Government-wide Business-type Activities
Year Ended June 30, 2022
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Capital Assets not Depreciated:				
Land	$ 93,934	$ —	$ (513)	$ 93,421
Intangible Capital Asset	596	—	—	596
Construction in Progress	73,166	67,498	(48,660)	92,004
Total Capital Assets not Depreciated	$ 167,696	$ 67,498	$ (49,173)	$ 186,021
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 3,967,581	$ 50,601	$ (7,816)	$ 4,010,366
Infrastructure	30,251	320	—	30,571
Library Collections	34,686	4,573	(5,711)	33,548
Internally Generated Computer Software	64,877	1,957	(1,644)	65,190
Equipment, Furniture, Fixtures	350,705	15,794	(10,327)	356,172
Total Capital Assets Depreciated	$ 4,448,100	$ 73,245	$ (25,498)	$ 4,495,847
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (2,160,868)	$ (122,859)	$ 4,022	$ (2,279,705)
Infrastructure	(19,256)	(1,185)	—	(20,441)
Library Collections	(20,571)	(4,793)	5,711	(19,653)
Internally Generated Computer Software	(35,069)	(6,934)	1,644	(40,359)
Equipment, Furniture, Fixtures	(282,163)	(16,926)	10,278	(288,811)
Total Accumulated Depreciation	$ (2,517,927)	$ (152,697)	$ 21,655	$ (2,648,969)
Total Capital Assets Depreciated, Net	$ 1,930,173	$ (79,452)	$ (3,843)	$ 1,846,878
Leased Capital Assets Amortized[(1)]:				
Buildings, Structures, Improvements	$ 31,476	$ 24	$ (1)	$ 31,499
Equipment, Furniture, Fixtures	13,397	—	—	13,397
Total Leased Capital Assets Amortized	$ 44,873	$ 24	$ (1)	$ 44,896
Accumulated Amortization for[(1)]:				
Buildings, Structures, Improvements	$ —	$ (7,538)	$ —	$ (7,538)
Equipment, Furniture, Fixtures	—	(4,326)	—	(4,326)
Total Accumulated Amortization	$ —	$ (11,864)	$ —	$ (11,864)
Total Leased Capital Assets Amortized, Net	$ 44,873	$ (11,840)	$ (1)	$ 33,032
Business-type Act. Capital Assets, Net	$ 2,142,742	$ (23,794)	$ (53,017)	$ 2,065,931

(1) The beginning balance has been restated as a result of the implementation of GASB 87 "Leases" in fiscal year 2022.

Transfers for Business-type Activities totaling $48,322,000 primarily related to construction in progress for completed projects.

Primary Government
Capital Asset Activity
Fiduciary Funds
Year Ended June 30, 2022
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Capital Assets not Depreciated:				
Land	$ 429	$ —	$ —	$ 429
Construction in Progress	182	31	(213)	—
Total Capital Assets not Depreciated	$ 611	$ 31	$ (213)	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,763	$ —	$ —	$ 29,763
Internally Generated Computer Software	36,020	—	—	36,020
Equipment, Furniture, Fixtures	7,810	213	—	8,023
Total Capital Assets Depreciated	$ 73,593	$ 213	$ —	$ 73,806
Accumulated Depreciation for:				
Buildings	$ (14,910)	$ (816)	$ —	$ (15,726)
Internally Generated Computer Software	(18,846)	(3,064)	—	(21,910)
Equipment, Furniture, Fixtures	(6,463)	(507)	—	(6,970)
Total Accumulated Depreciation	$ (40,219)	$ (4,387)	$ —	$ (44,606)
Total Capital Assets Depreciated, Net	$ 33,374	$ (4,174)	$ —	$ 29,200
Leased Capital Assets, Amortized[(1)]:				
Equipment, Furniture, Fixtures	$ 122	$ —	$ —	$ 122
Total Leased Capital Assets Amortized	$ 122	$ —	$ —	$ 122
Accumulated Amortization for[(1)]:				
Equipment, Furniture, Fixtures	$ —	$ (26)	$ —	$ (26)
Total Accumulated Amortization	$ —	$ (26)	$ —	$ (26)
Total Leased Capital Assets Amortized, Net	$ 122	$ (26)	$ —	$ 96
Fiduciary Funds, Capital Assets, Net	$ 34,107	$ (4,169)	$ (213)	$ 29,725

(1) The beginning balance has been restated as a result of the implementation of GASB 87 "Leases" in fiscal year 2022.

For further information on Primary Government leases receivable and lease liabilities, see Note 4 – Loans, Notes, and Leases Receivable and Note 11 – Long-Term Liabilities - Primary Government.

Primary Government
Depreciation/Amortization Expense
Government-wide
Year Ended June 30, 2022
(In Thousands)

Function	Depreciation/Amortization Expense
Governmental Activities:	
Agricultural, Environmental & Energy Resources	$ 33,768
Economic and Workforce Development	10,382
General Education	7,808
General Government	56,217
Health and Human Services	58,922
Higher Education	356
Public Safety and Corrections	53,073
Transportation	49,047
Internal Service Funds	23,015
Total Governmental Activities	$ 292,588
Business-type Activities:	
State Colleges and Universities	$ 146,636
Lottery	628
Others	17,297
Total Business-type Activities	$ 164,561

Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2022
(In Thousands)

Description	Administration	Transportation
Authorization	$ 758,460	$ 1,861,980
Less: Expended (through June 30)	(646,666)	(1,700,266)
Less: Unexpended Commitment	(58,404)	(128,192)
Remaining Available Authorization	$ 53,390	$ 33,522

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation consisting of 2,512,453 total acres as of June 30, 2022.

Component Units

Component Units
Capital Assets
As of December 31, 2021 or June 30, 2022, 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	$ —	$ 258,212	$ 240,028	$ 40,434	$ 538,674
Construction in Progress	—	2,025,554	84,851	1,059	2,111,464
Museums and Collections	—	—	119,975	—	119,975
Easements	—	—	5	—	5
Total Capital Assets not Depreciated	$ —	$ 2,283,766	$ 444,859	$ 41,493	$ 2,770,118
Capital Assets Depreciated:					
Buildings, Structures, Improvements	$ —	$ 5,260,438	$ 4,954,779	$ 870,441	$11,085,658
Infrastructure	—	—	458,345	32,838	491,183
Library	—	—	181,406	—	181,406
Internally Generated Computer Software	8,600	—	201,004	—	209,604
Equipment, Furniture, Fixtures	3,659	1,387,550	849,475	238,532	2,479,216
Other Intangibles	—	—	6,903	—	6,903
Total Capital Assets Depreciated	$ 12,259	$ 6,647,988	$ 6,651,912	$ 1,141,811	$14,453,970
Total Accumulated Depreciation	$ (10,963)	$ (3,208,284)	$(3,997,003)	$ (311,157)	$(7,527,407)
Total Capital Assets Depreciated, Net	$ 1,296	$ 3,439,704	$ 2,654,909	$ 830,654	$ 6,926,563
Leased Capital Assets Amortized:					
Buildings, Structures, Improvements	$ 9,626	$ 8,810	$ 257,320	$ 6,290	$ 282,046
Easements	—	4,163	513	—	4,676
Equipment, Furniture, Fixtures	—	—	3,605	1,175	4,780
Total Leased Capital Assets Amortized	$ 9,626	$ 12,973	$ 261,438	$ 7,465	$ 291,502
Total Accumulated Amortization	$ (2,605)	$ (920)	$ (42,833)	$ (315)	$ (46,673)
Total Capital Assets Depreciated/ Amortized, Net[1]	$ 7,021	$ 12,053	$ 218,605	$ 7,150	$ 244,829
Component Units Capital Assets, Net	$ 8,317	$ 5,735,523	$ 3,318,373	$ 879,297	$ 9,941,510

[1] In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of $24.359 million as of June 30, 2022.

Note 7 – Disaggregation of Payables

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2022
(In Thousands)

Description	Governmental Activities: General Fund	Governmental Activities: Federal Fund	Governmental Activities: Nonmajor Governmental Funds[1]	Governmental Activities: Total
School Aid Programs	$ 1,013,386	$ 489,404	$ 935	$ 1,503,725
Tax Refunds	1,309,744	—	—	1,309,744
Medical Care Programs	832,473	1,856,679	11,689	2,700,841
Grants	422,652	224,367	375,425	1,022,444
Salaries and Benefits	164,678	29,639	84,410	278,727
Vendors/Service Providers	224,431	399,818	290,353	914,602
Net Payables	$ 3,967,364	$ 2,999,907	$ 762,812	$ 7,730,083

Description	Business-type Activities: State Colleges and Universities	Business-type Activities: Unemployment Insurance	Business-type Activities: Nonmajor Enterprise Funds	Business-type Activities: Total
Salaries and Benefits	$ 145,460	$ —	$ 13,479	$ 158,939
Vendors/Service Providers	57,092	46,784	52,990	156,866
Net Payables	$ 202,552	$ 46,784	$ 66,469	$ 315,805
Total Government-wide Net Payables				$ 8,045,888

[1] Includes $40.867 million for Internal Service Funds, less Internal Service Fund eliminations of $78.175 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 annual comprehensive 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, 2022, 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, 2550 University Ave W 312N, St. Paul, MN 55114-1005.

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. Fifteen 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. Two employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	Members hired before July 1, 2010: 2.4 percent of the high-five average salary for each year of allowable service. Members hired on or after July 1, 2010: 2.2 percent of the high-five average salary for each year of allowable service.
Annual Benefit Increase	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 430 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. Approximately 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 through 2105, and 1.5 percent thereafter.

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	GERF	P&FF	TRF[1]
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%	18.85%	7.5-11.78%	17.7%	8.34-12.34%
Non-Employer Contributing Entity	$ —	$ —	$ 16,000	$ 9,000	$ 31,087
Primary Government Contributions – Reporting Period	$ 161,340	$ 54,939	$ 17,582	$ 9,586	$ 48,226

(1) An additional contribution of 3.64 percent of salary from Special School District No.1 brings the top of the Employer contribution range to 15.98 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2024. Employer contribution rate increases by 0.41 percent over the next two years.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Summary of Pension Amounts
As of June 30, 2022
(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	$ 62,413	$ 441,892	$ 13,819	$ 2,149	$ 150,864	$ 671,137
Non-Employer Contributing Entity	—	—	126,546	33,209	279,641	439,396
Total	$ 62,413	$ 441,892	$ 140,365	$ 35,358	$ 430,505	$ 1,110,533
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:						
Current Year Measurement Date	76.55%	99.96%	3.29%	4.58%	9.84%	
Prior Year Measurement Date	75.21%	99.95%	3.36%	4.88%	10.23%	
Deferred Outflows of Resources	$ 1,390,056	$ 278,685	$ 104,148	$ 101,699	$ 217,650	$ 2,092,238
Deferred Inflows of Resources	$ 2,593,096	$ 329,576	$ 137,646	$ 97,078	$ 862,913	$ 4,020,309
Net Pension Expense	$	$ (121,911)	$ 25,600	$ 11,638	$ (41,675)	$(1,707,838)

(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]	CERF[1]	GERF[1]	P&FF[2]	TRF[3]
Actuarial Valuation/ Measurement Date	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021
Long-Term Expected Rate	6.50%	6.50%	6.50%	6.50%	7.00%
20 Year Municipal Bond Rate[4]	1.92%	1.92%	1.92%	1.92%	2.13%
Experience Study Dates	2014-2018	2015-2019	2014-2018	2015-2019	2014-2018
Inflation	2.25%	2.25%	2.25%	2.25%	2.50%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	Service Related Rates	2.85-9.25%
Payroll Growth	3.00%	3.00%	3.00%	3.00%	3.00%

(1) For SERF, CERF, and GERF mortality rate assumptions, the Pub-2010 General Mortality Table was used and adjusted for mortality improvements based on Scale MP-2018 for SERF, Scale MP-2019 for CERF, and Scale MP-2020 for GERF. There are various adjustments in each plan to match experience. For the prior measurement period, Scale MP-2019 was used for GERF, and the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2015 for CERF. In fiscal year 2023, GERF will adjust for mortality improvements based on Scale MP-2021.

(2) For P&FF mortality rate assumptions, the Pub-2010 Public Safety Mortality Table was used and adjusted for mortality improvements based on Scale MP-2020. There are various adjustments to match experience. For the prior measurement period, the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2019. In fiscal year 2023, P&FF will adjust for mortality improvements based on Scale MP-2021.

(3) For TRF mortality rate assumptions, the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2015. There are various adjustments to match experience.

(4) Source: Fidelity Index for SERF, CERF, GERF, and P&FF and Bond Buyers for TRF.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Outflows of Resources
As of June 30, 2022
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
Difference Between Expected and Actual Experience	$ 15,446	$ 7,799	$ 862	$ 6,791	$ 11,660	$ 42,558
Changes in Assumption	1,148,417	215,556	85,704	51,967	157,764	1,659,408
Change in Proportionate Difference Between Actual Contributions and Proportionate Share of Contributions	64,853	391	—	33,355	—	98,599
Contributions Subsequent to the Measurement Date	161,340	54,939	17,582	9,586	48,226	291,673
Total	$1,390,056	$ 278,685	$ 104,148	$ 101,699	$ 217,650	$2,092,238

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Inflows of Resources
As of June 30, 2022
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
Difference Between Expected and Actual Experience	$ 7,206	$ 4,487	$ 4,296	$ —	$ 12,194	$ 28,183
Changes in Assumption	859,837	123,514	3,105	19,427	388,407	1,394,290
Net Difference Between Projected and Actual Earnings on Investment	1,726,053	201,469	121,562	67,561	360,977	2,477,622
Change in Proportionate Share of Contributions	—	106	8,683	10,090	101,335	120,214
Total	$ 2,593,096	$ 329,576	$ 137,646	$ 97,078	$ 862,913	$ 4,020,309

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, 2022
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
2023	$ (853,611)	$ (120,620)	$ (13,045)	$ (10,678)	$ (323,688)	$ (1,321,642)
2024	(164,013)	9,421	(3,999)	10,452	(241,163)	(389,302)
2025	(176,267)	7,380	(1,515)	(6,097)	(72,305)	(248,804)
2026	(170,489)	(2,011)	(32,521)	(9,172)	(79,737)	(293,930)
2027	—	—	—	10,530	23,404	33,934
Net Pension Expense	$ (1,364,380)	$ (105,830)	$ (51,080)	$ (4,965)	$ (693,489)	$ (2,219,744)
Deferred Outflow of Resources as a Reduction to Net Pension Liability	161,340	54,939	17,582	9,586	48,226	291,673
Net Deferred Outflows (Inflows) of Resources	$ (1,203,040)	$ (50,891)	$ (33,498)	$ 4,621	$ (645,263)	$ (1,928,071)

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan

The St. Paul Teachers' Retirement Fund (SPTRF) covers teachers and other related professionals employed by St. Paul Public Schools, St. Paul College, charter schools within the City of St. Paul, and SPTRF staff. The plan provides retirement, survivor, and disability benefits.

Membership Types	Basic membership: Participants who are not covered by the Social Security Act. Coordinated membership: Participants who are covered by the Social Security Act.

Benefit Formula	Members hired before July 1, 1989: Tier 1 or Tier 2 formula, whichever is greater. Members hired on or after July 1, 1989: Tier 2 formula. Tier 1 Formula: Coordinated members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service prior to July 1, 2015, and 1.4 percent for any of the first 10 years after that date. For allowable years of service after the first ten years, Coordinated members receive 1.7 percent for each year prior to July 1, 2015 and 1.9 percent for years after that date. Basic members receive 2.0 percent of the high-five average salary for all years of allowable service. The Tier 1 formula also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater). Tier 2 Formula: Coordinated members receive 1.7 percent of the high-five average salary for all years of allowable service prior to July 1, 2015 and 1.9 percent for years thereafter. Basic members receive 2.5 percent of the high-five average salary for all years of allowable service. The Tier 2 formula provides full benefits at normal retirement age. Not eligible for benefits under the Rule of 90
Annual Benefit Increase	1.0 percent fixed rate. 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)	8.59-12.09%
Primary Government as Non-Employer Contributing Entity - Statutory Requirement	$ 15,665
Primary Government Contributions - Reporting Period	$ 15,684

(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 15.73 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2024 and Employer contribution rates increase by 0.41 percent over the next two years.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Summary of Pension Amounts
As of June 30, 2022
(In Thousands)

Description	SPTRF[1]
Primary Government's Proportionate Share of the Net Pension Liability as an:	
Employer	$ 230
Non-Employer Contributing Entity	134,248
Total	$ 134,478
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:	
Current Measurement Date	30.95%
Prior Measurement Date	31.75%
Deferred Outflows of Resources	$ 19,880
Deferred Inflows of Resources	$ 53,803
Net Pension Expense	$ 12,809

(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, 2021
Long-Term Expected Rate	7.50%
20 Year Municipal Bond Rate[2]	1.92%
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-2020 for the current measurement period and Scale MP-2019 for the prior measurement period. 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, 2022
(In Thousands)

Description	SPTRF
Difference Between Expected and Actual Experience	$ 4,196
Contributions Subsequent to the Measurement Date	15,684
Total	$ 19,880

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Inflows of Resources
As of June 30, 2022
(In Thousands)

Description	SPTRF
Difference Between Expected and Actual Experience	$ 2,346
Changes in Assumption	2,587
Net Difference Between Projected and Actual Earnings on Investment	41,811
Change in Proportionate Share of Contributions	7,059
Total	$ 53,803

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, 2022
(In Thousands)

Description	SPTRF
2023	$ (16,778)
2024	(8,876)
2025	(9,827)
2026	(14,126)
Net Pension Expense	$ (49,607)
Deferred Outflow of Resources as a Reduction to Net Pension Liability	15,684
Net Deferred Outflows (Inflows) of Resources	$ (33,923)

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 194 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 $15,000 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 through December 31, 2021, and 1.5 percent thereafter. For the prior measurement period the benefit increase of 1.75 percent was projected through 2041, 2.0 percent through 2058, 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%	15.4%
Employer	22.5% [3]	N/A [1]	23.1% [2]
Primary Government Contributions – Reporting Period	$ 18,248	$ 8,682	$ 32,258

(1) Employer contributions are funded on a pay-as-you-go basis.

(2) Additional supplemental employer contributions rate increased by 2.0 percent to 7.0 percent in fiscal year 2022. This brings the top of the Employer contribution range to 30.1 percent. The 7.0 percent will remain in effect until the 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	394	357	1,121
Members Entitled to, but not Receiving Benefits	19	27	69
Active Members	320	12	912

Primary Government Administered Single-Employer Plans
Summary of Pension Amounts
As of June 30, 2022
(In Thousands)

Description	JRF	LRF	SPRF	Total
Net Pension Liability	$ 152,445	$ 140,796	$ 154,131	$ 447,372
Deferred Outflows of Resources	38,609	8,682	110,085	157,376
Deferred Inflows of Resources	37,580	—	187,889	225,469
Net Pension Expense	4,449	2,646	812	7,907

Primary Government Administered Single-Employer Plans
Actuarial Assumptions

Description	JRF[1]	LRF[1]	SPRF[1]
Actuarial Valuation / Measurement Date	June 30, 2021	June 30, 2021	June 30, 2021
Long-Term Expected Rate	6.50%	6.50%	6.50%
20 Year Municipal Bond Rate[2]	1.92%	1.92%	1.92%
Experience Study Dates	2015-2019	N/A	2015-2019
Inflation	2.25%	2.25%	2.25%
Salary Increases	2.50%	4.25%	Service Related Rates
Payroll Growth	2.50%	N/A	3.00%

(1) For mortality rate assumptions, the Pub-2010 General Mortality Table was used and adjusted for mortality improvements based on Scale MP-2019 for JRF and SPRF, and Scale MP-2018 for LRF. There are various adjustments in each plan to match experience. For the prior measurement period, the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2015.

(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, 2022
(In Thousands)

Description	JRF	LRF	SPRF	Total
Total Pension Liability (TPL):				
Service Cost	$ 10,204	$ 657	$ 21,795	$ 32,656
Interest on the Total Pension Liability	29,568	3,498	72,625	105,691
Benefit Changes	(9,525)	—	—	(9,525)
Difference Between Expected and Actual Experience of the Total Pension Liability	(1,481)	(527)	1,596	(412)
Changes in Assumptions	24,695	(942)	90,144	113,897
Benefit Payments, Including Refunds of Member Contributions	(27,038)	(8,679)	(63,210)	(98,927)
Net Change in Total Pension Liability	$ 26,423	$ (5,993)	$ 122,950	$ 143,380
Total Pension Liability, Beginning	$ 402,660	$ 146,789	$ 989,045	$ 1,538,494
Total Pension Liability, Ending	$ 429,083	$ 140,796	$ 1,111,995	$ 1,681,874
Fiduciary Net Position (FNP):				
Contributions – Employer	$ 17,915	$ 8,639	$ 25,809	$ 52,363
Contributions – Member	4,166	77	13,606	17,849
Net Investment Income	64,934	—	224,273	289,207
Benefit Payments, Including Refunds of Member Contributions	(27,038)	(8,679)	(63,210)	(98,927)
Pension Plan Administrative Expenses	(76)	(37)	(204)	(317)
Net Change in Plan Fiduciary Net Position	$ 59,901	$ —	$ 200,274	$ 260,175
Plan Fiduciary Net Position, Beginning	$ 216,737	$ —	$ 757,590	$ 974,327
Plan Fiduciary Net Position, Ending	$ 276,638	$ —	$ 957,864	$ 1,234,502
Net Pension Liability (NPL)	$ 152,445	$ 140,796	$ 154,131	$ 447,372

Primary Government Administered Single-Employer Plans
Deferred Outflows of Resources
As of June 30, 2022
(In Thousands)

Description	JRF	LRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 605	$ —	$ 2,707	$ 3,312
Changes in Assumption	19,756	—	75,120	94,876
Contributions Subsequent to the Measurement Date	18,248	8,682	32,258	59,188
Total	$ 38,609	$ 8,682	$ 110,085	$ 157,376

Primary Government Administered Single-Employer Plans
Deferred Inflows of Resources
As of June 30, 2022
(In Thousands)

Description	JRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 1,667	$ 3,549	$ 5,216
Changes in Assumption	—	61,080	61,080
Net Difference Between Projected and Actual Earnings on Investment	35,913	123,260	159,173
Total	$ 37,580	$ 187,889	$ 225,469

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, 2022
(In Thousands)

Description	JRF	LRF	SPRF	Total
2023	$ (4,485)	$ —	$ (58,447)	$ (62,932)
2024	(3,672)	—	(35,303)	(38,975)
2025	(3,932)	—	(13,131)	(17,063)
2026	(5,130)	—	(18,471)	(23,601)
2027	—	—	15,290	15,290
Net Pension Expense	$ (17,219)	$ —	$ (110,062)	$ (127,281)
Deferred Outflow of Resources as a Reduction to Net Pension Liability	18,248	8,682	32,258	59,188
Net Deferred Outflows (Inflows) of Resources	$ 1,029	$ 8,682	$ (77,804)	$ (68,093)

Summary of Defined Benefit Plans

Summary of Defined Benefit Plans
As of June 30, 2022
(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 Liability	$ 1,110,533	$ 134,478	$ 447,372	$ 1,692,383
Deferred Outflows of Resources	2,092,238	19,880	157,376	2,269,494
Deferred Inflows of Resources	4,020,309	53,803	225,469	4,299,581
Net Pension Expense	(1,707,838)	12,809	7,907	(1,687,122)

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, 2022

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Geometric Mean)
Domestic Stocks	33.50 %	5.10 %
International Stocks	16.50 %	5.30 %
Bonds	25.00 %	0.75 %
Alternative Assets	25.00 %	5.90 %
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, 2022
(In Thousands)

	With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Plan	Rate	NPL(1)	Rate	NPL(1)	Rate	NPL(1)
SERF(3)(4)	5.50 %	$ 1,799,982	6.50 %	$ 62,413	7.50 %	$
CERF(3)(4)	5.50 %	753,399	6.50 %	441,892	7.50 %	189,961
GERF(3)	5.50 %	286,274	6.50 %	140,365	7.50 %	20,639
P&FF(3)(4)	5.50 %	112,256	6.50 %	35,358	7.50 %	(27,679)
TRF(3)	6.00 %	869,642	7.00 %	430,505	8.00 %	70,378
SPTRF	6.50 %	197,977	7.50 %	134,478	8.50 %	81,810
JRF(3)(4)	5.50 %	196,507	6.50 %	152,445	7.50 %	114,703
LRF(3)(4)	0.92 %	156,756	1.92 % (2)	140,796	2.92 %	127,416
SPRF(3)(4)	5.50 %	300,696	6.50 %	154,131	7.50 %	33,986

(1) Net Pension Liability (Asset).

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

(3) The discount rate changed from 7.50 percent for SERF, CERF, GERF, P&FF, TRF, JRF, and SPRF, and from 2.45 percent for LRF.

(4) The discount rate for fiscal year 2023 will change to 6.75 percent for SERF, CERF, JRF, and SPRF, 5.40 percent for P&FF, and 3.69 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 $198,914,000 for the fiscal year ended June 30, 2022.

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. Some employer units or bargaining units may match a portion of an employee's contributions annually. 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 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 who are only eligible if they meet certain qualifications), 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. For those members eligible before July 1, 2018, the employer and employee statutory contribution rates are 6.0 and 6.45 percent, respectively, and member contribution rates increase by 1.3 percent over the next two years. For those members eligible after July 1, 2018, the employer and employee statutory contribution rates are 6.0 and 7.5 percent, respectively, and member contribution rates increase by 0.25 percent effective fiscal year 2024. 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, 2022
(In Thousands)

Description	HCSRF	UERF	DCPF	DCF	CURF
Member Contributions	$ 54	$ 8,370	$ 354,570	$ 2,127	$ 49,979
Employer Contributions:					
Primary Government Contributions	$ —	$ 8,046	$ 7,946	$ —	$ 45,649
Other Employer Contributions	54	569	—	2,242	—
Total Employer Contributions	$ 54	$ 8,615	$ 7,946	$ 2,242	$ 45,649

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, 2021 or June 30, 2022, as applicable
(In Thousands)

	Major Component Units			Non-Major Component Units			
Description	HFA	MC	U of M	MSFA	OHE	PFA	Total
Proportionate Share of the Net Pension Liability	$ 544	$ 7,216	$ 10,709	$ 10	$ 111	$ 59	$ 18,649
Deferred Outflows of Resources	12,107	144,085	227,625	271	2,483	1,321	387,892
Deferred Inflows of Resources	22,585	316,876	489,289	530	4,632	2,464	836,376
Net Pension Expense (Income)	(13,774)	178,930	(294,070)	(367)	(2,825)	(1,503)	(133,609)

Major Component Units
Summary of Pension Amounts
Police and Fire Fund
As of December 31, 2021 or June 30, 2022, as applicable
(In Thousands)

Description	MC	U of M	Total
Proportionate Share of the Net Pension Liability	$ 9,808	$ 4,814	$ 14,622
Deferred Outflows of Resources	19,065	15,250	34,315
Deferred Inflows of Resources	23,188	17,490	40,678
Net Pension Expense	(11,308)	(289)	(11,597)

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 43 former faculty members and staff currently receive this benefit. The cost of the benefits was $1,857,000 during fiscal year ended June 30, 2022, with a remaining liability as of June 30, 2022, of $2,130,000.

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 2022 was $39,972,000**.**

Primary Government Single-Employer Plan
Employee Statistics

Description	Employees
Inactive Employees (or their beneficiaries) Currently Receiving Benefits	3,559
Active Employees	47,993

Primary Government Single-Employer Plan
Summary of OPEB Amounts
As of June 30, 2022
(In Thousands)

Description	Amount[1]
Total OPEB Liability	$ 721,365
Deferred Outflows of Resources	115,313
Deferred Inflows of Resources	95,794
Total OPEB Expense	55,185

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

Single-Employer Plan
Actuarial Assumptions

Description	OPEB Plan
Actuarial Valuation[1]	July 1, 2020
Measurement Date[1]	June 30, 2021
Discount Rate: 20 Year Municipal Bond Rate[2]	2.16%
Healthcare Cost Trend Rate	7.2% reduced to 3.8% by 2071
Experience Study Dates	2015 - 2019
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 Pub-2010 General Employee Headcount-Weighted Mortality Table with mortality improvement Scale MP-2020 as applicable to the employee group covered.

Single-Employer Plan
Schedule of Total OPEB Liability
As of June 30, 2022
(In Thousands)

Description	Primary Government's Share[1]	Component Unit's Share[1]	Plan Total
Total OPEB Liability:			
Service Cost	$ 47,418	$ 596	$ 48,014
Interest	15,895	52	15,947
Changes in Assumptions or Other Inputs	2,563	8	2,571
Benefit Payments	(32,412)	(106)	(32,518)
Net Changes in Total OPEB Liability	$ 33,464	$ 550	$ 34,014
Total OPEB Liability, Beginning	687,901	1,812	689,713
Total OPEB Liability, Ending	$ 721,365	$ 2,362	$ 723,727

(1) The primary government's total proportionate share is 99.7 percent and the component units' 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, 2022
(In Thousands)

Description	Deferred Outflows of Resources[1]	Deferred Inflows of Resources[1]
Difference between Expected and Actual Experience	$ —	$ 81,718
Changes of Assumption	75,341	14,076
Transactions Subsequent to the Measurement Date	39,972	NA
Total	$ 115,313	$ 95,794

(1) Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents discretely presented component units' 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, 2022
(In Thousands)

Description	Amount[(1)]
2023	$ (8,588)
2024	(8,969)
2025	(5,813)
2026	324
2027	2,377
Thereafter	216
Net OPEB Expense	$ (20,453)
Deferred Outflow of Resources as a Reduction of the Total OPEB Liability	39,972
Net Deferred Outflows (Inflows) of Resources	$ 19,519

(1) Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents discretely presented component units' 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, 2022
(In Thousands)

With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Rate	TOPEBL	Rate[(1)]	TOPEBL	Rate	TOPEBL
1.16%	$ 773,754	2.16%	$ 721,365	3.16%	$ 671,458

(1) The discount rate changed from 2.21 percent.

Sensitivity of the Total OPEB liability to Changes in the Healthcare Trend Rates
As of June 30, 2022
(In Thousands)

With a 1% Decrease		Current Healthcare Trend Rate		With a 1% Increase	
Rate	TOPEBL	Rate	TOPEBL	Rate	TOPEBL
2.8%	$ 646,224	3.8%	$ 721,365	4.8%	$ 810,384

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 an other 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 $361 million as of December 31, 2021 for this purpose.

The University of Minnesota (U of M) administers an other 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, 2022
(In Thousands)

	Major Component Unit	Non-Major Component Unit	
Description	HFA	OHE	Total
Proportionate Share Total OPEB Liability	$ 1,879	$ 483	$ 2,362
Deferred Outflows of Resources	290	74	364
Deferred Inflows of Resources	228	59	287
Total OPEB Expense	116	37	153

Major Component Units
Summary of OPEB Amounts
Other Plans
As of December 31, 2021 or June 30, 2022, as applicable
(In Thousands)

	Major Component Units		
Description	MC	U of M	Total
Proportionate Share Total OPEB Liability	$ 377,311	$ 51,399	$ 428,710
Deferred Outflows of Resources	56,543	9,216	65,759
Deferred Inflows of Resources	6,546	4,844	11,390
Total OPEB Expense	29,606	7,136	36,742

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, fuel 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, 2022, were as follows:

Primary Government
Encumbrances
As of June 30, 2022
(In Thousands)

Description	Amount
General Fund	$ 663,281
Non-Major Governmental Funds	2,364,716
Total Encumbrances	$ 3,027,997

Enterprise Fund - Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of $110,423,000 for construction and renovation of college and university facilities and replacement of legacy ERP system as of June 30, 2022.

Component Units

As of June 30, 2022, the Housing Finance Agency had committed approximately $789,022,000 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, 2021, unpaid commitments for Metro Transit Bus services were approximately $250,641,000. Future commitments for Metro Transit Light Rail were approximately $678,851,000, while future commitments for Metro Transit Commuter Rail were approximately $3,027,000. Future commitments for Regional Transit and Environmental Services were approximately $39,991,000 and $121,388,000, respectively. Finally, amounts authorized and initiated in the calendar year 2021 budget but not completely expended in calendar year 2021 were $3,220,000.

The University of Minnesota had construction projects in progress with an estimated completion cost of $196,935,000 as of June 30, 2022. These costs will be funded from plant account assets and state appropriations.

As of June 30, 2022, the Public Facilities Authority (PFA) had committed approximately $219,200,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $109,000,000 for grants.

Note 11 – Long-Term Liabilities - Primary Government

Primary Government
Long-Term Liabilities
Year Ended June 30, 2022
(In Thousands)

Liability Type	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 6,915,311	$ 1,044,070	$ 582,981	$ 7,376,400	$ 604,071
Revenue Bonds	28,580	—	2,935	25,645	1,760
State Appropriation Bonds	956,012	54,612	56,284	954,340	54,890
Loans	48,706	15,327	20,436	43,597	18,068
Due to Component Units	2,902	—	671	2,231	294
Leases [1]	360,975	42,942	70,094	333,823	70,479
Certificates of Participation	76,257	—	2,896	73,361	2,525
Claims	875,732	1,103,744	1,076,813	902,663	193,678
Compensated Absences	394,795	383,638	375,951	402,482	55,946
Other Postemployment Benefits	600,933	57,422	28,599	629,756	—
Net Pension Liability	2,856,818	45,858	1,371,832	1,530,844	—
Total	$ 13,117,021	$ 2,747,613	$ 3,589,492	$ 12,275,142	$ 1,001,711
Business-type Activities:					
General Obligation Bonds	$ 199,199	$ 11,213	$ 23,549	$ 186,863	$ 19,594
Revenue Bonds	232,993	53,308	80,322	205,979	15,140
Loans	1,150,619	911,060	2,038,103	23,576	765
Leases [1]	49,237	24	17,203	32,058	11,732
Claims	35,013	329,183	329,886	34,310	33,049
Compensated Absences	167,005	29,324	31,381	164,948	20,676
Other Postemployment Benefits	86,968	8,474	3,833	91,609	—
Net Pension Liability	382,578	249	221,288	161,539	—
Total	$ 2,303,612	$ 1,342,835	$ 2,745,565	$ 900,882	$ 100,956

(1) The beginning balance has been restated as a result of the implementation of GASB 87 "Leases" in fiscal year 2022.

Primary Government
Resources for Repayment of Long-Term Liabilities
Year Ended June 30, 2022
(In Thousands)

Liability Type	Governmental Activities: General Fund	Governmental Activities: Special Revenue Funds	Governmental Activities: Internal Service Funds	Business-type Activities	Total
General Obligation Bonds	$ 5,162,154	$ 2,214,246	$ —	$ 186,863	$ 7,563,263
Revenue Bonds	8,548	17,097	—	205,979	231,624
State Appropriation Bonds	954,340	—	—	—	954,340
Loans	—	4,165	39,432	23,576	67,173
Due to Component Units	—	2,231	—	—	2,231
Leases	201,317	127,499	5,007	32,058	365,881
Certificates of Participation	73,361	—	—	—	73,361
Claims	185,220	611,091	106,352	34,310	936,973
Compensated Absences	226,773	160,282	15,427	164,948	567,430
Other Postemployment Benefits	621,660	—	8,096	91,609	721,365
Net Pension Liability	1,528,502	—	2,342	161,539	1,692,383
Total	$ 8,961,875	$ 3,136,611	$ 176,656	$ 900,882	$ 13,176,024

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, state appropriation bonds, loans, due to component units, 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)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2023	$ 604,071	$ 251,843	$ 19,594	$ 7,524	$ 623,665	$ 259,367
2024	565,749	226,454	18,406	6,431	584,155	232,885
2025	543,821	202,445	17,189	5,601	561,010	208,046
2026	511,159	179,921	16,571	4,839	527,730	184,760
2027	475,922	159,125	14,728	4,137	490,650	163,262
2028-2032	2,073,436	527,864	51,459	12,920	2,124,895	540,784
2033-2037	1,189,976	197,866	26,254	4,425	1,216,230	202,291
2038-2042	476,951	34,038	7,584	586	484,535	34,624
Total	$ 6,441,085	$ 1,779,556	$ 171,785	$ 46,463	$ 6,612,870	$ 1,826,019
Bond Premium	935,315	—	15,078	—	950,393	—
Total	$ 7,376,400	$ 1,779,556	$ 186,863	$ 46,463	$ 7,563,263	$ 1,826,019

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
2023	$ 1,760	$ 944	$ 15,140	$ 7,368	$ 16,900	$ 8,312
2024	1,815	891	13,355	6,793	15,170	7,684
2025	1,870	834	15,590	6,190	17,460	7,024
2026	1,930	773	19,260	5,422	21,190	6,195
2027	1,990	705	19,180	4,565	21,170	5,270
2028-2032	11,150	2,289	78,990	11,770	90,140	14,059
2033-2037	5,130	222	24,340	1,530	29,470	1,752
2038-2042	—	—	650	11	650	11
Total	$ 25,645	$ 6,658	$ 186,505	$ 43,649	$ 212,150	$ 50,307
Bond Premium	—	—	19,474	—	19,474	—
Total	$ 25,645	$ 6,658	$ 205,979	$ 43,649	$ 231,624	$ 50,307

Primary Government
State Appropriation Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest
2023	$ 54,890	$ 38,956
2024	57,605	36,398
2025	60,595	33,714
2026	63,630	30,960
2027	67,400	28,407
2028-2032	263,185	96,519
2033-2037	130,595	59,514
2038-2042	151,715	28,429
2043-2047	28,715	1,439
Total	$ 878,330	$ 354,336
Bond Premium	76,010	—
Total	$ 954,340	$ 354,336

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
2023	$ 18,362	$ 720	$ 765	$ 606	$ 19,127	$ 1,326
2024	12,582	440	1,081	746	13,663	1,186
2025	7,195	279	1,202	478	8,397	757
2026	3,593	182	1,284	447	4,877	629
2027	678	127	1,288	413	1,966	540
2028-2032	1,710	414	6,980	1,613	8,690	2,027
2033-2037	1,422	186	7,072	793	8,494	979
2038-2042	286	6	3,904	162	4,190	168
Total	$ 45,828	$ 2,354	$ 23,576	$ 5,258	$ 69,404	$ 7,612

Primary Government
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
2023	$ 70,479	$ 2,342	$ 11,732	$ 578	$ 82,211	$ 2,920
2024	59,773	1,603	5,823	455	65,596	2,058
2025	51,861	852	4,309	365	56,170	1,217
2026	44,946	450	2,899	167	47,845	617
2027	30,667	327	1,333	125	32,000	452
2028-2032	70,670	598	4,609	444	75,279	1,042
2033-2037	3,906	59	900	133	4,806	192
2038-2042	1,521	12	161	146	1,682	158
2043-2047	—	—	127	163	127	163
2048-2052	—	—	114	195	114	195
2053-2057	—	—	51	110	51	110
Total	$ 333,823	$ 6,243	$ 32,058	$ 2,881	$ 365,881	$ 9,124

Primary Government
Certificates of Participation
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest
2023	$ 2,525	$ 3,264
2024	2,650	3,137
2025	2,785	3,004
2026	2,925	2,866
2027	3,070	2,720
2028-2032	17,815	11,134
2033-2037	22,735	6,212
2038-2042	10,765	814
Total	$ 65,270	$ 33,151
Premium on Certificates of Participation	8,091	—
Total	$ 73,361	$ 33,151

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 2022, 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, 2022
(In Thousands)

Fund Type		Amount
General Fund	$	680,692
Special Revenue Funds:		
Trunk Highway Fund	$	213,138
Miscellaneous Special Revenue Fund		1,190
Total Special Revenue Funds	$	214,328
Capital Project Funds:		
Transportation Fund	$	20
Total Capital Project Funds	$	20
Internal Service Fund – Plant Management Fund		5,789
Total Transfers to Debt Service Fund	$	900,829

General Obligation Bond Issues

In September 2021, the state issued $876,150,000 general obligation bonds, Series 2021A through Series 2021B:

- Series 2021A for $565,150,000 in state various purpose bonds were issued at a true interest rate of 1.71 percent.
- Series 2021B for $311,000,000 in state trunk highway bonds were issued at a true interest rate of 1.49 percent.

The state remains contingently liable to pay its advance refunded general obligation bonds as shown in the following table.

Primary Government
General Obligation Bonds Outstanding Defeased Debt
As of June 30, 2022
(In Thousands)

Refunding Date	Original Refunding Amount	Refunded Amount	Outstanding Amount	Refunded Bond Call/Maturity Date
August 21, 2014	$ 9,727	$ 10,185	$ 6,230	August 1, 2022
March 14, 2018	N/A	480	480	October 1, 2023
Total	$ 9,727	$ 10,665	$ 6,710	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2022. 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, 2022
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates for Outstanding
Maximum Effort School Loan	$ —	$ 10,131	5.00%
Rural Finance Authority	25,025	91,349	1.35-5.00%
State Transportation	171,826	354,067	2.50-5.00%
Trunk Highway	1,443,179	1,774,686	1.50-5.00%
Trunk Highway Refunding Bonds	—	439,560	0.40-5.00%
Various Purpose	964,236	2,692,082	1.35-5.00%
Various Purpose Refunding Bonds	—	1,250,995	0.47-5.00%
Total	$ 2,604,266	$ 6,612,870	

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. As described in Note 21 – Subsequent Events, in October 2022, the state issued $338.3 million of state General Fund appropriation refunding bonds Series 2022A at a true interest rate of 3.27 percent. This issuance will refund State General Fund Appropriation Refunding Bonds Tax Exempt Series 2012B.

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. In fiscal year 2018, state General Fund appropriation bonds of $7,570,000 were issued.

Minnesota Statutes 469.53 authorizes projects eligible for state appropriation support payments, upon approval by the city of Duluth. Eligible projects 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. On November 5, 2020, the state issued $66,300,000 in Duluth Regional Exchange District state General Fund appropriation bonds at a true interest rate of 2.50 percent. In October 2021, the state issued $6,920,000 in Duluth Regional Exchange District state General Fund appropriation bonds at a true interest rate of 2.36 percent.

Minnesota Statutes 16A.966 authorizes the state to issue state General Fund appropriation bonds not to exceed $30,400,000 for the purpose of financing the cost of implementing environmental clean-up actions at four Superfund sites in Minnesota. In October 2021, the state issued $29,670,000 state General Fund appropriation bonds for this purpose at a true interest rate of 2.36 percent. An amount needed to pay principal and interest on appropriation bonds is appropriated each fiscal year from the general fund beginning in fiscal year 2021 and remains available through fiscal year 2042.

Minnesota Statutes 16A.964 authorizes the state to issue state General Fund appropriation bonds not to exceed $15,000,000 for the purpose of financing grants to public television stations in Minnesota for the cost of acquiring and installing capital equipment. In October 2021, the state issued $14,050,000 in state General Fund appropriation bonds for this purpose at a true interest rate of 1.70 percent. An amount needed to pay principal and interest on appropriation bonds is appropriated each fiscal year from the general fund beginning in fiscal year 2021 and remains available through fiscal year 2042.

Minnesota Statutes 16A.963 authorizes the state to issue state General Fund appropriation bonds not to exceed $2,000,000 for the purpose of financing the cost of acquiring and installing electric vehicle charging infrastructure on publicly owned property. In October 2021, the state issued $1,875,000 state General Fund appropriation bonds for this purpose at a true interest rate of 1.70 percent. An amount needed to pay principal and interest on appropriation bonds is appropriated each fiscal year from the general fund beginning in fiscal year 2021 and remains available through fiscal year 2042.

The following table is a schedule of state appropriation bonds authorized, but unissued, and bonds outstanding as of June 30, 2022.

Primary Government
State Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2022
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates
Professional Football Stadium	$ —	$ 388,050	3.51-5.08%
Pay-for-Performance	10,000	—	N/A
Refund Tobacco Securitization Authority	—	357,055	3.00-5.00%
Lewis and Clark Regional Water System	3,500	14,410	1.85-3.50%
Duluth Regional Exchange District Appropriation Bonds	25,820	73,220	1.55-3.00%
Electric Vehicle Infrastructure	—	1,875	2.10-3.00%
Public Television Equipment	—	14,050	2.10-3.00%
Environmental Response PCA Superfund	—	29,670	2.10-3.00%
Total	$ 39,320	$ 878,330	

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 efficiency improvements, and equipment purchase loans. The capital assets purchased for energy efficiency improvements and equipment purchases are pledged as collateral on the loans incurred to finance the purchase. On June 30, 2022, the state has an unused line of credit of $55,543,000 to finance additional equipment purchases.

Business-type activities loans include loans to purchase energy efficiency improvements and equipment and a federal advance to cover unemployment benefits. The capital assets purchased for energy efficiency improvements and equipment purchases are pledged as collateral on the loans incurred to finance the purchases. The Unemployment Insurance Fund (enterprise fund) went into a deficit and received a federal Title XII advance to cover this deficit. The advance was paid off in fiscal year 2022.

Leases Payable

The state implemented GASB Statement No. 87 “Leases” in fiscal year 2022. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use leased asset. As a result, the beginning balances for both leases payables and leased capital assets have been restated for June 30, 2021. The beginning balance of the capital lease restructuring deferred inflows was reported as a change in accounting principle for $8,082,000 in the governmental activities in the statement of activities. See Note 20 – Change in Accounting Principle, Change in Reporting Entity, Change in Fund Structure, and Prior Period Adjustment for more information.

The state has entered into various leasing arrangement types where the state is the lessee in lease agreements for office space, storage, easements, and equipment. Lease payments were calculated at net present value using the interest rate charged on the lease, if available, or the state's average annual short-term monthly incremental borrowing rate.

The governmental activities buildings, structures and improvement lease terms are fixed payments ranging from one to 19 years. Two building lease agreements contain bargain purchase options. They are the Elmer L. Andersen and Orville L. Freeman Office buildings (Andersen and Freeman). When the final lease payment has been made in fiscal year 2025 for the Andersen and Freeman buildings, the titles will transfer to the state for minimal amounts.

The governmental activities equipment leases consist of copiers, multi-function devices, multi-frame hardware, and other office equipment. The leases have fixed payments ranging from one to eight years.

The business-type activities buildings, structures, and improvement lease terms are fixed payments ranging from one to 34 years.

The state has other lease agreements to purchase equipment. Minnesota State Universities Fund (enterprise fund) entered into 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, 2022, 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, 2022, there is $2,940,000 principal outstanding on these guarantees.

For further information on leases, see Note 4 – Loans, Notes, and Leases Receivable and Note 6 – Capital and Leased Assets.

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 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 $2,731,000 for fiscal year 2022, 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 2022, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was $3,950,000. The total principal and interest remaining to be paid as of June 30, 2022, is $32,303,000 payable through October 2033.

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 2.35 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 36 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $229,286,000. Principal and interest paid for the current year and total customer net revenues were $29,478,000 and $96,380,000, 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 $868,000. Principal and interest paid and total customer net revenues during fiscal year 2022 were $170,000 and $494,000, respectively. These revenue bonds have a variable interest rate of 0.75 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 $334,834,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. There are currently 111 landfills in the program and three more landfills that are qualified, but not yet enrolled. One of the qualified sites, Freeway Landfill, has a liability of $132,925,000; 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 30-year period after closure if determined 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, 2022 were $215,645,000. Of this total, $161,254,000 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 2022, the Petroleum Tank Cleanup Fund has approved $471,000,000 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.

During the 2020 legislative session (fifth special session) the Minnesota Legislature authorized the sale of appropriation bonds for the purposes of financing the cost of implementing removal or remedial actions permitted under Minnesota Statute 115B.17. These appropriations bonds will be used to address risks to human health and environment at four Superfund sites.

The governmental activities' and business-type activities' liability for workers' compensation of $79,632,000 and $3,603,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2022 and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of $28,900,000 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 $137,300,000 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 $15,151,000 in the Risk Management Fund (internal service fund), $91,201,000 in the Employee Insurance Fund (internal service fund), and $30,707,000 in the Public Employees Insurance Fund (enterprise fund).

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $402,482,000 and $164,948,000 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 2022, 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 2022, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and General Employees Retirement Fund (GERF) was $2,103,000. The total principal and interest remaining to be paid as of June 30, 2022 is $5,104,000, 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
2023	$ 1,915	$ 190
2024	1,845	114
2025	1,000	40
Total	$ 4,760	$ 344
Bond Premium	205	—
Total	$ 4,965	$ 344

Leases Payable – Fiduciary Funds

The State Employees Retirement Fund (SERF) has a lease payable for office equipment that are fixed payments with a term of four years. The total liability as of June 30, 2022 is $98,000. The detail supporting the lease liability of the fiduciary funds of the state can be found within each organization's financial statements and notes, as applicable.

Note 12 – 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 $1,677,999,000 in general obligation bonds and direct borrowings outstanding on December 31, 2021, including unamortized discounts/premiums. During the year, $6,120,000 of general obligation park bonds and $101,265,000 of general obligation revenue wastewater refunding bonds were issued.

MC's outstanding notes from direct borrowings of $524,984,000 are Clean Water State Revolving Fund Loan agreements with the Minnesota Public Facilities Authority (MPFA), which are evidenced by notes placed directly with MPFA. These MPFA loans finance various capital projects for the Environmental Services division. The loans are repaid from wastewater system revenues.

The University of Minnesota (U of M) issued general obligation bonds and revenue bonds for capital projects. On June 30, 2022, the principal amount of general obligation bonds and revenue bonds outstanding, including unamortized discounts/premiums, was $1,553,267,000 and $261,247,000, 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
2022	$ 255,102	$ 44,472	2023	$ 41,740	$ 59,083
2023	146,458	34,743	2024	43,360	58,349
2024	138,902	30,089	2025	45,260	56,492
2025	129,736	25,668	2026	47,115	54,533
2026	114,571	21,705	2027	49,265	52,460
2027-2031	416,855	65,528	2028-2032	254,620	228,911
2032-2036	244,474	22,532	2033-2037	218,115	178,552
2037-2041	59,721	1,926	2038-2042	167,795	135,185
2042-2046	—	—	2043-2047	65,745	105,400
2047-2051	—	—	2048-2052	500,000	101,200
Total	$ 1,505,819	$ 246,663	Total	$ 1,433,015	$ 1,030,165
Unamortized Discounts / Premiums and Issuance Costs	172,180	—	Unamortized Discounts / Premiums and Issuance Costs	120,252	—
Total	$ 1,677,999	$ 246,663	Total	$ 1,553,267	$ 1,030,165

[(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, 2022 was $3,401,290,000, including unamortized discounts/premiums. The agency uses special redemption provisions to retire certain bonds prior to their maturity from unexpended bond proceeds. Substantially all bonds are subject to optional redemption after various dates at an amount equal to all of the unpaid principal and interest. The amount of bonds approved by June 30, 2022 to exercise the mandatory pass-through and optional redemption was $79,110,000, and is considered part of current Bonds and Notes Payable.

On June 30, 2022, HFA had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines with an outstanding balance of $75,000,000. Draws against the line of credit are required to be collateralized with mortgage-backed securities.

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]
2023	$ 180,655	$ 79,883	$ 13,310	$ 7,981
2024	54,880	83,828	13,855	7,437
2025	51,850	83,087	14,425	6,864
2026	45,475	82,229	15,050	6,233
2027	46,580	81,361	15,750	5,541
2028-2032	276,410	389,891	94,840	17,436
2033-2037	378,740	349,579	44,695	5,065
2038-2042	430,106	296,603	14,725	111
2043-2047	735,105	223,195	—	—
2048-2052	1,157,176	74,761	—	—
2053-2057	7,170	120	—	—
Total	$ 3,364,147	$ 1,744,537	$ 226,650	$ 56,668
Unamortized Discount /Premiums and Issuance Costs	37,143	—	34,597	—
Total	$ 3,401,290	$ 1,744,537	$ 261,247	$ 56,668

(1) Excludes interest on variable rate bonds with an outstanding principal balance of $32.850 million.

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, 2022, the outstanding principal of revenue bonds was $437,863,000, 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, and drinking water systems. 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, 2022 was $464,367,000, including unamortized discounts/premiums.

Component Units
Revenue Bonds
Nonmajor Component Units
(In Thousands)

Year Ended June 30	OHE Principal	OHE Interest	PFA Principal	PFA Interest
2023	$ 7,940	$ 8,420	$ 55,975	$ 20,341
2024	2,790	8,105	54,375	17,858
2025	4,240	7,963	23,650	15,517
2026	5,540	7,722	34,075	14,518
2027	5,305	7,440	37,515	13,000
2028-2032	35,505	33,299	154,905	36,927
2033-2037	44,570	29,138	70,405	9,015
2038-2042	135,525	23,078		
2043-2047	155,000	13,432	—	—
2048-2052	40,000	621	—	—
Total	$ 436,415	$ 139,218	$ 430,900	$ 127,176
Unamortized Discount /Premiums and Issuance Costs	1,448	—	33,467	—
Total	$ 437,863	$ 139,218	$ 464,367	$ 127,176

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 462A.37. On June 30, 2022, $389,562,000 in bonds were outstanding.

Component Units
State Appropriation-Backed Bonds
Major Component Units
(In Thousands)

Year Ended June 30	HFA Principal	HFA Interest
2023	$ 13,425	$ 14,109
2024	13,910	13,628
2025	14,415	13,115
2026	15,005	12,519
2027	15,685	11,856
2028-2032	89,225	48,453
2033-2037	95,490	28,209
2038-2042	75,480	9,810
2043-2047	15,405	601
Total	$ 348,040	$ 152,300
Bond Premium	41,522	—
Total	$ 389,562	$ 152,300

Loans and Notes Payable

Metropolitan Council

The Metropolitan Council (MC) 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, 2021. 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 2021, the Housing and Redevelopment Authority of Edina issued a loan to MC in the amount of $2,000,000. During the year, $421,000 of the loan were drawn down and the remaining balance available to draw down is $1,579,000. The agreement terms are 25 years after the last advance, then the loan will be deemed fully forgiven as of the forgiveness date.

Additionally, MC issued $356,215,000 of general obligation grant anticipation notes to provide cash flows for the Southwest Green Line light rail extension project in anticipation of receipt of federal funds that were awarded the project. The notes were issued as three, four, and eight year serial notes that are secured by the Federal Transit Administration grant award together with the full faith and unlimited taxing powers of MC. On December 31, 2021, the total outstanding general obligation grant anticipation notes was $391,875,000.

University of Minnesota

The University of Minnesota (U of M) issued taxable commercial paper notes of $51,620,000 in fiscal years 2015 and $34,000,000 in 2022. U of M also issued tax-exempt commercial paper notes which are backed by U of M's self-liquidity. On June 30, 2022, the outstanding taxable commercial paper notes were $72,420,000 and tax-exempt notes were $136,701,000. Commercial paper is short-term in nature and is classified as current liabilities on the financial statements.

In fiscal year 2020, U of M executed a long-term promissory note payable to Otto Bremer Trust in the amount of $4,500,000, and the proceeds were used to partially fund property acquisition, with the final interest payment and principal due in January 2025.

National Sports Center Foundation

On December 31, 2021, the National Sports Center Foundation's total outstanding loans and notes payable was $7,807,000.

Leases

The following table is a schedule of lease liabilities as a result of the implementation of GASB Statement No. 87 "Leases". The detail supporting the lease liability of the discretely presented component units of the state can be found within the individual component units' financial statements and notes.

Component Units
Lease Liabilities
(In Thousands)

	Year Ended December 31		Year Ended June 30	
	Current	Noncurrent	Current	Noncurrent
Housing Finance Authority	$ —	$ —	$ 1,262	$ 6,261
Metropolitan Council	779	11,467	—	—
University of Minnesota	—	—	17,310	138,818
Minnesota Comprehensive Health Association	12	6	—	—
Minnesota Sports Facility Authority	—	—	279	6,489
Public Facilities Authority	—	—	61	196
Total Liability	$ 791	$ 11,473	$ 18,912	$ 151,764

Variable Rate Debt

Housing Finance Agency

As of June 30, 2022, 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 an asset called "Derivative Instrument-Rate Swap." The inception-to-date change in fair value as of June 30, 2022, was reported in deferred inflows of resources as "Accumulated Increase in Fair Values of Derivative Instruments." 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 rates on the tax-exempt Series 2012B-1 and 2012B-2 Bonds are variable rate. The rate is a percentage of the weekly Securities Industry and Financial Markets Association (SIFMA) rate plus a set margin and the rate changes weekly. The taxable Series 2017A, and tax-exempt Series 2017C are also variable. The rate is a percentage of the one-month London Inter-Bank Rate (LIBOR) plus a set margin and the rate changes monthly. All of these bonds have a mandatory 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 $353,110,000 with $67,995,000 outstanding as of June 30, 2022. 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, 2022.

Housing Finance Agency

In May 2021, HFA issued a bond series which refunded two bonds in fiscal year 2022 for $5,985,000 and $7,630,000. All outstanding bonds of these two series were paid or redeemed on July 1, 2021.

In June 2021, HFA issued bonds which refunded three bonds for $10,845,000, $9,390,000, and $10,475,000. All outstanding bonds of these three series were paid or redeemed on July 1, 2021.

Certificates of Participation

Metropolitan Council

On December 1, 2004, the Metropolitan Council (MC) entered into an annual appropriation lease purchase agreement for land and facilities. The agreement is subject to non-appropriation by MC, in which event the agreement is terminated and there is no obligation of MC for future payments. MC intends to continue the agreement through its entire term. These Certificates of Participation do not meet the criteria of GASB Statement No. 87, "Leases" as the underlying asset will transfer ownership to MC. On December 31, 2021, the outstanding principal was $2,705,000.

Note 13 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2022
(In Thousands)

Description	State Colleges and Universities (MnSCU) Revenue Fund	Itasca Residence Halls
Condensed Statement of Net Position		
Assets:		
Current Assets	$ 104,823	$ 849
Noncurrent Assets		
Restricted Assets	45,630	302
Capital Assets	343,650	2,122
Total Assets	$ 494,103	$ 3,273
Deferred Outflows of Resources	$ 6,060	$ 24
Liabilities:		
Current Liabilities	$ 33,391	$ 178
Noncurrent Liabilities	197,382	690
Total Liabilities	$ 230,773	$ 868
Deferred Inflows of Resources	$ 14,708	$ 66
Net Position:		
Net Investment in Capital Assets	$ 155,503	$ 1,322
Restricted	99,179	302
Unrestricted	—	739
Total Net Position	$ 254,682	$ 2,363
Condensed Statement of Revenues, Expenses, and Changes in Net Position		
Operating Revenues - Customer Charges	$ 96,380	$ 494
Depreciation Expense	(24,825)	(119)
Other Operating Expenses	(68,897)	(269)
Operating Income (Loss)	$ 2,658	$ 106
Nonoperating Revenues (Expenses):		
Federal Grants	$ 6,768	$ 36
Interest Income	562	4
Capital Contributions	152	—
Interest Expense	(6,233)	(30)
Gain on Disposal of Capital Assets	786	—
Others	256	—
Change in Net Position	$ 4,949	$ 116
Beginning Net Position	$ 249,733	$ 2,247
Ending Net Position	$ 254,682	$ 2,363
Condensed Statement of Cash Flows		
Net Cash Provided (Used) by:		
Operating Activities	$ 33,080	$ 199
Noncapital Financing Activities	7,024	35
Capital and Related Financing Activities	(32,001)	(170)
Investing Activities	469	5
Net Increase (Decrease)	$ 8,572	$ 69
Beginning Cash and Cash Equivalents	$ 136,527	$ 708
Ending Cash and Cash Equivalents	$ 145,099	$ 777

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.

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 operation and position.

Note 14 – 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 September 2022, there was $53,095,000 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, amended in 2020, ranging from $850,000 to $15,550,000 per year for fiscal year 2010 to 2020, and up to $13,930,000 per year beginning fiscal year 2021 through fiscal year 2039 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. In September 2021, state-secured revenue bonds were issued to refund and/or defease outstanding state supported bonds. As of September 2022, $117,200,000 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 September 2022, there was $17,515,000 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 fiscal year 2021, the Minnesota Legislature appropriated from the General Funding beginning in fiscal year 2023 through 2044 an amount sufficient to pay debt service on bonds. Also in fiscal year 2021, with an effective date of January 2022, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2024 through 2045 an amount sufficient to pay debt service on bonds. As of September 2022, $421,295,000 was outstanding on these bonds. HFA issued state-secured appropriation bonds of $104,195,000 in September 2022. For more information, see Note 21 – 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 August 2022, was $17.2 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 August 2022, the total general obligation bonds guaranteed by the state through 2052, was $734.6 million.

Note 15 – 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, 2022
(In Thousands)

Purpose of Restriction	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Improve Agricultural, Environmental, and Energy Resources	$ 2,218,609	$ 401,524	$ 690,439	$ 3,310,572
Enhance Arts and Culture	49,493	—	—	49,493
Acquire, Maintain, and Improve Land and Buildings	—	—	357	357
Retire Indebtedness	468,245	—	123,561	591,806
Develop Economy and Workforce	—	237,405	5,520	242,925
Enhance E-12 Education	—	12,953	9,933	22,886
Enhance State Government	—	20,156	16,404	36,560
Enhance Health and Human Services	—	72,542	10,752	83,294
Enhance Higher Education	—	300	25,087	25,387
Enhance 911 Services and Increase Safety	—	12,431	122,946	135,377
School Aid - Expendable	9,884	—	—	9,884
School Aid - Nonexpendable	1,764,381	—	1,000	1,765,381
Construct Highways and Improve Infrastructure	1,949,853	63,361	1,627	2,014,841
Unemployment Benefits	—	—	1,542,970	1,542,970
Other Purposes	—	—	78,637	78,637
Total Restricted Net Position	$ 6,460,465	$ 820,672	$ 2,629,233	$ 9,910,370

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, 2022
(In Thousands)

		Major Special Revenue Fund		
Fund Balances	General Fund	Federal Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	$ —	$ —	$ 49,402	$ 49,402
Trust or Permanent Fund Principal	1,462,110	—	1,765,381	3,227,491
Total Nonspendable Fund Balances	$ 1,462,110	$ —	$ 1,814,783	$ 3,276,893
Purpose of Restriction:				
Improve Agricultural, Environmental, and Energy Resources	$ —	$ 138	$ 1,834,250	$ 1,834,388
Enhance Arts and Culture	—	—	49,493	49,493
Acquire, Maintain, and Improve Land and Buildings	—	—	390,476	390,476
Retire Indebtedness	—	—	960,513	960,513
Develop Economy and Workforce	105,402	—	200,695	306,097
Enhance E-12 Education	1,778	45	30,446	32,269
Enhance State Government	—	7,710	28,292	36,002
Enhance Health and Human Services	—	464	76,239	76,703
Enhance Higher Education	—	—	300	300
Enhance 911 Services and Increase Safety	—	—	12,631	12,631
Construct Highways and Improve Infrastructure	—	—	2,021,779	2,021,779
Total Restricted Fund Balances	$ 107,180	$ 8,357	$ 5,605,114	$ 5,720,651

Continued

Governmental Funds
Fund Balances (continued)
As of June 30, 2022
(In Thousands)

		Major Special Revenue Fund		
Fund Balances	General Fund	Federal Fund	Nonmajor Governmental Funds	Total
Purpose of Commitment:				
Improve Agricultural, Environmental and Energy Resources	$ —	$ —	$ 214,565	$ 214,565
Develop Economy and Workforce	—	—	387,596	387,596
Enhance E-12 Education	—	—	25,222	25,222
Enhance State Government	—	—	65,158	65,158
Enhance Health and Human Services	—	—	13,099	13,099
Enhance Higher Education	—	—	2,572	2,572
Enhance 911 Services and Increase Safety	—	—	149,528	149,528
Construct Highways and Improve Infrastructure	80,357	—	66,260	146,617
Total Committed Fund Balances	$ 80,357	$ —	$ 924,000	$ 1,004,357
Purpose of Assignment:				
Improve Agricultural, Environmental, and Energy Resources	$ 492,149	$ —	$ —	$ 492,149
Acquire, Maintain, and Improve Land and Buildings	—	—	74,190	74,190
Develop Economy and Workforce	232,558	—	—	232,558
Enhance E-12 Education	64,799	—	—	64,799
Enhance State Government	93,974	—	—	93,974
Enhance Health and Human Services	991,502	—	—	991,502
Enhance Higher Education	25,038	—	—	25,038
Enhance 911 Services and Increase Safety	96,023	—	—	96,023
Construct Highways and Improve Infrastructure	7,908	—	—	7,908
Total Assigned Fund Balances	$ 2,003,951	$ —	$ 74,190	$ 2,078,141
Unassigned	$ 10,871,796	$ —	$ —	$ 10,871,796
Total Fund Balances	$ 14,525,394	$ 8,357	$ 8,418,087	$ 22,951,838

Net Position Deficits

The following funds have net position deficits for the fiscal year ended June 30, 2022:

Net Position Deficits
As of June 30, 2022
(In Thousands)

Fund Type		Net Position
Nonmajor Enterprise Funds:		
Behavioral Services	$	(2,509)
State Lottery		(6,018)
Internal Service Funds:		
MN.IT Services	$	(11,111)

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 and 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. The implementation of these generally accepted accounting principles caused the nonmajor enterprise and internal services funds noted in the table above to end fiscal year 2022 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.

Note 16 – 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, 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 and co-participates with the reinsurance carriers by covering an additional 25 percent of the first $10,000,000 of each loss. The reinsurance carriers provide 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 $100,000 deductible for each additional claim with the Risk Management Fund's continued co-participation of 25 percent of the first $10,000,000 on each loss. 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 (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 $439,015 greater than coverage during the fiscal year ended June 30, 2022.

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 Employees 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, 2022 was 24,684 members and their dependents. The members of the pool include 147 school districts, 156 cities/townships, 19 counties, and 86 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 6/30/2021	$ 9,985	$ 6,478	$ 4,974	$ 11,489
Fiscal Year Ended 6/30/2022	$ 11,489	$ 5,763	$ 2,101	$ 15,151
Tort Claims:				
Fiscal Year Ended 6/30/2021	$ —	$ 441	$ 441	$ —
Fiscal Year Ended 6/30/2022	$ —	$ 508	$ 508	$ —
Workers' Compensation:				
Fiscal Year Ended 6/30/2021	$ 77,127	$ 27,914	$ 23,991	$ 81,050
Fiscal Year Ended 6/30/2022	$ 81,050	$ 27,923	$ 25,738	$ 83,235
State Employee Group Insurance:				
Fiscal Year Ended 6/30/2021	$ 79,181	$ 943,263	$ 934,405	$ 88,039
Fiscal Year Ended 6/30/2022	$ 88,039	$ 997,533	$ 994,371	$ 91,201

Primary Government
Public Employees Insurance Program
Medical Claims
(In Thousands)

Description	Year Ended June 30 2022	2021
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 31,155	$ 24,880
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 318,330	$ 314,643
Increases (Decreases) in Provision for Insured Events of Prior Years	9,690	(496)
Total Incurred Claims and Claim Adjustment Expenses	$ 328,020	$ 314,147
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 288,708	$ 284,132
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	39,760	23,740
Total Payments	$ 328,468	$ 307,872
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 30,707	$ 31,155

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 the 30-year Treasury yield. 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 workers' compensation claims and $9,254 internal service fund claims.

University of Minnesota

The University of Minnesota (U of M) is insured for professional, general, non-profit organization, and automobile liability and indemnified for property insurance deductible expenditures 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 2.91 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 three 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 12/31/2020	$ 29,964	$ 5,864	$ 6,473	$ 29,355
Fiscal Year Ended 12/31/2021	$ 29,355	$ 3,718	$ 9,144	$ 23,929
University of Minnesota - RUMINCO, Ltd:				
Fiscal Year Ended 6/30/2021	$ 7,614	$ 1,468	$ 1,030	$ 8,052
Fiscal Year Ended 6/30/2022	$ 8,052	$ 4,415	$ 2,577	$ 9,890
University of Minnesota - Workers' Compensation:				
Fiscal Year Ended 6/30/2021	$ 12,159	$ 3,472	$ 3,969	$ 11,662
Fiscal Year Ended 6/30/2022	$ 11,662	$ 3,245	$ 5,365	$ 9,542
University of Minnesota - Medical/Dental:				
Fiscal Year Ended 6/30/2021	$ 36,061	$ 321,224	$ 323,762	$ 33,523
Fiscal Year Ended 6/30/2022	$ 33,523	$ 346,061	$ 340,763	$ 38,821

Note 17 – 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, 2022
(In Thousands)

Description	Amount
GAAP Basis Fund Balance	$ 14,525,394
Less: Encumbrances[1]	389,318
Unassigned Fund Balance	$ 14,136,076
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	$ (1,206,145)
Tax Refunds Payable	1,118,910
Human Services Receivable	(179,190)
Unearned Revenue	133,851
Escheat Asset	(26,022)
Other Receivables	(24,582)
Permanent School Fund Reimbursement	(2,000)
Investments at Market	221,405
Expenditure Accruals/Adjustments:	
Medical Care Programs	826,096
Human Services Grants Payable	53,213
Education Aids	987,594
Police and Fire Aid	130,188
Other Payables	94,864
Other Financial Sources (Uses):	
Transfers-In	(17,602)
Perspective Differences:	
Account with no Legally Adopted Budget	(2,482,544)
Appropriation Carryover	(1,011,140)
Long-Term Receivables	(42,447)
Budgetary Reserve	(3,251,881)
Budgetary Basis:	
Unassigned Fund Balance	$ 9,458,644

[1] Encumbrances related to funds included in the budgetary General Fund.

Note 18 – 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, 2022 and 2023 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).

- Dakota Drug, Inc. v. Commissioner of Revenue (Minnesota Tax Court). This case involves a wholesale distribution tax assessment against Dakota Drug, a wholesale drug distributor. Under the department's interpretation of the tax statute, wholesale drug distributors are not allowed to lower their gross revenues by rebates the distributors pay to their customers as part of a rebate program. In the audit, the department disallowed the reduction the taxpayer made to its gross revenues for the rebates it paid to its customers during the audit period 2016 to 2019. Rebate programs are common in the wholesale drug distribution industry and if Dakota Drug prevails in this case, other distributors may file refund claims totaling $42,000,000 in fiscal year 2023, $10,900,000 in fiscal year 2024, and $11,400,000 in fiscal year 2025. In February 2023, it is expected the parties will file cross-motions for summary judgment.

- 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.

- E.I. du Pont de Nemours and Company v. Commissioner of Revenue (Minnesota Tax Court). This case involves a corporate franchise tax assessment against the DuPont Chemical Company and a dispute about which transactions should be included in computing the company's apportionment factor. The apportionment factor is computed by dividing Minnesota sales by sales everywhere. The company's net income is then multiplied by the apportionment factor. At issue is the proper treatment of forward exchange contracts ("FECs"), involved in currency trading. DuPont includes the gross revenue from the FECs in its everywhere sales, which for the assessment period, reduced its apportionment factor by 72%. The Department of Revenue excluded the FECs income. FECs are one type of a derivative contract and an adverse court decision could have a broad impact by allowing the inclusion of all forms of derivative contracts to calculate the apportionment factor used to calculate a multi-state's corporate franchise tax liability to Minnesota. It is estimated that an adverse decision could result in refunds to DuPont and other corporations subject to Minnesota corporate franchise tax of $85,700,000 payable in fiscal year 2023. Trial is not expected to occur until after May 5, 2023.

- South Country Health Alliance et al. v. Minnesota Department of Human Services (DHS) et al. (Ramsey County District Court). Plaintiffs are three county-based purchasing health plans that provide managed care to individuals receiving Medical Assistance or MinnesotaCare. Plaintiffs allege that DHS's procurements for Medical Assistance and MinnesotaCare contracts violate Minnesota's county-based purchasing statutes, and Plaintiffs seek to compel DHS to comply with their interpretation of the laws in the present, and future procurements. While Plaintiffs do not seek monetary relief (other than attorneys' fees and costs), the injunctive relief Plaintiffs seek could put at risk the federal government's share of the state's Medical Assistance program. The federal government's share was over $7 billion in fiscal year 2020. The complaint was filed in March 2022. The district court granted DHS's (and the managed care organizations that joined the litigation) motion for summary judgment. The county-based purchasers appealed on November 17, 2022.

Note 19 – Tax Abatements

The state of Minnesota provides tax abatement agreements through five 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, Historic Structure Rehabilitation Credit, and Film Production Tax 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 the Border City Enterprise Zones program, the Angel Tax Credit program, and the Historic Structure Rehabilitation Credit.

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, or for a retained worker in the zone, up to $1,500 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 abatements 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 sunset at the end of calendar year 2022, 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 completed. 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 the fiscal year 2022, except for issuing credit certificates and completing reporting requirements. The authority for the tax abatement is Minnesota Statutes 290.0681.

The Film Production Tax Credit program provides an assignable income tax credit to producers of feature films, national television or internet programs, documentaries, music videos, and commercials that directly create new film jobs in Minnesota. The program provides a 25 percent credit to production companies provided they apply for an allocation prior to beginning principal photography in Minnesota, spend a minimum of $1 million in eligible expenses during the taxable year, employ Minnesota residents to the extent practicable, promote Minnesota by visibly displaying a static or animated logo in the end credits, remain in good business standing with the Secretary of State of Minnesota, and submit a tax clearance statement from the Minnesota Department of Revenue. Applications are accepted on a rolling basis, and allocations are made on a first-come, first-served basis until the program's $5 million annual maximum has been fully allocated. The program will sunset after calendar year 2024. The authority for the tax abatement is Minnesota Statutes 116U.26-116U.27.

Tax Abatements
Year Ended June 30, 2022
(In Thousands)

Description	Amount
Border City Enterprise Zones:	
Corporate Taxes	$ 286
Income Taxes	120
Total Border City Enterprise Zones	$ 406
Angel Tax Credit: Income Taxes	$ 2,698
Historic Structure Rehabilitation Credit: Income Tax	$ 610
Total	$ 3,714

Note 20 – Change in Accounting Principle, Change in Reporting Entity, Change in Fund Structure, and Prior Period Adjustment

Primary Government

Change in Accounting Principle

During fiscal year 2022, the state implemented GASB Statement No. 87 "Leases" which established criteria for identifying lease assets and liabilities. Under this Statement, a lessee recognizes a lease liability and an intangible right-to-use lease asset, while a lessor recognizes a lease receivable and a deferred inflow of resources. This resulted in a change in accounting principle with an increase in net position of $8,082,000 in the governmental activities on the government-wide statement of activities. For more information, see Note 4 – Loans, Notes, and Leases Receivable, Note 6 – Capital and Leased Assets, and Note 11 – Long-Term Liabilities - Primary Government.

Change in Reporting Entity

Minnesota Statutes 353G allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2022, eight firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. Investment balances of $2,816,000 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 2022, two volunteer firefighter relief associations became part of the Supplemental Retirement Fund managed by the board of trustees of each relief association. Investment balances of $392,000 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 2022, 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 $1,384,000 in the Supplemental Retirement Fund and the Volunteer Firefighter Retirement Fund.

Component Units

Prior Period Adjustment

During fiscal year 2022, the Housing Finance Agency (HFA) had a prior period adjustment with an increase in net position of $70,213,000 because of an incorrect classification in accounting for Housing Infrastructure Bonds (HIB) projects.

Change in Accounting Principle

During fiscal year 2022, the HFA and University of Minnesota (U of M) also implemented GASB Statement No. 87, "Leases." The beginning balances were reported as a change in accounting principle in the HFA's and U of M's Statement of Activities with a decrease in net position of $316,000 and an increase in net position of $4,581,000, respectively.

Note 21 – Subsequent Events

Primary Government

In July 2022, Moody's Investors Services upgraded the state's general obligation bond rating to Aaa from Aa1.

In August 2022, the state issued the following general obligation bonds. These bonds are backed by the full faith and credit and taxing powers of the state.

- $251.8 million of general obligation state various purpose bonds Series 2022A at a true interest rate of 2.96 percent.
- $220.0 million of general obligation state trunk highway bonds Series 2022B at a true interest rate of 2.92 percent.
- $9.2 million of general obligation taxable state various purpose bonds Series 2022C at a true interest rate of 3.51 percent.
- $106.7 million of general obligation state various purpose refunding bonds Series 2022D at a true interest rate of 2.08 percent.

In October 2022, the state issued $338.3 million of state General Fund appropriation refunding bonds Series 2022A at a true interest rate of 3.27 percent. This issuance will refund State General Fund Appropriation Refunding Bonds Tax Exempt Series 2012B.

In December 2022, the state entered into a $48.2 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement with the U.S Department of Transportation. The interest rate for the loan is 1.84% and it has a term of 35 years with the final maturity date of September 1, 2057. The loan proceeds will finance the expansion of U.S Highway 14 in Nicollet County, Minnesota. The statutory authority to enter into the loan agreement is Minnesota Statutes 174.525. The state has not yet drawn the funds on this loan.

Component Units

Housing Finance Agency

In September 2022, the Housing Finance Agency (HFA) issued $43.8 million state appropriation bonds (Housing Infrastructure) Series 2022A, $20.3 million Series 2022B, and $40.1 million Series 2022C. 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 14 – Contingent Liabilities.

In September 2022, HFA issued $50.0 million homeownership finance taxable bonds Series 2022A.

In July 2022 and September 2022 respectively, HFA issued $150.0 million residential housing finance bonds Series 2022GH, and issued $100.0 million residential housing finance bonds Series 2022IJK.

HFA made, or committed to make, draws from index bank notes subsequent to June 30, 2022 totaling $76.1 million. In September 2022, HFA repaid $41.6 million of a Non-ATM Portion Index Bank Note.

Metropolitan Council

In February 2022, Metropolitan Council (MC) agreed to a $50 million loan Series 2022A from the Public Facilities Authority (component unit) for financing eligible capital expenditures.

In May 2022, MC issued $53.2 million general obligation transit bonds Series 2022B and $47.9 million general obligation wastewater revenue bonds Series 2022C.

MC reviewed the market value of its investment holdings to see if they materially changed between the end of the reported fiscal year and publication of the annual financial report. There has been a prolonged negative performance of the financial markets to date in 2022, and the MC experienced a material decline during this period. MC is a buy and hold investor and expects to hold its fixed-income investments to maturity thereby not realizing market value declines on those securities.

University of Minnesota

In October 2022, the University of Minnesota (U of M) purchased United Properties Investment, LLC's 51 percent membership of 2407 University Investment, LLC. As of that date, the joint venture of 2407 University Investment, LLC became a wholly owned company of the University.

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 square root of 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	2021	2020	2019
Principal Arterial Average PQI	3.6	3.6	3.5
Non-Principal Arterial Average PQI	3.5	3.4	3.3

Bridges and Tunnels

Measurement Scale

MnDOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating is used to determine if the bridge system is being maintained at a serviceable level for the condition of the bridges under MnDOT's jurisdiction.

The Structural Condition Rating is a broad measure of the structural condition of a bridge. Each bridge is rated as Good, Fair, or Poor by using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings to place each bridge in a category.

The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. Both the condition codes and the appraisal ratings use a scale of 0 (failed) through 9 (excellent).

Rating	Description
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound, but may have some minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is
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	2021	2020	2019
Principal Arterial: Fair to Good	94.0%	94.6%	94.4%
All Other Systems: Fair to Good	93.4%	94.0%	94.0%

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	2022	$ 62,000	$ 434,000	$ 496,000	$ 124,000	$ 620,000	$ 744,000	$ 1,240,000
	2021	65,300	472,400	537,700	95,600	660,700	756,300	1,294,000
	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
Actual	2022	$ 50,890	$ 410,334	$ 461,224	$ 110,736	$ 652,357	$ 763,093	$ 1,224,317
	2021	50,887	505,490	556,377	85,859	635,307	721,166	1,277,543
	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

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 Employees Retirement Fund

	2014	2015 [2]	2016
Statutorily Required Contribution as an Employer[1]	$ 93,957	$ 107,313	$ 110,804
Covered-Member Payroll	$ 1,923,040	$ 2,006,862	$ 2,066,651
Required Employer Contributions as a Percentage of Covered-Member Payroll	4.9%	5.3%	5.4%

(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.

Correctional Employees Retirement Fund

	2014	2015 [2]	2016
Statutorily Required Contribution as an Employer[1]	$ 26,421	$ 29,378	$ 30,624
Covered-Member Payroll	$ 218,860	$ 231,126	$ 241,020
Required Employer Contributions as a Percentage of Covered-Member Payroll	12.1%	12.7%	12.7%

(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.
(5) 2021: The required contribution rate for employers increased to 17.35 percent.
(6) 2022: The required contribution rate for employers increased to 18.85 percent.

General Employees Retirement Fund

	2014	2015 [2]	2016
Statutorily Required Contribution as an:			
Employer[1]	$ 2,782	$ 2,655	$ 2,540
Non-Employer Contributing Entity[1]	—	—	6,000
Total Statutorily Required Contribution	$ 2,782	$ 2,655	$ 8,540
Covered-Member Payroll	$ 37,715	$ 34,289	$ 41,328
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.4%	7.7%	6.1%

(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.

2017	2018	2019 [3]	2020 [4]	2021	2022
$ 116,552	$ 121,322	$ 136,157	$ 152,523	$ 156,738	$ 161,340
$ 2,179,626	$ 2,256,825	$ 2,374,710	$ 2,480,800	$ 2,545,750	$ 2,577,576
5.3%	5.4%	5.7%	6.1%	6.2%	6.3%

2017	2018	2019 [3]	2020 [4]	2021 [5]	2022 [6]
$ 31,663	$ 32,840	$ 38,141	$ 43,594	$ 48,662	$ 54,939
$ 248,653	$ 257,055	$ 267,212	$ 278,340	$ 282,542	$ 289,281
12.7%	12.8%	14.3%	15.7%	17.2%	19.0%

2017	2018	2019	2020	2021	2022
$ 3,155	$ 2,283	$ 2,138	$ 1,949	$ 1,720	$ 1,582
6,000	16,000	16,000	16,000	16,000	16,000
$ 9,155	$ 18,283	$ 18,138	$ 17,949	$ 17,720	$ 17,582
$ 31,105	$ 28,849	$ 26,936	$ 24,638	$ 21,880	$ 21,125
10.1%	7.9%	7.9%	7.9%	7.9%	7.5%

Required Supplementary Information
Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions (Continued)
(In Thousands)

Police and Fire Fund[2]

	2014	2015	2016
Statutorily Required Contribution as an:			
Employer[1]	N/A	N/A	N/A
Non-Employer Contributing Entity[1]	N/A	N/A	N/A
Total Statutorily Required Contribution	N/A	N/A	N/A
Covered-Member Payroll	N/A	N/A	N/A
Required Employer Contributions as a Percentage of Covered-Member Payroll	N/A	N/A	N/A

(1) Statutorily required contributions equal actual required contributions.
(2) Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.
(3) 2020: The required contribution rate for employers increased from 16.95 percent to 17.7 percent.

Teachers Retirement Fund

	2014	2015 [2]	2016
Statutorily Required Contribution as an:			
Employer[1]	$ 13,206	$ 14,542	$ 14,514
Non-Employer Contributing Entity[1]	16,501	29,831	31,088
Total Statutorily Required Contribution	$ 29,707	$ 44,373	$ 45,602
Covered-Member Payroll	$ 167,667	$ 166,870	$ 168,264
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.9%	8.7%	8.6%

(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.
(5) 2021: The required contribution rate for employers increased to 8.13-12.13 percent.
(6) 2022: The required contribution rate for employers increased to 8.34-12.34 percent.

Minneapolis Employees Retirement Fund[2]

	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.

2017	2018	2019	2020 [3]	2021	2022
N/A	N/A	$ —	$ 543	$ 586	$ 586
N/A	N/A	4,500	4,500	9,000	9,000
N/A	N/A	$ 4,500	$ 5,043	$ 9,586	$ 9,586
N/A	N/A	N/A	$ 2,949	$ 3,052	$ 3,327
N/A	N/A	N/A	18.4%	19.2%	17.6%

2017	2018	2019 [3]	2020 [4]	2021 [5]	2022 [6]
$ 14,885	$ 14,678	$ 15,447	$ 16,115	$ 16,609	$ 17,139
31,087	30,886	31,087	31,087	31,087	31,087
$ 45,972	$ 45,564	$ 46,534	$ 47,202	$ 47,696	$ 48,226
$ 174,018	$ 170,196	$ 177,753	$ 179,645	$ 183,607	$ 192,293
8.6%	8.6%	8.7%	9.0%	9.0%	8.9%

Required Supplementary Information
Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions
(In Thousands)
St. Paul Teachers' Retirement Fund

	2014	2015 [2]	2016 [3]
Statutorily Required Contribution as an:			
Employer[1]	$ 109	$ 86	$ 64
Non-Employer Contributing Entity[1]	10,665	9,827	10,665
Total Statutorily Required Contribution	$ 10,774	$ 9,913	$ 10,729
Covered-Member Payroll	$ 1,749	$ 628	$ 443
Required Employer Contributions as a Percentage of Covered-Member Payroll	6.2%	13.7%	14.4%

(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.
(8) 2021: The required contribution rate for employers increased to 8.38-11.88 percent.
(9) 2022: The required contribution rate for employers increased to 8.59-12.09 percent.

Duluth Teachers' Retirement Fund[2]

	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.

2017 (4)	2018 (5)	2019 (6)	2020 (7)	2021 (8)	2022 (9)
$ 66	$ 41	$ 47	$ 38	$ 27	$ 19
10,665	10,665	15,666	15,663	15,664	15,665
$ 10,731	$ 10,706	$ 15,713	$ 15,701	$ 15,691	$ 15,684
$ 465	$ 274	$ 271	$ 211	$ 148	$ 137
14.2%	15.0%	17.3%	18.0%	18.2%	13.9%

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability
(In Thousands)
State Employees Retirement Fund

	2015	2016 (1)
Primary Government's Proportion of the Net Pension Liability as an Employer	73.38%	73.93%
Primary Government's Proportionate Share of the Net Pension Liability as an Employer	$ 1,189,902	$ 1,138,125
Primary Government's Covered-Member Payroll – Measurement Period	$ 1,923,040	$ 2,006,862
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	61.9%	56.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.6%	88.3%

(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.
(5) 2022: The discount rate changed to 6.5 percent.

Correctional Employees Retirement Fund

	2015	2016 (1)
Primary Government's Proportion of the Net Pension Liability as an Employer	99.80%	99.86%
Primary Government's Proportionate Share of the Net Pension Liability as an Employer	$ 475,387	$ 653,352
Primary Government's Covered-Member Payroll – Measurement Period	$ 218,860	$ 231,126
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	217.2%	282.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.8%	58.1%

(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.
(5) 2022: The discount rate changed to 6.5 percent.

2017 [2]	2018 [3]	2019 [4]	2020	2021	2022 [5]
73.88%	74.15%	74.45%	74.94%	75.21%	76.55%
$ 9,160,172	$ 5,500,428	$ 1,031,909	$ 1,054,276	$ 998,968	$ 62,413
$ 2,066,651	$ 2,179,626	$ 2,256,825	$ 2,374,710	$ 2,480,800	$ 2,545,750
443.2%	252.4%	45.7%	44.4%	40.3%	2.5%
47.5%	62.7%	90.6%	90.7%	91.3%	99.5%

2017 [2]	2018 [3]	2019 [4]	2020	2021	2022 [5]
99.91%	99.91%	99.89%	99.87%	99.95%	99.96%
$ 1,331,563	$ 1,127,087	$ 375,232	$ 394,861	$ 447,093	$ 441,892
$ 241,020	$ 248,653	$ 257,055	$ 267,212	$ 278,340	$ 282,542
552.5%	453.3%	146.0%	147.8%	160.6%	156.4%
40.3%	47.6%	74.8%	75.0%	73.2%	78.2%

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)
General Employees Retirement Fund

	2015	2016 [1]
Primary Government's Proportion of the Net Pension Liability as an:		
Employer	0.70%	0.62%
Non-Employer Contributing Entity	—%	3.56%
Total Primary Government's Proportion of the Net Pension Liability	0.70%	4.18%
Primary Government's Proportionate Share of the Net Pension Liability as an:		
Employer	$ 33,103	$ 32,022
Non-Employer Contributing Entity	—	184,478
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 33,103	$ 216,500
Primary Government's Covered-Member Payroll – Measurement Period	$ 37,715	$ 34,289
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	87.8%	93.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.7%	78.2%

(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.
(5) 2022: The discount rate changed to 6.5 percent.

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)
Police and Fire Fund[1]

	2015	2016	2017 [2]	2018 [3]	2019 [4]	2020	2021	2022 [5]
Primary Government's Proportion of the Net Pension Liability as an:								
Employer	N/A	N/A	0.72%	0.51%	0.46%	0.41%	0.37%	0.32%
Non-Employer Contributing Entity	N/A	N/A	1.29%	1.24%	3.18%	3.02%	2.99%	2.97%
Total Primary Government's Proportion of the Net Pension Liability	N/A	N/A	2.01%	1.75%	3.64%	3.43%	3.36%	3.29%
Primary Government's Proportionate Share of the Net Pension Liability as an:								
Employer	N/A	N/A	$ 58,119	$ 32,252	$ 25,408	$ 22,829	$ 22,051	$ 13,819
Non-Employer Contributing Entity	N/A	N/A	104,677	79,275	176,191	166,659	179,348	126,546
Total Primary Government's Proportionate Share of the Net Pension Liability	N/A	N/A	$ 162,796	$ 111,527	$ 201,599	$ 189,488	$ 201,399	$ 140,365
Primary Government's Covered-Member Payroll – Measurement Period	N/A	N/A	$ 41,328	$ 31,105	$ 28,849	$ 26,936	$ 24,638	$ 21,880
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	N/A	N/A	140.6%	103.7%	88.1%	84.8%	89.5%	63.2%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	68.9%	75.9%	79.5%	80.2%	79.1%	87.0%

(1) Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.
(2) 2022: The discount rate changed from 7.5 percent to 6.5 percent.

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)
Teachers Retirement Fund

	2015	2016 [1]	2017	2018	2019	2020	2021	2022 [2]
Primary Government's Proportion of the Net Pension Liability as an:								
Employer	4.13%	3.88%	N/A	N/A	—%	0.25%	0.28%	0.28%
Non-Employer Contributing Entity	5.17%	9.74%	N/A	N/A	5.27%	5.15%	4.60%	4.30%
Total Primary Government's Proportion of the Net Pension Liability	9.30%	13.62%	N/A	N/A	5.27%	5.40%	4.88%	4.58%
Primary Government's Proportionate Share of the Net Pension Liability as an:								
Employer	$ 190,460	$ 239,701	N/A	N/A	$ —	$ 2,687	$ 3,635	$ 2,149
Non-Employer Contributing Entity	237,958	602,738	N/A	N/A	56,187	54,801	60,676	33,209
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 428,418	$ 842,439	N/A	N/A	$ 56,187	$ 57,488	$ 64,311	$ 35,358
Primary Government's Covered-Member Payroll – Measurement Period	$ 167,667	$ 166,870	N/A	N/A	N/A	$ 2,553	$ 2,949	$ 3,052
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	113.6%	143.6%	N/A	N/A	N/A	105.2%	123.3%	70.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.5%	76.8%	N/A	N/A	88.8%	89.3%	87.2%	93.7%

[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.

[5] 2022: The discount rate changed to 7.0 percent.

2017 [2]	2018 [3]	2019 [4]	2020	2021	2022 [5]
3.72%	3.71%	3.52%	3.55%	3.48%	3.45%
7.97%	7.70%	7.50%	7.10%	6.75%	6.39%
11.69%	11.41%	11.02%	10.65%	10.23%	9.84%
$ 888,788	$ 740,843	$ 221,190	$ 226,558	$ 256,907	$ 150,864
1,900,653	1,537,059	471,220	452,696	499,032	279,641
$ 2,789,441	$ 2,277,902	$ 692,410	$ 679,254	$ 755,939	$ 430,505
$ 168,264	$ 174,018	$ 170,196	$ 177,753	$ 179,645	$ 183,607
528.2%	425.7%	130.0%	127.5%	143.0%	82.2%
44.9%	51.6%	78.1%	78.2%	75.5%	86.6%

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)
St. Paul Teachers' Retirement Fund

	2015	2016 [1]
Primary Government's Proportion of the Net Pension Liability as an:		
Employer	0.31%	0.24%
Non-Employer Contributing Entity	30.34%	29.52%
Total Primary Government's Proportion of the Net Pension Liability	30.65%	29.76%
Primary Government's Proportionate Share of the Net Pension Liability as an:		
Employer	$ 1,666	$ 1,385
Non-Employer Contributing Entity	162,576	171,776
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 164,242	$ 173,161
Primary Government's Covered-Member Payroll – Measurement Period	$ 1,749	$ 628
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	95.3%	220.5%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.1%	63.6%

(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.

2017 [2]	2018 [3]	2019 [4]	2020	2021	2022
0.17%	0.18%	0.10%	0.10%	0.08%	0.05%
28.79%	27.97%	27.48%	33.67%	31.67%	30.90%
28.96%	28.15%	27.58%	33.77%	31.75%	30.95%
$ 1,082	$ 1,019	$ 630	$ 617	$ 503	$ 230
182,226	161,970	166,431	205,790	207,016	134,248
$ 183,308	$ 162,989	$ 167,061	$ 206,407	$ 207,519	$ 134,478
$ 443	$ 465	$ 274	$ 271	$ 211	$ 148
244.2%	219.1%	229.9%	227.7%	238.4%	155.4%
60.3%	64.1%	63.9%	63.9%	61.4%	74.9%

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

	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

	2013	2014 [2]	2015	2016	2017 [3]	2018 [4]	2019	2020	2021	2022
Statutorily Required Contribution[1]	$ 8,177	$ 9,426	$ 9,776	$ 10,219	$ 13,758	$ 17,027	$ 17,287	$ 17,766	$ 17,915	$ 18,248
Covered-Member Payroll	$ 39,888	$ 41,893	$ 43,449	$ 45,418	$ 47,813	$ 49,009	$ 50,164	$ 52,298	$ 52,960	$ 53,335
Contributions as a Percentage of Covered-Member Payroll	20.5%	22.5%	22.5%	22.5%	28.8%	34.7%	34.5%	34.0%	33.8%	34.2%

(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]

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily Required Contribution[1]	$ 3,399	$ 3,436	$ 3,216	$ 5,087	$ 8,716	$ 8,856	$ 8,798	$ 8,764	$ 8,639	$ 8,682
Covered-Member Payroll	$ 1,233	$ 1,122	$ 1,700	$ 989	$ 889	$ 1,033	$ 1,011	$ 967	$ 856	$ 699
Contributions as a Percentage of Covered-Member Payroll	275.7%	306.2%	189.2%	514.4%	980.4%	857.3%	870.2%	906.3%	1009.2%	1242.1%

(1) Statutorily required contributions equal actual required contributions.
(2) LRF employer contributions are on a pay-as-you-go basis.

State Patrol Retirement Fund

	2013	2014	2015 [2]	2016	2017 [3]	2018	2019 [4]	2020 [5]	2021 [6]	2022 [7]
Statutorily Required Contribution[1]	$ 11,482	$ 12,894	$ 13,763	$ 13,938	$ 15,783	$ 15,952	$ 19,479	$ 21,975	$ 24,809	$ 32,258
Covered-Member Payroll	$ 62,121	$ 63,952	$ 68,463	$ 69,343	$ 73,056	$ 74,007	$ 80,792	$ 84,530	$ 88,351	$ 102,994
Contributions as a Percentage of Covered-Member Payroll	18.5%	20.2%	20.1%	20.1%	21.6%	21.6%	24.1%	26.0%	28.1%	31.3%

(1) Statutorily required contributions equal actual required contributions.
(2) 2015: The required employer contribution rate changed from 18.6 percent to 20.1 percent.
(3) 2017: The required employer contribution rate changed to 21.6 percent.
(4) 2019: The required employer contribution rate changed to 22.35 percent, plus an additional supplemental employer contribution of 1.75 percent.
(5) 2020: The required employer contribution rate changed to 23.1 percent, plus an additional supplemental employer contribution of 3.0 percent.
(6) 2021: The additional supplemental employer contribution rate changed to 5.0 percent.
(7) 2022: The additional supplemental employer contribution rate changed to 7.0 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

	2015	2016 [(1)]	2017 [(2)]	2018 [(3)]	2019 [(4)]	2020 [(5)]	2021 [(6)]	2022 [(7)]
Total Pension Liability								
Service Cost	$ 12,075	$ 12,251	$ 13,711	$ 9,483	$ 9,857	$ 9,881	$ 9,897	$ 10,204
Interest on the Total Pension Liability	20,535	21,773	21,349	25,366	26,747	27,769	28,721	29,568
Benefit Changes	—	—	—	—	—	—	—	(9,525)
Difference Between Expected and Actual Experience of the Total Pension Liability	5,080	(4,366)	7,135	(4,958)	1,424	804	(802)	(1,481)
Changes in Assumptions	(8,416)	21,696	(85,756)	11,652	—	—	—	24,695
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(23,094)	(23,585)	(25,233)	(26,302)	(27,038)
Net Change in Total Pension Liability	$ 8,472	$ 29,461	$ (65,939)	$ 18,449	$ 14,443	$ 13,221	$ 11,514	$ 26,423
Total Pension Liability, Beginning	$ 373,039	$ 381,511	$ 410,972	$ 345,033	$ 363,482	$ 377,925	$ 391,146	$ 402,660
Total Pension Liability, Ending	$ 381,511	$ 410,972	$ 345,033	$ 363,482	$ 377,925	$ 391,146	$ 402,660	$ 429,083
Fiduciary Net Position								
Contributions – Employer	$ 9,426	$ 9,776	$ 10,219	$ 13,758	$ 17,027	$ 17,287	$ 17,766	$ 17,915
Contributions – Member	3,578	3,629	3,763	3,932	3,973	4,049	4,168	4,166
Net Investment Income	28,011	7,572	(186)	24,729	19,265	14,491	8,955	64,934
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(23,094)	(23,585)	(25,233)	(26,302)	(27,038)
Pension Plan Administrative Expenses	(55)	(60)	(94)	(89)	(65)	(87)	(112)	(76)
Net Change in Plan Fiduciary Net Position	$ 20,158	$ (976)	$ (8,676)	$ 19,236	$ 16,615	$ 10,507	$ 4,475	$ 59,901
Plan Fiduciary Net Position, Beginning	$ 155,398	$ 175,556	$ 174,580	$ 165,904	$ 185,140	$ 201,755	$ 212,262	$ 216,737
Plan Fiduciary Net Position, Ending	$ 175,556	$ 174,580	$ 165,904	$ 185,140	$ 201,755	$ 212,262	$ 216,737	$ 276,638
Net Pension Liability	$ 205,955	$ 236,392	$ 179,129	$ 178,342	$ 176,170	$ 178,884	$ 185,923	$ 152,445
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	46.0%	42.5%	48.1%	50.9%	53.4%	54.3%	53.8%	64.5%
Covered-Member Payroll – Measurement Period	$ 41,893	$ 43,449	$ 45,418	$ 47,813	$ 49,009	$ 50,164	$ 52,298	$ 52,960
Net Pension Liability as a Percentage of Covered-Member Payroll	491.6%	544.1%	394.4%	373.0%	359.5%	356.6%	355.5%	287.8%

(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.
(5) 2020: Benefit increase rate changed to 1.75 percent through 2039, 2.0 percent for 2040-2056, and 2.5 percent thereafter.
(6) 2021: Benefit increase rate changed to 1.75 percent through 2041, 2.0 percent for 2042-2058, and 2.5 percent thereafter.
(7) 2022: Benefit increase rate changed to 1.75 percent through December 31, 2021 and 1.5 percent thereafter. The discount rate changed to 6.5 percent.

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

	2015	2016 [1]	2017 [2]	2018 [3]	2019 [4]	2020 [5]	2021 [6]	2022 [7]
Total Pension Liability								
Service Cost	$ 398	$ 428	$ 495	$ 546	$ 437	$ 496	$ 527	$ 657
Interest on the Total Pension Liability	6,177	6,113	5,332	4,293	5,094	4,894	4,258	3,498
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)	645	(527)
Changes in Assumptions	11,201	7,057	14,653	(5,017)	(856)	6,722	9,986	(942)
Benefit Payments, Including Refunds of Member Contributions	(8,486)	(8,441)	(8,536)	(8,716)	(8,912)	(8,853)	(8,812)	(8,679)
Net Change in Total Pension Liability	$ 9,053	$ (2,146)	$ 10,347	$ (7,376)	$ (7,957)	$ 818	$ 6,604	$ (5,993)
Total Pension Liability, Beginning	$ 137,446	$ 146,499	$ 144,353	$ 154,700	$ 147,324	$ 139,367	$ 140,185	$ 146,789
Total Pension Liability, Ending	$ 146,499	$ 144,353	$ 154,700	$ 147,324	$ 139,367	$ 140,185	$ 146,789	$ 140,796
Fiduciary Net Position								
Contributions – Employer	$ 3,436	$ 3,216	$ 5,087	$ 8,716	$ 8,856	$ 8,798	$ 8,764	$ 8,639
Contributions – Member	101	153	89	80	93	91	87	77
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)	(8,812)	(8,679)
Pension Plan Administrative Expenses	(36)	(37)	(42)	(39)	(37)	(36)	(39)	(37)
Other Changes	—	—	41	(41)	—	—	—	—
Net Change in Plan Fiduciary Net Position	$ (3,235)	$ (4,828)	$ (3,430)	$ —	$ —	$ —	$ —	$ —
Plan Fiduciary Net Position, Beginning	$ 11,493	$ 8,258	$ 3,430	$ —	$ —	$ —	$ —	$ —
Plan Fiduciary Net Position, Ending	$ 8,258	$ 3,430	$ —	$ —	$ —	$ —	$ —	$ —
Net Pension Liability	$ 138,241	$ 140,923	$ 154,700	$ 147,324	$ 139,367	$ 140,185	$ 146,789	$ 140,796
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	$ 967	$ 856
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%	15,179.8%	16,448.1%

[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.
[6] 2021: The discount rate changed to 2.45 percent.
[7] 2022: The discount rate changed to 1.92 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

	2015	2016 [1]	2017 [2]	2018 [3]	2019 [4]	2020	2021	2022 [5]
Total Pension Liability								
Service Cost	$ 14,514	$ 16,144	$ 16,555	$ 29,758	$ 24,935	$ 19,375	$ 21,122	$ 21,795
Interest on the Total Pension Liability	60,183	63,753	64,592	58,865	65,110	68,227	70,465	72,625
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	(535)	1,596
Changes in Assumptions	30,058	—	283,584	(112,694)	(126,888)	—	—	90,144
Benefit Payments, Including Refunds of Member Contributions	(53,722)	(55,480)	(57,774)	(58,565)	(59,692)	(60,803)	(61,971)	(63,210)
Net Change in Total Pension Liability	$ 45,262	$ 11,562	$ 284,735	$ (85,054)	$ (107,508)	$ 29,556	$ 29,081	$ 122,950
Total Pension Liability, Beginning	$ 781,411	$ 826,673	$ 838,235	$ 1,122,970	$ 1,037,916	$ 930,408	$ 959,964	$ 989,045
Total Pension Liability, Ending	$ 826,673	$ 838,235	$ 1,122,970	$ 1,037,916	$ 930,408	$ 959,964	$ 989,045	$ 1,111,995
Fiduciary Net Position								
Contributions – Employer	$ 12,894	$ 14,763	$ 14,938	$ 16,783	$ 16,952	$ 20,479	$ 22,975	$ 25,809
Contributions – Member	7,930	9,174	9,292	10,520	10,657	12,038	12,595	13,606
Net Investment Income	107,187	28,903	(774)	93,077	70,474	51,823	31,073	224,273
Benefit Payments, Including Refunds of Member Contributions	(53,722)	(55,480)	(57,774)	(58,565)	(59,692)	(60,803)	(61,971)	(63,210)
Pension Plan Administrative Expenses	(150)	(170)	(220)	(208)	(184)	(191)	(224)	(204)
Other Changes	—	—	—	—	(7)	(1)	(2)	—
Net Change in Plan Fiduciary Net Position	$ 74,139	$ (2,810)	$ (34,538)	$ 61,607	$ 38,200	$ 23,345	$ 4,446	$ 200,274
Plan Fiduciary Net Position, Beginning	$ 593,201	$ 667,340	$ 664,530	$ 629,992	$ 691,599	$ 729,799	$ 753,144	$ 757,590
Plan Fiduciary Net Position, Ending	$ 667,340	$ 664,530	$ 629,992	$ 691,599	$ 729,799	$ 753,144	$ 757,590	$ 957,864
Net Pension Liability	$ 159,333	$ 173,705	$ 492,978	$ 346,317	$ 200,609	$ 206,820	$ 231,455	$ 154,131
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.7%	79.3%	56.1%	66.6%	78.4%	78.5%	76.6%	86.1%
Covered-Member Payroll – Measurement Period	$ 63,952	$ 68,463	$ 69,343	$ 73,056	$ 74,007	$ 80,792	$ 84,530	$ 88,351
Net Pension Liability as a Percentage of Covered-Member Payroll	249.1%	253.7%	710.9%	474.0%	271.1%	256.0%	273.8%	174.5%

(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.
(5) 2022: The discount rate changed to 6.5 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 GASB 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)	2021 (4)	2022 (5)
Total OPEB Liability(1):					
Service Cost	$ 51,415	$ 48,056	$ 47,473	$ 46,502	$ 48,014
Interest	18,612	23,378	24,963	23,128	15,947
Differences Between Expected and Actual Experience	—	(42,541)	(16,846)	(76,320)	—
Changes in Assumptions or Other Inputs	(32,277)	(596)	(2,444)	101,123	2,571
Benefit Payments	(32,627)	(36,358)	(35,030)	(37,754)	(32,518)
Net Changes in Total OPEB Liability	$ 5,123	$ (8,061)	$ 18,116	$ 56,679	$ 34,014
Total OPEB Liability, Beginning	617,856	622,979	614,918	633,034	689,713
Total OPEB Liability, Ending	$ 622,979	$ 614,918	$ 633,034	$ 689,713	$ 723,727
Covered-Employee Payroll	$ 3,545,697	$ 3,603,462	$ 3,664,566	$ 3,814,738	$ 3,949,086
Total OPEB Liability as a Percentage of Covered-Employee Payroll	17.6%	17.1%	17.3%	18.1%	18.3%

(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.
(4) 2021: The discount rate changed to 2.21 percent.
(5) 2022: The discount rate changed to 2.16 percent.

Public Employees Insurance Program Development Information

The Public Employees Insurance Program's medical claim is a self-funded program. The following table illustrates how the fund's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the past ten years (in thousands).

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Required Contribution and Investment Revenue:										
Earned	$ 49,244	$ 90,110	$ 96,008	$109,484	$120,780	$169,172	$208,391	$268,602	$331,570	$333,233
Ceded	(4,582)	(8,372)	(4,607)	—	—	—	—	—	—	—
Net Earned	$ 44,662	$ 81,738	$ 91,401	$109,484	$120,780	$169,172	$208,391	$268,602	$331,570	$333,233
2. Unallocated Expenses:										
	$ 3,612	$ 6,390	$ 7,435	$ 7,846	$ 8,518	$ 10,891	$ 13,213	$ 15,822	$ 19,737	$ 18,830
3. Estimated Claims and Expenses End of Policy Year:										
Incurred	$ 41,959	$ 73,795	$ 86,276	$ 97,089	$ 99,399	$148,773	$196,311	$247,273	$314,643	$318,330
Ceded	(4,909)	(5,767)	(7,571)	—	—	—	—	—	—	—
Net Incurred	$ 37,050	$ 68,028	$ 78,705	$ 97,089	$ 99,399	$148,773	$196,311	$247,273	$314,643	$318,330
4. Net Paid (Cumulative) as of:										
End of Policy Year	$ 33,836	$ 60,813	$ 70,741	$ 87,378	$ 90,091	$135,199	$180,716	$223,215	$284,132	$288,708
One Year Later	37,353	68,176	79,461	96,681	98,880	147,318	195,547	246,968	322,890	
Two Years Later	37,608	68,256	79,762	96,506	98,873	148,026	195,573	247,971		
Three Years Later	37,629	68,391	79,906	96,506	99,131	147,987	195,572			
Four Years Later	37,629	68,617	79,906	96,602	99,131	147,987				
Five Years Later	37,713	68,617	79,906	96,602	99,131					
Six Years Later	37,713	68,617	79,906	96,602						
Seven Years Later	37,713	68,617	79,906							
Eight Years Later	37,713	68,617								
Nine Years Later	37,713									
5. Reestimated Ceded Claims and Expenses:										
	$ 4,825	$ 5,542	$ 7,374	$ —	$ —	$ —	$ —	$ —	$ —	$ —
6. Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	$ 37,050	$ 68,028	$ 78,705	$ 97,089	$ 99,399	$148,773	$196,311	$247,273	$314,643	$318,330
One Year Later	37,673	68,588	80,027	97,415	99,323	148,678	196,227	247,611	323,974	
Two Years Later	37,608	68,408	79,981	96,506	99,443	148,167	195,573	247,971		
Three Years Later	37,629	68,391	79,906	96,601	99,131	147,987	195,572			
Four Years Later	37,629	68,617	79,906	96,602	99,131	147,987				
Five Years Later	37,713	68,617	79,906	96,602	99,131					
Six Years Later	37,713	68,617	79,906	96,602						
Seven Years Later	37,713	68,617	79,906							
Eight Years Later	37,713	68,617								
Nine Years Later	37,713									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year:										
	$ 663	$ 589	$ 1,201	$ (487)	$ (268)	$ (786)	$ (739)	$ 698	$ 9,331	$ —

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.
3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally estimated. As data for individual policy years mature, the correlation between original estimates and reestimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

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APPENDIX F

FORM OF LEGAL OPINION

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November 8, 2023

The Honorable Erin Campbell
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, MN 55155

The Honorable Tamar Gronvall
Commissioner of Administration
200 Administration Building
50 Sherburne Avenue
Saint Paul, MN 55155

$454,175,000
Certificates of Participation, Series 2023
(State Office Building Project)

In a Lease-Purchase Agreement

between the

State of Minnesota, Acting By and Through the Commissioner of Management and Budget, as Lessor

and the

State of Minnesota, Acting By and Through the Commissioner of Administration, as Lessee

Dear Commissioners:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget and the Commissioner of Administration of the State of Minnesota (the "State"), preliminary to and in the issuance of the above-captioned certificates of participation (the "Certificates"). The Certificates recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and laws of the State, including, in particular, Minnesota Statutes, Section 16B.2406 (the "Act"), and such other certified proceedings and other documents as we deemed necessary to render this opinion, including (i) the Lease-Purchase Agreement dated as of

November 1, 2023 (the "Lease") between the State of Minnesota, Acting By and Through the Commissioner of Management and Budget, as lessor (the "Lessor"), and the State of Minnesota, Acting By and Through the Commissioner of Administration, as lessee the "Lessee"); (ii) the Ground Lease dated as of November 1, 2023 (the "Ground Lease") between the State of Minnesota, Acting By and Through the Commissioner of Administration, as lessor, and the State of Minnesota, Acting By and Through the Commissioner of Management and Budget, as lessee; (iii) the "Order of the Commissioner of Management and Budget for the Issuance and Sale of Certificates of Participation, Series 2023 (State Office Building Project) and of the Commissioner of Administration for Ground Lease and Lease-Purchase Agreement" (the "Order") dated November 8, 2023, which Order, among other things, authorized the execution and delivery of the Lease and the Ground Lease, and approved the terms of and the issuance of the Certificates; and (iv) the form of Certificate of Participation No. R-1. Capitalized terms used but not defined herein have the meanings assigned to them in the Lease.

The Certificates are dated November 8, 2023, are issuable as fully registered certificates in denominations of $5,000 and any integral multiple of $5,000 in excess thereof, mature on the dates and bear interest from the delivery date thereof and thereafter from the dates and, in each case, at the rates set forth in the Order and are subject to payment, registration, transfer, exchange and redemption prior to maturity in the manner and upon the terms set forth therein and in the Order. The Certificates evidence proportionate undivided interests in rights to receive certain revenues under the Lease, as provided in the Certificates and the Lease. The owners of the Certificates are entitled to receive payments, as provided in the Certificates, the Order and the Lease, from the Rental Payments payable by the Lessee to the Lessor under the Lease, which Rental Payments include portions designated and paid as interest, as provided in the Lease.

From such examination, and 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 Certificates have been duly authorized, executed and delivered by the Lessor and are payable solely from the sources provided therefor in the Act, the Lease and the Order.

2. The Lease has been duly authorized, executed and delivered by the Lessee and, upon the due execution and delivery thereof by the Lessor, represents the valid and binding agreement of the Lessee, enforceable in accordance with its terms.

3. The Lease and the Certificates are not general obligations of the State and the full faith and credit and taxing powers of the State are not pledged to, or available with respect to, the payment of Rental Payments under the Lease or the payment of the Certificates. The availability of funds to pay Rental Payments under the Lease is subject to annual appropriation by the legislature of the State. The Lease will terminate by its terms upon an event of Nonappropriation (as defined by the Lease), whereupon the Certificates will be subject to immediate extraordinary mandatory redemption.

4. The rights of the owners of the Certificates and the enforceability of the Certificates, the Order and the Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereinafter enacted, by the exercise of judicial discretion in accordance with general principles of equity, by the exercise by the State and its governmental bodies of the sovereign powers of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

5. The portion of the Rental Payments payable by the Lessee which is designated and paid as interest, as provided in the Lease, and received by the owners of the Certificates (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, for tax years beginning after December 31, 2022, interest on the Certificates may affect the federal alternative minimum tax imposed on certain corporations.

The opinions expressed in paragraph 5 above are subject to the condition of the compliance by the State, acting through the Commissioner of Management and Budget and the Commissioner of Administration, with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Certificates, with covenants respectively made by the Commissioner of Management and Budget and the Commissioner of Administration in the Order relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Certificates in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Certificates. No provision has been made for an increase in the interest payable on the Certificates in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. We express no opinion as to the effect of any termination of the Lessee's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for federal income tax purposes of any moneys received under the Lease subsequent to such termination. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Certificates.

As bond counsel, we are passing only upon those matters specifically set forth above. We express no opinion as to the sufficiency of the descriptions of or title to the Project described in the Lease or otherwise or the priority of any liens, charges or encumbrances on the Project, the accuracy or completeness of any statements made in connection with the offer and sale of the Certificates or upon any federal or Minnesota tax consequences arising from the receipt or accrual of interest on or the ownership of the Certificates except those specifically addressed in this letter. Our engagement with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

APPENDIX G

CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING

The Commissioner's Order authorizing the issuance of the Certificates will contain provisions enabling participating underwriters in the primary offering of the Certificates 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 25, 2023, relating to the Certificates (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 Certificates designated in the Order (collectively, the "Initial Purchasers") are authorized and directed to distribute the Official Statement to all persons to whom the Certificates 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 Certificates 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 Certificates, as set forth in this Section. The State is the only "obligated person" in respect of the Certificates within the meaning of Rule 15c2-12. As used in this Section 3.02, "Registered Owner" means, in respect of a Certificate of a series, the registered owner or owners thereof appearing in the certificate 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 Certificate 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 Certificate (including persons or entities holding Certificates through nominees, depositories or other intermediaries), or is treated as the owner of the Certificate 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 2023 (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.

As used herein, an event is "material" if it would be deemed material for purposes of the purchase, holding or sale of a Certificate within the meaning of applicable federal securities laws, as interpreted at the time of the occurrence of the event.

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.

(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 Certificates 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 Certificates so long as any Certificates 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 Certificates, 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 Certificates, 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 Certificate 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 Certificates or under any other provision of the 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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STATE OF MINNESOTA • CERTIFICATES OF PARTICIPATION, SERIES 2023 (STATE OFFICE BUILDING PROJECT)

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