

*This Official Statement has been prepared by the Minnesota Housing Finance Agency (the "Agency") to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, terms used with initial capital letters on this cover page have the meanings given in this Official Statement.*



**\$104,195,000**

**MINNESOTA HOUSING FINANCE AGENCY**

**\$43,790,000 State Appropriation Bonds (Housing Infrastructure), 2022 Series A (Non-AMT)**

**\$20,355,000 State Appropriation Bonds (Housing Infrastructure), 2022 Series B (Non-AMT)**

**\$40,050,000 State Appropriation Bonds (Housing Infrastructure), 2022 Series C (Non-AMT)**

**Dated Date: Date of Delivery**

**Due: As shown on inside front cover**

*Tax Exemption* Interest on the Series Bonds is not includable in gross income for federal income tax purposes or taxable net income of individuals, estates and trusts for Minnesota income tax purposes, provided interest on any 2022 Series C Bond is not excluded from gross income for federal income tax purposes of any holder of those Series Bonds who is a "substantial user" of a facility financed with the proceeds of those Series Bonds or a "related person" within the meaning of Section 147(a) of the Code. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations.")

*Redemption* The Agency may redeem all or a portion of the Series Bonds by optional redemption, as described under "The Series Bonds."

*Security* THE SERIES BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AGENCY PAYABLE SOLELY, AND EQUALLY AND RATABLY, FROM SPECIFIED TRANSFERS EXPECTED TO BE MADE BY THE STATE OF MINNESOTA (THE "STATE") PURSUANT TO LEGISLATION PROVIDING FOR THE APPROPRIATION OF THOSE TRANSFERS FROM THE GENERAL FUND OF THE STATE TO THE AGENCY (THE "HOUSING INFRASTRUCTURE STATE APPROPRIATIONS"), AND MONEYS AND SECURITIES HELD FROM TIME TO TIME IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE (AS HEREIN DEFINED) AND PLEDGED TO THAT PAYMENT. THE AGENCY HAS NOT PLEDGED ANY OTHER REVENUES OR ASSETS, NOR THE FULL FAITH AND CREDIT OF THE AGENCY, TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES BONDS. THE AGENCY HAS NO TAXING POWER. THE SERIES BONDS ARE NOT INDEBTEDNESS OR ANOTHER OBLIGATION OF THE STATE AND ARE NOT PUBLIC DEBT OF THE STATE. THE STATE HAS NOT PLEDGED ITS FULL FAITH AND CREDIT AND TAXING POWER TO PAYMENT OF THE SERIES BONDS OR TO TRANSFERS TO THE AGENCY OF THE HOUSING INFRASTRUCTURE STATE APPROPRIATIONS. PURSUANT TO MINNESOTA LAW, THE MINNESOTA LEGISLATURE MAY REDUCE OR REPEAL THE HOUSING INFRASTRUCTURE STATE APPROPRIATIONS IN THEIR ENTIRETY. THE HOUSING INFRASTRUCTURE APPROPRIATIONS ARE ALSO SUBJECT TO REDUCTION THROUGH UNALLOTMENT. See "Nature of Obligation and Source of Payment."

*Interest Payment Dates* February 1 and August 1, commencing February 1, 2023, and, for any Series Bonds to be redeemed, the redemption date.

*Denominations* \$5,000 or any multiple thereof.

*Closing/Settlement* September 14, 2022 through the facilities of DTC in New York, New York.

*Bond Counsel* Kutak Rock LLP.

*Underwriters' Counsel* Cozen O'Connor.

*Trustee* Computershare Trust Company, National Association, in Minneapolis, Minnesota.

*Book-Entry-Only System* The Depository Trust Company. See Appendix B hereto.

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

**RBC Capital Markets**

**J.P. Morgan**

**Piper Sandler & Co.**

**Wells Fargo Securities**

The date of this Official Statement is August 31, 2022.

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS

### 2022 Series A Bonds (Non-AMT)

<u>Due (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP*</u>
2023	\$1,210,000	5.000%	102.293%	2.350%	60416TSZ2
2024	1,270,000	5.000	104.637	2.460	60416TTA6
2025	1,335,000	5.000	106.817	2.530	60416TTB4
2026	1,405,000	5.000	108.878	2.580	60416TTC2
2027	1,480,000	5.000	110.786	2.630	60416TTD0
2028	1,555,000	5.000	112.483	2.690	60416TTE8
2029	1,635,000	5.000	114.014	2.750	60416TTF5
2030	1,715,000	5.000	115.076	2.850	60416TTG3
2031	1,805,000	5.000	115.825	2.960	60416TTH1
2032	1,900,000	5.000	116.616	3.040	60416TTJ7
2033	1,995,000	5.000	115.508**	3.160	60416TTK4
2034	2,100,000	5.000	114.230**	3.300	60416TTL2
2035	2,205,000	5.000	113.418**	3.390	60416TTM0
2036	2,320,000	5.000	112.791**	3.460	60416TTN8
2037	2,440,000	5.000	112.257**	3.520	60416TTP3
2038	2,565,000	5.000	111.549**	3.600	60416TTQ1
2039	2,695,000	5.000	111.022**	3.660	60416TTR9
2040	2,830,000	5.000	110.672**	3.700	60416TTS7
2041	2,975,000	5.000	110.237**	3.750	60416TTT5
2042	3,115,000	4.000	98.779	4.090	60416TTU2
2043	3,240,000	4.000	98.189	4.130	60416TTV0

### 2022 Series B Bonds (Non-AMT)

<u>Due (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP*</u>
2023	\$1,545,000	5.000%	102.293%	2.350%	60416TTW8
2024	1,630,000	5.000	104.637	2.460	60416TTX6
2025	1,710,000	5.000	106.817	2.530	60416TTY4
2026	1,800,000	5.000	108.878	2.580	60416TTZ1
2027	1,890,000	5.000	110.786	2.630	60416TUA4
2028	1,985,000	5.000	112.483	2.690	60416TUB2
2029	2,090,000	5.000	114.014	2.750	60416TUC0
2030	2,195,000	5.000	115.076	2.850	60416TUD8
2031	2,310,000	5.000	115.825	2.960	60416TUE6
2032	2,430,000	5.000	116.616	3.040	60416TUF3
2033	770,000	5.000	115.508**	3.160	60416TUG1

### 2022 Series C Bonds (Non-AMT)

<u>Due (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP*</u>
2033	\$1,780,000	5.000%	115.508**	3.160%	60416TUH9
2034	2,685,000	5.000	114.230**	3.300	60416TUJ5
2035	2,820,000	5.000	113.418**	3.390	60416TUK2
2036	2,965,000	5.000	112.791**	3.460	60416TUL0
2037	3,115,000	5.000	112.257**	3.520	60416TUM8
2038	3,275,000	5.000	111.549**	3.600	60416TUN6
2039	3,445,000	5.000	111.022**	3.660	60416TUP1
2040	3,620,000	5.000	110.672**	3.700	60416TUQ9
2041	3,805,000	5.000	110.237**	3.750	60416TUR7
2042	4,000,000	5.000	109.890**	3.790	60416TUS5
2043	4,185,000	4.000	98.189	4.130	60416TUT3
2044	4,355,000	4.000	97.853	4.150	60416TUU0

\* CUSIP numbers have been assigned by an organization not affiliated with the Agency and are included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

\*\* Priced at the stated yield to the August 1, 2032 optional redemption date at par. (See “The Series Bonds – Optional Redemption” herein.)

None of the Minnesota Housing Finance Agency, the State of Minnesota or the Underwriters has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the State and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of the information.

In connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT**  
**relating to**  
**\$104,195,000**  
**MINNESOTA HOUSING FINANCE AGENCY**  
**STATE APPROPRIATION BONDS (HOUSING INFRASTRUCTURE)**  
**2022 SERIES A, 2022 SERIES B AND 2022 SERIES C**

This Official Statement (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the “Agency”), created by Minnesota Statutes, Chapter 462A, as amended (the “Act”), the State of Minnesota (the “State”), and the State Appropriation Bonds (Housing Infrastructure), 2022 Series A (the “Series 2022A Bonds”), State Appropriation Bonds (Housing Infrastructure), 2022 Series B (the “Series 2022B Bonds,” and collectively with the Series 2022A Bonds, the “Series 2022AB Bonds”), and State Appropriation Bonds (Housing Infrastructure), 2022 Series C (the “Series 2022C Bonds;” and collectively with the Series 2022B Bonds, the “Series 2022BC Bonds;” the Series 2022A Bonds, the Series 2022B Bonds and the Series 2022C Bonds are collectively referred to herein as the “Series Bonds”), in connection with the offering and sale of the Series Bonds by the Agency and for the information of all who may become initial Owners of the Series Bonds.

The Agency is issuing the Series Bonds pursuant to the Act, an Indenture of Trust, dated as of August 1, 2013, as supplemented by an Eleventh Supplemental Indenture of Trust, to be dated as of September 1, 2022 (as so supplemented, and as amended and supplemented from time to time in accordance with its terms, the “Indenture”), each between the Agency and Computershare Trust Company, National Association, as successor trustee (the “Trustee”). The Agency has issued 27 series of its State Appropriation Bonds (Housing Infrastructure), 2013 Series A and 2013 Series B (the “Series 2013 Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2014 Series A and 2014 Series B (the “Series 2014 Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2015 Series A, 2015 Series B and 2015 Series C (the “Series 2015 Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2016 Series A and 2016 Series B (the “Series 2016AB Bonds”) and 2016 Series C (the “Series 2016C Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2017 Series A (the “Series 2017A Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2018 Series A (the “Series 2018A Bonds”), 2018 Series B (the “Series 2018B Bonds”), 2018 Series C and 2018 Series D (the “Series 2018CD Bonds”), its State Appropriation Bonds (Housing Infrastructure) 2019 Series A and 2019 Series B (the “Series 2019AB Bonds”), and 2019 Series C and 2019 Series D (the “Series 2019CD Bonds”), its State Appropriation Bonds (Housing Infrastructure) 2020 Series A, 2020 Series B and 2020 Series C (the “Series 2020ABC Bonds”) and 2020 Series D (the “Series 2020D Bonds”) and its State Appropriation Bonds (Housing Infrastructure) 2021 Series A, 2021 Series B and 2021 Series C (the “Series 2021ABC Bonds”) and 2021 Series D (the “Series 2021D Bonds”) and collectively with the Series 2013 Bonds, the Series 2014 Bonds, the Series 2015 Bonds, the Series 2016AB Bonds, the 2016 Series C Bonds, the Series 2017A Bonds, the Series 2018A Bonds, the Series 2018B Bonds, the Series 2018CD Bonds, the Series 2019AB Bonds, the Series 2019CD Bonds, the Series 2020ABC Bonds, the Series 2020D Bonds, the Series 2021ABC Bonds and the Series 2021D Bonds, the “Prior Series Bonds”) under the Indenture in the original aggregate principal amount of \$367,300,000, of which \$317,100,000 are outstanding. The Series Bonds, the Prior Series Bonds and any additional bonds (the “Additional Bonds”) issued pursuant to the Indenture are equally and ratably secured thereunder and are herein called the “Bonds.”

The Indenture includes definitions of capitalized terms used in this Official Statement, some of which are reproduced in Appendix A. The summaries and references in this Official Statement to the Act and the Indenture and other documents are only outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references in this Official Statement to the Act and the Indenture are qualified in their entirety by reference to the Act and Indenture, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Indenture.

**INTRODUCTION**

The Agency is a public body corporate and politic, constituting an agency of the State, established in 1971 pursuant to the Act. Section 462A.37 of the Act authorizes the Agency to issue its bonds to fund loans, or grants

with respect to manufactured home parks (“Housing Infrastructure Loans”), to pay for all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families; all or a portion of the costs of the acquisition and rehabilitation of abandoned or foreclosed property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed; that portion of the costs of the acquisition of abandoned or foreclosed property that is attributable to the land to be leased by community land trusts to low and moderate income homebuyers; the costs of acquisition, improvement and infrastructure of manufactured home parks; all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing; all or a portion of the costs of the acquisition and rehabilitation or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit; acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing; and all or a portion of the costs of the construction, acquisition, and rehabilitation of supportive housing for girls and women to provide them protection from and the means to escape exploitation and trafficking.

The global outbreak of the coronavirus COVID-19 (“COVID-19”) and measures taken by federal, state and local governments in response thereto are impacting individuals and businesses in a manner that to an unknown extent will have negative effects on economic activity across the country and the State. For descriptions of certain of these measures, their impacts on the Agency and the Agency’s responses, see “The Agency—COVID-19 Economic Disruption” herein. For descriptions of certain measures taken by the State, their impacts on the State and the State’s responses, see “COVID-19 Pandemic and Executive Peacetime Emergency Orders – COVID-19 Impact” in Appendix B to the Official Statement of the State of Minnesota dated August 9, 2022, as supplemented August 22, 2022 (the “August 9, 2022 State Official Statement”), with respect to its \$587,635,000 General Obligation State Bonds, which is attached hereto as Appendix E.

The Agency is issuing the Series Bonds to provide money to fund Housing Infrastructure Loans and to pay costs of issuance of the Series Bonds. (See “Estimated Sources and Uses of Funds.”) For a description of the developments expected to be financed with proceeds of the Series Bonds, see “The Developments” herein. The Series Bonds are secured, on parity with the Prior Series Bonds and Additional Bonds, if any, hereafter issued under the Indenture, by a pledge made by the Agency under the Indenture of all amounts appropriated to the Agency by the State pursuant to Section 462A.37 of the Act (the “Housing Infrastructure State Appropriations”). Section 462A.37 of the Act provides that amounts necessary to pay principal of and premium, if any, and interest on housing infrastructure bonds issued pursuant to Section 462A.37 of the Act, and the fees, charges and expenses related thereto, are appropriated annually from the State general fund (the “General Fund”) to the Commissioner of Management and Budget for transfer to the Agency. The amount appropriated with respect to the Series 2013 Bonds and the Series 2014 Bonds, collectively, will not exceed \$2,200,000 annually for transfer to the Agency through July 15, 2035. The amount appropriated with respect to Series 2015 Bonds, the Series 2016AB Bonds, the Series 2017A Bonds and the Series 2018A Bonds, collectively, will not exceed \$6,400,000 annually for transfer to the Agency through July 15, 2037. The amount appropriated with respect to the Series 2016C Bonds and the Series 2018B Bonds, collectively, will not exceed \$800,000 annually for transfer to the Agency through July 15, 2038. The amount appropriated with respect to the Series 2018CD Bonds and the Series 2019AB Bonds, collectively, will not exceed \$2,800,000 annually for transfer to the Agency through July 15, 2040. The amount appropriated with respect to the Series 2019CD Bonds, the Series 2020ABC Bonds and the Series 2021A Bonds, collectively, in an aggregate principal amount up to \$80,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Bonds for transfer to the Agency annually beginning July 15, 2020 through July 15, 2041. The amount appropriated with respect to the Series 2020D Bonds and the Series 2021B Bonds, collectively, in an aggregate principal amount up to \$60,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Additional Bonds for transfer to the Agency annually beginning July 15, 2022 through July 15, 2043. The amount appropriated with respect to the Series 2021CD Bonds and the Series 2022A Bonds, collectively, in an aggregate principal amount up to \$100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Additional Bonds for transfer to the Agency annually beginning July 15, 2022 through July 15, 2043. The amount appropriated with respect to the Series 2022BC Bonds and Additional Bonds, collectively, in an aggregate principal amount up to \$100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Additional Bonds for transfer to the Agency annually beginning

July 15, 2023 through July 15, 2044. Upon the issuance of the Series Bonds, there will be \$39,595,000 of authorized but unissued debt supported by the Housing Infrastructure State Appropriations (\$3,910,000 of previously authorized but unissued debt having been either canceled or not supported by the remaining portion of the appropriation limit).

**The Series Bonds are special, limited obligations of the Agency. The Series Bonds are not general obligations of the Agency and the Agency has not pledged its general funds to the payment of the Series Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Series Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of the Housing Infrastructure State Appropriations. In no event will the Agency pay principal of, premium, if any, or interest on the Series Bonds from the general revenues or assets of the Agency. The Act provides that the Bonds are not public debt of the State. The State has not pledged its full faith and credit and taxing powers to payment of the Series Bonds or to payment of the Housing Infrastructure State Appropriations. Pursuant to Minnesota law, the Minnesota Legislature (the “Legislature”) may reduce or repeal the Housing Infrastructure State Appropriations in their entirety. The Housing Infrastructure State Appropriations are also subject to unallotment under Minnesota Statutes, Section 16A.152. See “Nature of Obligation and Source of Payment” and “Appendix A – Summary of Certain Provisions of the Indenture.”**

## **THE AGENCY**

### **Purpose**

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long term mortgage financing for that housing.

### **Structure**

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chairman of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

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The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

*John DeCramer*, Chair — Term expires January 2024, Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha* — *Ex officio*, St. Paul, Minnesota – State Auditor

*Melanie Benjamin*, Member — Term expires January 2025, Onamia, Minnesota – Consultant

*Craig Klausning*, Member — Term expires January 2023, Roseville, Minnesota – Attorney

*Stephanie Klinzing*, Member — Term expires January 2023, Elk River, Minnesota – Writer and Publisher

*Stephen Spears*, Member — Term expires January 2026, Plymouth, Minnesota – Banker

*Terri Thao*, Vice Chair — Term expires January 2024, St. Paul, Minnesota – Program Director

## **Staff**

The staff of the Agency presently consists of approximately 265 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the programs associated with the developments to be funded with Housing Infrastructure Loans are as follows:

*Jennifer Ho* — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner may be confirmed or rejected by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

*Rachel Robinson* — Deputy Commissioner, appointed March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.



*Michael Solomon* — Chief Financial Officer, appointed effective August 2022. In this position, Mr. Solomon leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position he served as Treasurer of the City of Saint Paul overseeing financial operations including cash, investment and debt management in addition to significant work in economic development and financial empowerment. He held other roles in the City's Office of Financial Services from 2012 to 2017 including Debt Manager leading the issuance of debt obligations from a variety of credits utilizing innovative financing tools. Mr. Solomon worked for a local municipal financial advisory and consulting firm from 2008 to 2012 specializing in the issuance and management of municipal debt. He received his degree in Financial Management from the University of St. Thomas in Saint Paul, Minnesota and is an active member of the Government Finance Officers Association, serving on its Committee of Treasury and Investment Management contributing to best practices and guidance used across the industry.

*Debbi Larson* — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

*Anne Smetak* — General Counsel, appointed effective June 2020. Ms. Smetak has been a member of the Agency's legal team since April 2016 and served as Deputy General Counsel for the Agency from July 2019 to June 2020. Her experience prior to joining the Agency includes corporate litigation, affordable housing preservation as a legal services attorney, and clinical teaching roles at the Washington College of Law and The George Washington University School of Law. Ms. Smetak earned a law degree and a Master of Laws degree from The George Washington University School of Law and holds a Bachelor of Arts degree in Political Science from Kenyon College.

*James Lehnhoff* – Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

*Kayla Schuchman* – Assistant Commissioner, Single Family, appointed effective January 2022. Prior to Ms. Schuchman's appointment to this role she was the Housing Director for the City of Saint Paul, and prior to that worked as a Project Manager at CommonBond Communities. Her previous experience includes nine years with the Agency, including as Multifamily Programs Middle Manager from December 2014 to December 2016, Low Income Housing Tax Credit Program Manager and RFP Coordinator from 2012 to 2014 and Multifamily Housing Development Officer from 2007 to 2012. Prior to that, Ms. Schuchman held positions as a Senior Financial Analyst and Budget Analyst at Minneapolis Public Housing Authority. She holds a Master's degree in Public Policy from the University of Minnesota's Humphrey School and a Bachelor of Arts Degree in Economics from Macalester College, Saint Paul, Minnesota. Ms. Schuchman holds a Housing Development Finance Professional certification through the National Development Council, has served as a director on several nonprofit boards and was named a "40 under 40" honoree by the Minneapolis/Saint Paul Business Journal in February 2021.

The Agency's offices are located at 400 Wabasha Street North, Saint Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's Investor Relations Representative may be reached at the

Agency's general telephone number. The Agency's website address is <http://www.mnhousing.gov>. No portion of the Agency's website is incorporated into this Official Statement.

### **Agency Continuity of Operations Plan**

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency's ability to conduct its business. A prolonged disruption in the Agency's operations could have an adverse effect on the Agency's financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the "Plan"). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency's operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency's efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

### **Cybersecurity**

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

### **COVID-19 Economic Disruption**

The global outbreak of COVID-19, a respiratory disease declared in March 2020 to be a pandemic (the "Pandemic") by the World Health Organization, was declared an emergency by federal and state governments. Since the start of the Pandemic, Presidential administrations, Congress, the Federal Reserve, HUD/FHA (including GNMA), the Federal Housing Finance Agency (including Fannie Mae and Freddie Mac), USDA Rural Development, the VA, the Centers for Disease Control, and the Consumer Financial Protection Bureau, along with the State, have enacted legislation and/or issued orders or directives (collectively, "Governmental Actions") to alleviate the effects of COVID-19 on homeowners, renters, landlords, servicers and lenders. Governmental Actions

have included loan forbearance directives, moratoriums on foreclosures and/or evictions, loan modification directives, loan servicing assistance, rental assistance, and homeownership loan assistance. Such legislation and/or orders have been extended and/or modified, and others have expired or been enjoined. While it is generally expected that new legislation may be enacted, new orders may be issued, and existing and new orders may be extended, modified, litigated, or allowed to expire, no guarantee can be made with regards to the duration and/or effectiveness of any such legislation or orders.

The Agency's Housing Infrastructure Loans are not affected by the relief provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and do not provide security for the repayment of the Bonds, including the Series Bonds. (See "Nature of Obligation and Source of Payment" and "The Developments") The Agency has provided loans under its other programs, some of which loans are covered by the relief provisions of the CARES Act, and has granted forbearance approvals.

On March 13, 2020, the Governor of the State declared a peacetime emergency with respect to the Pandemic. Through various executive orders, which have the force and effect of law during a peacetime emergency, the Governor directed various protective measures in response to the Pandemic, including the suspension of evictions and lease terminations. The peacetime emergency ended on July 1, 2021 and all executive orders made pursuant to the peacetime emergency have expired. However, legislation was enacted effective June 30, 2021 gradually phasing out eviction protections during the period ending October 12, 2021. While those protections have expired, certain tenants who were eligible for, had applied for, but had not yet received, federal emergency rental assistance payments had eviction protection extended through June 1, 2022.

During the peacetime emergency, an executive order of the Governor designated the operation of the Agency as a critical service and Agency personnel, though almost exclusively teleworking, continued all operations in order to provide the Agency's programs (see "Agency Continuity of Operations Plan" above). The Agency plans to re-open its offices with a portion of its personnel returning to the workplace later this year. At this time the Agency cannot predict (i) the duration or extent of the Pandemic; (ii) the duration or expansion of any foreclosure or eviction moratorium affecting the Agency's ability to foreclose and collect on delinquent mortgage loans; (iii) the number of mortgage loans that will be in forbearance or default as a result of the Pandemic and subsequent federal, state and local responses thereto, including the Government Actions; (iv) whether and to what extent the Pandemic may disrupt the local or global economy, real estate markets, manufacturing, or supply chain, or whether any of those types of disruption may adversely impact the Agency or its operations; (v) whether or to what extent the Agency or other government agencies may provide additional deferrals, forbearances, adjustments, or other changes to payments on mortgage loans; or (vi) the effect of the Pandemic on the State budget, or whether any such effect may adversely impact the Agency or its programs. The Agency continues to monitor and assess the impact of the Pandemic on its programs, operations and financial position. However, the continuation of the Pandemic and the resulting containment and mitigation efforts could have a material adverse effect on the Agency's programs, operations and finances.

## **THE SERIES BONDS**

### **General**

The Series Bonds will be fully registered bonds issued in the denominations of \$5,000 or any integral multiple thereof of single maturities. The Series Bonds will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for each series of the Series Bonds. Computershare Trust Company, National Association, Minneapolis, Minnesota, serves as successor Trustee under the Indenture. Interest on the Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, which interest is to be redistributed by DTC. Principal of the Series Bonds will be paid at maturity or earlier redemption upon surrender at the principal corporate trust office of the Trustee. (See "Appendix B — Book-Entry-Only System.")

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer. The Series Bonds mature on the dates and in the amounts set forth on the inside front cover hereof, subject to prior redemption as hereinafter described.

The Series Bonds will bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2023, and, for any Series Bonds then to be redeemed, on any redemption date, at the respective annual rates set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. Interest on the Series Bonds is calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to the Owners of record in the bond registration books maintained by the Trustee as of the Record Date.

### **Optional Redemption**

The Agency may redeem Series Bonds maturing on or after August 1, 2033, at its option, in whole or in part, on any date on or after August 1, 2032, from the stated maturities and in the principal amounts selected by the Agency, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date of redemption, without premium.

### **General Redemption Provisions**

The Trustee must mail notice of redemption, first-class postage prepaid, not less than 30 days before the Redemption Date, to each Owner of Series Bonds to be redeemed; but neither the failure to mail notice to the Owner of any particular Series Bond nor any defect in any notice so mailed will affect the validity of the proceedings for redemption of any Series Bond not affected by that failure or defect.

If notice of redemption has been given and funds sufficient to pay the redemption price are on deposit with the Trustee, on the Redemption Date the Series Bonds to be redeemed become due and payable at the Redemption Price specified and on and after that date (unless the Agency defaults in the payment of the Redemption Price) those Bonds will cease to bear interest.

## **NATURE OF OBLIGATION AND SOURCE OF PAYMENT**

### **General**

The Bonds (including the Series Bonds) are special, limited obligations of the Agency. The Agency expects that the Housing Infrastructure State Appropriations will be transferred on July 15 of each year from the General Fund of the State to the Agency by the Commissioner of Management and Budget pursuant to Section 462A.37 of the Act and has pledged the Housing Infrastructure State Appropriations pursuant to the Indenture to the payment of the Bonds. The Bonds are not general obligations of the Agency and the Agency has not pledged its general revenues or assets to the payment of the Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of the Housing Infrastructure State Appropriations. In no event will the Agency make payments with respect to the Bonds from the general revenues or assets of the Agency, which include appropriations from the State other than the Housing Infrastructure State Appropriations pursuant to Section 462A.37 of the Act. The Bonds will not constitute indebtedness or another obligation of the State and are not public debt of the State. The State will not pledge its full faith, credit and taxing power to payment of the Bonds or the interest thereon or to annual transfers of Housing Infrastructure State Appropriations to the Agency. The Agency does not expect that any revenues from the Housing Infrastructure Loans will be available to pay debt service on the Bonds, and has not pledged payments on the Housing Infrastructure Loans, if any, to pay principal of or interest on the Bonds.

In the opinion of Bond Counsel, Housing Infrastructure State Appropriations from the General Fund to the Agency do not require further State or other approval except as expressly provided in the Act. See “—The Housing Infrastructure State Appropriations” and “—Certain Risks With Respect to Payment of Housing Infrastructure State Appropriations” hereunder.

The Indenture provides that, as received each year, all Housing Infrastructure State Appropriations paid by the State to the Agency will be remitted by the Agency to the Trustee for deposit into the Bond Fund held under the Indenture and that amounts in the Bond Fund are irrevocably pledged to and must be used for the payment of principal of and premium (if any) and interest on the Bonds, as and when principal, premium and interest become due and payable. The Trustee may also use moneys in the Bond Fund in excess of the amount necessary to pay the

principal of and interest on Outstanding Bonds in the current Fiscal Year to pay fees, charges and expenses with respect to the Bonds, except as otherwise required under the Indenture upon occurrence of Event of Default and with respect to advances, counsel fees and other expenses reasonably made or incurred by the Trustee (see “Appendix A — Summary of Certain Provisions of the Indenture — Application of Revenues and Other Moneys After Event of Default” and “—Compensation of Trustee”). Upon written direction of the Agency, the Trustee may use moneys in the Bond Fund to purchase Bonds maturing or subject to redemption on a sinking fund payment date on either of the next two interest payment dates after that purchase, provided that the Bonds are delivered to the Trustee for cancellation upon purchase.

The Indenture further provides that proceeds of the Series Bonds will be deposited by the Agency in the Program Fund (the “Program Fund”). The money in the Program Fund will be held in trust by the Trustee and applied to the funding of certain Housing Infrastructure Loans and payment of costs of issuance of the Series Bonds. The Trustee is to create specific accounts within the Program Fund, upon receipt of an Agency Certificate, to fund specific Housing Infrastructure Loans. See “Appendix A — Summary of Certain Provisions of the Indenture.”

### **The Housing Infrastructure State Appropriations**

Section 462A.37 of the Act provides that the Agency may issue up to \$515 million of housing infrastructure bonds in one or more series to which Housing Infrastructure State Appropriations may be pledged. To qualify as housing infrastructure bonds, the Bonds must be “qualified 501(c)(3) bonds” (within the meaning of Section 145(a) of the Internal Revenue Code of 1986, as amended (the “Code”)), finance qualified residential rental projects within the meaning of Section 142(d) of the Code, finance the construction or rehabilitation of single-family houses that qualify for mortgage financing within the meaning of Section 143 of the Internal Revenue Code or not be “private activity bonds” (within the meaning of Section 141(a) of the Code). The Bonds may be issued for the purpose of making loans, or grants with respect to manufactured home parks, on terms and conditions the Agency deems appropriate, to finance all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families; all or a portion of the costs of the acquisition and rehabilitation of abandoned or foreclosed property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed; that portion of the costs of the acquisition of abandoned or foreclosed property that is attributable to the land to be leased by community land trusts to low and moderate income homebuyers; the costs of acquisition, improvement and infrastructure of manufactured home parks; all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing; all or a portion of the costs of the acquisition and rehabilitation or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit; and all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing; and for other authorized purposes under the Act. For a description of the developments expected to be financed with proceeds of the Series Bonds, see “The Developments” herein.

Section 462A.37 of the Act requires the Agency to annually certify to the Commissioner of Management and Budget the actual amount of principal of and premium, if any, and interest on each series of Bonds issued pursuant to the Act payable in that year and the fees, charges and expenses related to the Bonds. The amount so certified with respect to the Series 2013 Bonds and the Series 2014 Bonds, collectively, may not exceed \$2,200,000 annually for appropriation on July 15 of each year until July 15, 2035. The amount so certified with respect to the Series 2015 Bonds, the Series 2016AB Bonds, the Series 2017A Bonds and the Series 2018A Bonds, collectively, may not exceed \$6,400,000 annually, for appropriation on July 15 of each year until July 15, 2037. The amount so certified with respect to the Series 2016C Bonds and the Series 2018B Bonds, collectively, may not exceed \$800,000 annually for appropriation on July 15 of each year until July 15, 2038. The amount so certified with respect to the Series 2018CD Bonds and the Series 2019AB Bonds, collectively, may not exceed \$2,800,000 annually for appropriation on July 15 of each year until July 15, 2040. The amount so certified with respect to the Series 2019CD Bonds, the Series 2020ABC Bonds and the Series 2021A Bonds, collectively, in an aggregate principal amount up to \$80,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Bonds annually for appropriation on July 15 of each year beginning July 15, 2020 through July 15, 2041. The amount so certified with respect to the Series 2020D Bonds and the Series 2021B Bonds, collectively, in an aggregate principal amount up to \$60,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees,

charges, and expenses related to, those Bonds annually for appropriation on July 15 of each year beginning July 15, 2022 through July 15, 2043. The amount so certified with respect to the Series 2021CD Bonds and the Series 2022A Bonds, collectively, in an aggregate principal amount up to \$100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Additional Bonds annually for appropriation on July 15 of each year beginning July 15, 2022 through July 15, 2043. The amount so certified with respect to the Series 2022BC Bonds and Additional Bonds, collectively, in an aggregate principal amount up to \$100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Additional Bonds annually for appropriation on July 15 of each year beginning July 15, 2023 through July 15, 2044. Appropriations will be made from the General Fund to fund transfers by the Commissioner of Management and Budget to the Agency to pay debt service on the Outstanding Bonds and related fees, charges and expenses. The amounts appropriated to the Agency pursuant to Section 462A.37 of the Act are the “Housing Infrastructure State Appropriations.”

Under the Indenture, the Agency has covenanted to annually certify to the Commissioner of Management and Budget the actual amount of principal of and premium, if any, and interest on each series of Bonds issued pursuant to the Act payable in that year and the fees, charges and expenses related to the Bonds.

The Act contains no provision establishing any right of Owners of Outstanding Bonds to require the Commissioner of Management and Budget to make the specified Housing Infrastructure State Appropriations or limiting the ability of the State to amend or repeal Section 462A.37 of the Act or, by other legislative, executive or judicial action, to adversely affect the amount or timely transfer of Housing Infrastructure State Appropriations.

### **Certain Risks With Respect to Payment of Housing Infrastructure State Appropriations**

Section 462A.37 of the Act provides for annual Housing Infrastructure State Appropriations of funds from the General Fund to the Agency for payment of Outstanding Bonds, conditioned upon certification by the Agency to the Commissioner of Management and Budget of the actual amount of annual debt service on each series of Outstanding Bonds. The Housing Infrastructure State Appropriations constitute an appropriation for future years that does not require any further action by the Legislature. However, pursuant to Minnesota law, the Legislature may reduce or repeal a standing appropriation in its entirety. The Legislature is prohibited from acting to bind any future Legislature. **Any of: (i) a legislative reduction or repeal of the Housing Infrastructure State Appropriations established by Section 462A.37 of the Act; (ii) an unallotment of, or other executive action affecting, the Housing Infrastructure State Appropriations established by Section 462A.37 of the Act; or (iii) a partial government shutdown affecting the practical ability of the Commissioner of Management and Budget to make transfers of Housing Infrastructure State Appropriations to the Agency could prevent the anticipated full and timely payment of interest and principal then due on the Series Bonds. In addition, prospective secondary market purchaser concerns that such an event might occur could materially and adversely affect the market price of the Outstanding Series Bonds even if the event does not in fact occur.**

#### *Reduction or Repeal of Appropriation.*

Housing Infrastructure State Appropriations. The Housing Infrastructure State Appropriations constitute a standing appropriation that does not require any further action by the Legislature for payments to be made in future years. However, as provided by Minnesota law, the Legislature may reduce or repeal a standing appropriation entirely. The State cannot give any assurance that the Legislature will not reduce or repeal the Housing Infrastructure State Appropriations.

Appropriations Other Than Housing Infrastructure State Appropriations. Certain State appropriations (other than the Housing Infrastructure State Appropriations) for limited payment obligations of the State are not standing appropriations and, thus, require action by the Legislature on an annual or biennial basis. The State’s obligation to make payments on these State or other obligations is not a general or moral obligation indebtedness of the State; rather the State is obligated to make payments only to the extent moneys are appropriated from time to time for that purpose. 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 that 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 line-item vetoed these appropriations, which had included the funds necessary for the Senate to make rental payments under a Lease-Purchase Agreement (the "Lease"), which payments had been assigned to the holders of certificates of participation in such Lease (the "Certificates"). The failure to make such an appropriation represented an event of nonappropriation under the Lease, but the Lease was never terminated, and the Certificates were not called for extraordinary mandatory redemption. Legislation adopted in the 2018 Regular Legislative Session, and signed into law by the Governor, appropriated funds to the House and Senate for fiscal years 2018 and 2019, thus restoring funding needed to make the rental payments under the Lease. As a result of this appropriation, there was no longer an event of nonappropriation under the Lease and the Lease remains in full force and effect. As previously stated, the limited payments obligations of the State described in this paragraph were not standing appropriations and, unlike the Series Bonds, required affirmative action by the Legislature on an annual or biennial basis for State payments to be made in respect of said obligations.

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

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

During and after the legislative sessions, revenues are updated to reflect legislative actions that have a direct impact on State revenues and changes in economic conditions that may materially affect the results of previous revenue forecasts. If, during the course of the fiscal year, the Commissioner of Management and Budget discovers that probable revenues will be less than anticipated, the Commissioner, 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 those requests do not relieve the Commissioner of Management and Budget 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 thirty years, the unallotment procedure has been used as follows: \$195 million of unallotments in 1980; in 1981 local government aid payments were unallotted in November and December but were reallocated and paid by February 26, 1982; \$109 million of unallotments in 1986; \$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 has 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, the State cannot give any assurance that unallotment of the Housing Infrastructure State Appropriations will not be imposed in any future year.

*Other Risks.* There can be no assurance that other events outside the control of the Commissioner of Management and Budget, such as a temporary State government shutdown, will not affect the ability of the Commissioner of Management and Budget to make timely payments of principal of and interest on the Series Bonds.

**The Bonds are not general obligations of the Agency and the Agency has not pledged its general funds or assets to the payment of the Bonds or the interest thereon. The Agency will pay principal of, premium, if any, and interest on the Bonds solely from the Trust Estate established pursuant to the Indenture, consisting principally of Housing Infrastructure State Appropriations. In no event will the Agency make payments with respect to the Bonds from its general revenues, which include appropriations from the State other than the Housing Infrastructure State Appropriations pursuant to Section 462A.37 of the Act. The Bonds will not constitute indebtedness or another obligation of the State and are not public debt of the State. The State will not pledge its full faith, credit and taxing power to payment of the Bonds or the interest thereon or to the annual transfers of Housing Infrastructure State Appropriations to the Agency.**

#### **Additional Bonds**

In addition to the Series Bonds described herein, the Agency may in its discretion issue up to \$39,595,000 in principal amount of Additional Bonds to provide funds to make additional Housing Infrastructure Loans and pay costs of issuance of such Additional Bonds and other purposes authorized by Section 462A.37 of the Act. Any Additional Bonds are to be authorized by a resolution of the Agency and prescribed in a supplemental indenture (a "Supplemental Indenture") executed by the Agency and the Trustee and which, when so issued, authorized and prescribed, will be secured by the Indenture and the Trust Estate, consisting primarily of Housing Infrastructure State Appropriations, on a parity with the Bonds then Outstanding under the Indenture; provided that no Additional Bonds are to be issued under the Indenture or secured by the Trust Estate on a parity with the Outstanding Bonds unless there is delivered to the Trustee the following: (a) An Agency resolution authorizing the issuance of the Additional Bonds and the sale thereof to the purchaser or purchasers named therein; (b) an Agency order directing the authentication of a specified principal amount of Additional Bonds of a specified series and the delivery thereof to or upon the order of the purchaser or purchasers named therein upon payment of the purchase price set forth therein; (c) an Agency Certificate to the effect that the principal and interest required to be paid on the Outstanding Bonds, including the Additional Bonds to be issued, in the current and any future Fiscal Year, does not exceed the maximum amount of Housing Infrastructure State Appropriations authorized by the Act in any Fiscal Year; (d) an opinion of Bond Counsel (i) stating that all conditions precedent provided in the Indenture relating to the authentication and delivery of the Additional Bonds have been complied with, and (ii) stating that the Additional Bonds whose authentication and delivery are then applied for, when issued and executed by the Agency and authenticated and delivered by the Trustee, will be the valid and binding special, limited obligations of the Agency in accordance with their terms and entitled to the benefits of and secured by the lien of the Indenture, subject to customary qualifications and assumptions; (e) an executed counterpart of the Supplemental Indenture creating the Additional Bonds; and (f) written confirmation from each Rating Agency that issuance of the Additional Bonds will not impair the then existing rating on Outstanding Bonds.



## DEBT SERVICE REQUIREMENTS ON OUTSTANDING BONDS

The following table sets forth, for each Fiscal Year of the State ending June 30, the amounts to be required for payment of interest on (net of capitalized interest) and principal at maturity or mandatory sinking fund redemption of the Prior Series Bonds and the Series Bonds (assuming no optional redemption of those Bonds) and which are required to be paid from the Housing Infrastructure State Appropriations:

<u>Fiscal Year Ending June 30</u>	<u>Prior Series Bonds</u>		<u>Series Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	\$11,880,000	\$13,256,684	\$ --	\$ --	\$25,136,684
2024	12,305,000	12,836,887	2,755,000	4,991,925	32,888,812
2025	12,740,000	12,393,636	2,900,000	4,850,550	32,884,186
2026	13,250,000	11,877,581	3,045,000	4,701,925	32,874,506
2027	13,845,000	11,300,250	3,205,000	4,545,675	32,895,925
2028	14,435,000	10,698,525	3,370,000	4,381,300	32,884,825
2029	15,040,000	10,101,100	3,540,000	4,208,550	32,889,650
2030	15,670,000	9,466,978	3,725,000	4,026,925	32,888,903
2031	16,365,000	8,775,831	3,910,000	3,836,050	32,886,881
2032	17,075,000	8,063,566	4,115,000	3,635,425	32,888,991
2033	17,840,000	7,307,906	4,330,000	3,424,300	32,902,206
2034	18,640,000	6,500,931	4,545,000	3,202,425	32,888,356
2035	19,495,000	5,651,756	4,785,000	2,969,175	32,900,931
2036	20,360,000	4,785,216	5,025,000	2,723,925	32,894,141
2037	19,155,000	3,963,838	5,285,000	2,466,175	30,870,013
2038	19,950,000	3,168,044	5,555,000	2,195,175	30,868,219
2039	14,240,000	2,485,466	5,840,000	1,910,300	24,475,766
2040	13,990,000	1,935,400	6,140,000	1,610,800	23,676,200
2041	14,555,000	1,376,975	6,450,000	1,296,050	23,678,025
2042	12,745,000	843,825	6,780,000	965,300	21,334,125
2043	7,550,000	449,550	7,115,000	633,500	15,748,050
2044	7,855,000	151,825	7,425,000	322,700	15,754,525
2045	--	--	4,355,000	87,100	4,442,100

Under the Indenture, Housing Infrastructure State Appropriations are to be credited to the Bond Fund and applied to the payment of principal of and interest on Outstanding Bonds before being applied to the payment of fees, charges and expenses with respect to the Bonds. (See “Appendix A—Summary of Certain Provisions of the Indenture—Bond Fund.”)

## STATE FINANCIAL INFORMATION

The Bonds (including the Series Bonds) are special, limited obligations of the Agency. Specified transfers expected to be made by the State pursuant to Section 462A.37 of the Act are pledged pursuant to the Indenture for the payment of the Outstanding Bonds. (See “Nature of Obligation and Source of Payment.”) Potential purchasers and Owners of the Series Bonds are advised to consider the likelihood of their full and timely receipt of principal and interest payments on the Series Bonds when due on the basis of the financial condition of the State, rather than that of the Agency.

Basic financial statements for the State for the Fiscal Year ended June 30, 2021, as well as certain additional information concerning the State, are included in the August 9, 2022 State Official Statement, which is attached hereto as Appendix E. The State most recently released certain revenue and expenditure forecasts prepared by the Department of Management and Budget in February 2022. Information concerning this forecast is included in the August 9, 2022 State Official Statement in Appendix B thereto under the caption “Biennium Budgets—February 2022 Forecast—Current Biennium.” The next official forecast of revenue and expenditures will be prepared in November 2022 and will be released in early December 2022.

The November 2022 forecast of revenue and expenditures will be available on the Minnesota Management and Budget website ([www.mn.gov/mmb/](http://www.mn.gov/mmb/)) and on the Municipal Securities Rulemaking Board's internet repository named "Electronic Municipal Market Access" ("EMMA") filed with respect to the Series Bonds. Any amendment or supplement to the basic financial statements of the State, and any subsequent financial statements published by the State and made publicly available in a State official statement or revenue and expenditure forecast required by statute or an official quarterly economic update published by the State on the Minnesota Management and Budget website and also filed on EMMA with respect to the Series Bonds, to and including a date 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12 of the Securities and Exchange Commission) applicable to the Series Bonds offered hereby, will be deemed to be incorporated by reference in this Official Statement from the date made publicly available. No other information on the Minnesota Management and Budget website or on EMMA is incorporated into this Official Statement. Any statement contained in any document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently publicly available document that also is, or is deemed to be, incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

## **THE DEVELOPMENTS**

The Series Bonds are being issued to provide money for the Agency to fund Housing Infrastructure Loans for the purposes permitted to be funded pursuant to Section 462A.37 of the Act.

A Housing Infrastructure Loan is expected to finance a portion of the cost of infrastructure redevelopment in each of seven manufactured home parks in Minnesota, including Woodlawn Terrace, located in Richfield, Twin Haven Estates, located in Detroit Lakes, Grandview, located in Red Wing, Riverview Terrace, located in Chaska, Paradise Park Neighborhood, located in Grand Rapids, Omland Court, located in Fosston, and Isanti Estates, located in Isanti. The ownership of Woodlawn Terrace is a resident owned cooperative and the ownership of Omland Court is the City of Fosston. Each of the other five manufactured home parks is privately owned.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Big Lake Station Senior, in Big Lake, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development for seniors with 74 residential units. The development will be acquired and constructed by Big Lake Railway Limited Partnership, a Minnesota limited partnership, as the initial owner thereof, or another single purpose entity affiliated with Aeon, a Minnesota nonprofit corporation, whose registered address is in Minneapolis, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and adaptive reuse of a multifamily housing development, to be known as Kyle Garden Square, in Minneapolis, Minnesota. The development consists of a single multi-story elevator building multifamily apartment development with 55 residential units, with support services provided by Touchstone Mental Health, Minneapolis, Minnesota. The development will be acquired and adapted by Kyle Garden Square LLC, a Minnesota limited liability company, as its initial owner thereof, or another single purpose entity affiliated with Alliance Housing Incorporated, a Minnesota nonprofit corporation, whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Emerson Village, in Minneapolis, Minnesota. The development will consist of a single building multi-story multifamily apartment development with 40 residential units, with support services provided by Project for Pride in Living, Minneapolis, Minnesota. The development will be acquired and constructed by Emerson Village Housing LLC, a Minnesota limited liability company, as the initial owner thereof, or another single purpose entity affiliated with Beacon Interfaith Housing Collaborative, a Minnesota nonprofit corporation, whose registered address is in Saint Paul, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Lewis Lofts, in Mankato, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development for seniors with 64 residential

units. The development will be acquired and constructed by Lewis Lofts Senior Apartments, LP, a Minnesota limited partnership, as the initial owner thereof, or another single purpose entity affiliated with PreservingUS, Inc., a Kansas nonprofit corporation, whose registered address is in Prairie Village, Kansas.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and substantial rehabilitation of a 100 percent project-based Section 8 multifamily housing development serving seniors and disabled individuals, known as Calvary Center Apartments in Golden Valley, Minnesota. The development consists of a single seven-story elevator building multifamily development with 80 residential units. The development will be acquired and rehabilitated by Calvary Center Apartments II, LP, a Minnesota limited partnership, as the initial owner thereof, or another single purpose entity affiliated with Calvary Community Services, Inc., a Minnesota nonprofit corporation, whose registered address is in Golden Valley, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Phalen Village, in Saint Paul, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development for seniors with 76 residential units. The development will be acquired and constructed by Phalen Village Limited Partnership, a Minnesota limited partnership, as the initial owner thereof, or another single purpose entity affiliated with MWF Properties, LLC, a Minnesota corporation, whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Rogers Main Street Senior, in Rogers, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development for seniors with 40 residential units. The development will be acquired and constructed by Rogers Senior of Rogers Limited Partnership, a Minnesota limited partnership, as the initial owner thereof, or another single purpose entity affiliated with Duffy Development Company, Inc., a Minnesota corporation, whose registered address is in Minnetonka, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and historic rehabilitation and adaptive reuse of a multifamily housing development, to be known as Mary Hall, in Saint Paul, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development with 88 residential units, with support services provided by Touchstone Mental Health, Minneapolis, Minnesota. The development will be acquired and adapted by Aeon Mary Hall LLC, a Minnesota limited liability company, or another single purpose entity affiliated with Aeon, a Minnesota nonprofit corporation, whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Settler Commons, in Buffalo, Minnesota. The development will consist of a single multi-story elevator building multifamily development for seniors with 40 residential units. The development will be acquired and constructed by Settler Commons Apartments, LLC, a Minnesota limited liability company, as the initial owner thereof, or another single purpose entity affiliated with Central Minnesota Housing Partnership, Inc., a Minnesota nonprofit corporation, whose registered address is in Saint Cloud, Minnesota.

A Housing Infrastructure Loan is expected to finance a portion of the cost of acquisition and construction of a multifamily housing development, to be known as Simpson Community Shelter & Apartments, in Minneapolis, Minnesota. The development will consist of a single multi-story elevator building multifamily apartment development with 42 residential units, with support services provided by Simpson Housing Services, Inc., Minneapolis, Minnesota. The development will be acquired and constructed by a single purpose entity, as the initial owner thereof, affiliated with Project for Pride in Living, Inc., a Minnesota nonprofit corporation, whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the cost of construction of a multifamily housing development, to be known as Skyridge Flats, in Duluth, Minnesota. The development will consist of a single multi-story elevator building multifamily development for seniors, with a preference for veterans, with 70 residential units. The development will be acquired and constructed by a single purpose entity, as the initial owner thereof, affiliated with the Housing and Redevelopment Authority of Duluth, a Minnesota governmental entity, whose offices are in Duluth, Minnesota.

Housing Infrastructure Loans also are expected to be made to one or more borrowers, including Community Land Trusts, to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing. A Community Land Trust is a private nonprofit organization that is a Section 501(c)(3) tax-exempt organization that is authorized to acquire land to be leased as owner-occupied single-family housing to low- and moderate-income persons or families.

*Each of the Housing Infrastructure Loans described above may be a 0 percent interest, non-amortizing, nonrecourse deferred loan. Certain of the Housing Infrastructure Loans may also be forgivable if the conditions for use are met. No revenues from the Housing Infrastructure Loans are expected to be available to pay debt service on the Series Bonds, and payments on the Housing Infrastructure Loans, if any, are not pledged to pay principal of or interest on the Series Bonds. Consequently, Owners of the Series Bonds should not regard the Housing Infrastructure Loans or the developments financed thereby as providing security for the Series Bonds.*

If any one or more of these developments does not proceed for any reason, to the extent permitted by the Code, the Agency may use moneys in the Program Fund to make loans or grants for other developments eligible for funding under Section 462A.37 of the Act.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the Series Bonds are as follows:

### *Sources:*

Principal Amount of Series Bonds.....	\$104,195,000
Net Original Issue Premium.....	<u>10,257,415</u>
Total Sources of Funds	<u>\$114,452,415</u>

### *Uses:*

Deposit to Program Fund for Housing Infrastructure Loans	\$111,775,338
Capitalized Interest .....	1,925,915
Costs of Issuance .....	131,073
Underwriters' Compensation .....	<u>620,089</u>
Total Uses of Funds	<u>\$114,452,415</u>

The Agency may reimburse itself from proceeds of the Series Bonds for Agency funds advanced to fund Housing Infrastructure Loans and related costs authorized by the Act before the date of issuance of the Series Bonds.

## TAX EXEMPTION AND RELATED CONSIDERATIONS

### General

The applicable federal tax law establishes certain requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). These requirements are generally described below. Noncompliance with these requirements may cause interest on the Series Bonds to become includable in gross income for purposes of federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which that noncompliance is ascertained or occurs.

The Indenture and the Bond Compliance Agreements and the Tax Exemption Agreements described in the Indenture contain provisions (the "Tax Covenants") pursuant to which, in the opinion of Bond Counsel, the current requirements of the Code can be satisfied.

## **Opinion of Bond Counsel**

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency and, where applicable, the recipients of the Housing Infrastructure Loans with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, provided interest on any Series 2022C Bond is not excluded from gross income for federal income tax purposes of any holder of a Series 2022C Bond who is a “substantial user” of a facility financed with the proceeds of the Series 2022C Bonds or a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax under the Code; however, interest on the Series Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022.

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series Bonds, or under state and local tax law.

A form of the Bond Counsel opinion with respect to the Series Bonds is attached hereto as Appendix D.

Prospective owners of the Series Bonds should be aware that the ownership of obligations such as the Series Bonds may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations and applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. The extent of these collateral tax consequences will depend upon that owner’s particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds.

The foregoing is a brief discussion of certain collateral federal income tax matters with respect to the Series Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series Bonds.

## **Certain Ongoing Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which the noncompliance occurs or is discovered. The Agency will covenant that it shall do and perform all acts necessary or desirable to

assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing federal tax requirements with the issuance of the Series Bonds which will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require recipients of the Housing Infrastructure Loans to make certain covenants relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for federal income tax purposes.

### **Certain Considerations with Respect to the Series 2022AB Bonds**

Assuming compliance with the following covenants, the Series 2022AB Bonds will not be treated as private activity bonds within the meaning of Section 141 of the Code.

(1) If either (a) or (b) below is true with respect to the Series 2022AB Bonds:

(a) No more than 10 percent of the proceeds of the Series 2022AB Bonds (net of costs of issuing the Series 2022AB Bonds and any reserve funds established with proceeds of the Series 2022AB Bonds) will be used for any private business use (as contemplated by Section 141(b)(1) of the Code). For this purpose, use of the proceeds by a Section 501(c)(3) entity is considered private business use.

(b) Payment of the principal of or interest on no more than 10 percent of the proceeds of the Series 2022AB Bonds (net of costs of issuing the Series 2022AB Bonds and any reserve fund established with the proceeds of the Series 2022AB Bonds) is (under the terms of the Series 2022AB Bonds or any underlying arrangement) directly or indirectly (i) secured by any interest in (A) property used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code) or (B) payments in respect of that property or (ii) to be derived from payments (whether or not to the Agency) in respect of property or borrowed money used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code). For this purpose, the loan of the proceeds to, or the use of the property by, a Section 501(c)(3) organization is considered property or borrower money used for a private business use.

(2) The proceeds of the Series 2022AB Bonds, if any, that are to be used for any private business use (as contemplated by Section 141(b)(1) of the Code) that is not related to any government use, plus the proceeds of the Series 2022AB Bonds, if any, that are to be used for any private business use (as contemplated by Section 141(b)(1) of the Code) that is related to any government use but disproportionate to the related government use that is financed by the proceeds of the Series 2022AB Bonds, will not exceed five percent of the proceeds of the Series 2022AB Bonds (net of costs of issuing the Series 2022AB Bonds and any reasonably required reserve funds established with the proceeds of the Series 2022AB Bonds).

(3) No portion of the proceeds of the Series 2022AB Bonds will be used by the Agency with respect to any output facility within the meaning of Section 141(b)(4) of the Code unless, in the opinion of nationally recognized bond counsel, that use will not result in the inclusion in gross income of interest on the Series 2022AB Bonds for federal income tax purposes.

(4) No more than the lesser of \$5,000,000 or five percent of the net proceeds of the Series 2022AB Bonds will be used (directly or indirectly) to make or finance loans to any person, other than persons that are governmental units.

A portion of the Housing Infrastructure Loans will substantively be grants, and a portion of the Housing Infrastructure Loans will be loans for tax purposes. To the extent that the Housing Infrastructure Loans are loans to 501(c)(3) organizations, those properties may be subject to low income occupancy requirements as well as restrictions on the level of rents charged. See the discussion below under “—Certain Considerations With Respect to the Series 2022C Bonds—Low Income Set-Aside Requirements under the Code.”

Notwithstanding the foregoing, the Agency may make repayable loans to organizations of the type described in Section 501(c)(3) of the Code (the “Nonprofit Organizations”). To the extent that more than five percent of the net proceeds of the Series 2022AB Bonds (or \$5,000,000, whichever is less) are used to make

repayable loans to Nonprofit Organizations, and not used in an unrelated trade or business of such Nonprofit Organizations (as defined in Section 513 of the Code), such Series 2022AB Bonds will be classified for federal income tax purposes as qualified 501(c)(3) bonds within the meaning of Section 145 of the Code. If the Series 2022AB Bonds are qualified 501(c)(3) bonds as described above, then, as a condition to the exclusion from gross income of interest on the Series 2022AB Bonds for federal income tax purposes, all of the following must be satisfied:

(1) Either:

- (a) No more than five percent of the proceeds of the Series 2022AB Bonds (net of the costs of issuing the Series 2022AB Bonds and any reserve fund that is funded with proceeds of the Series 2022AB Bonds) will be used for any private business use (as contemplated by Section 141(b)(1) of the Code); or
- (b) Payment of the principal of or interest on no more than five percent of the proceeds of the Series 2022AB Bonds (net of the costs of issuing the Series 2022AB Bonds and any reserve fund that is funded with proceeds of the Series 2022AB Bonds) is (under the terms of the Series 2022AB Bonds or any underlying arrangement) directly or indirectly (1) secured by any interest in (i) property used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code) or (ii) payments in respect of such property or (2) derived from payments (whether or not to the Agency) in respect of property or borrowed money used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code).

Solely for purposes of (a) and (b) above, a 501(c)(3) entity will not be treated as using proceeds of property in a private trade or business.

- (2) No more than five percent of the proceeds of the Series 2022AB Bonds (net of the costs of issuing the Series 2022AB Bonds and any reserve fund that is funded with proceeds of the Series 2022AB Bonds) are used to make loans to entities that are neither a state or local governmental entity nor a Nonprofit Organization.

No portion of the proceeds of the Series 2022AB Bonds will be used by the Agency with respect to an output facility within the meaning of Section 141(b)(4) of the Code, unless, in the opinion of nationally recognized bond counsel, such use will not result in the inclusion in gross income of the interest on the Series 2022AB Bonds for federal income tax purposes.

### **Certain Considerations with Respect to the Series 2022C Bonds**

***Low Income Set-Aside Requirements under the Code.*** The Series 2022C Bonds are “exempt facility bonds” that are subject to certain low income set-aside requirements of the Code. This section includes brief summaries of the low income set-aside requirements and certain other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide “qualified residential rental projects.” The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation, or containing single room occupancy units, that are available to the general public (subject to preferences for homeless, disabled and similar classes of tenants that do not violate United States Department of Housing and Urban Development policies respecting non-discrimination and applicable Fair Housing requirements) and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20 percent of the completed units in a project to be financed with the proceeds of the Series 2022C Bonds be continuously occupied during the “qualified project period” by individuals and families whose annual adjusted income does not exceed 50 percent of the area median income (with adjustments for family size), or (ii) at least 40 percent of the completed units in a project to be financed with the proceeds of the Series 2022C Bonds be continuously occupied during the qualified project period

by individuals and families whose annual adjusted income does not exceed 60 percent of the area median income (with adjustments for family size). The Agency will make elections on the applicable low-income set-aside requirements with respect to each development expected to be financed with the proceeds of the Series 2022C Bonds. In addition, all of the units in a development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the “qualified project period” as the period beginning on the first day upon which 10 percent of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50 percent of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140 percent of the applicable income limitation. Generally, upon an increase of a tenant's income over 140 percent of the applicable income limitation, the next available unit of comparable or smaller size in the applicable development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140 percent of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made by the operator of the development to the Secretary of the Treasury regarding compliance with the applicable income limitations.

***Expenditures for Rehabilitation.*** The Code requires that the owner of an existing development spend a minimum sum of money for rehabilitation expenditures with regard to the development. The minimum amount of rehabilitation expenditures that must be incurred is equal to 15 percent of the amount of Series 2022C Bond proceeds, if any, applied to pay for the cost of acquiring an existing building (including the building fixtures and equipment within, but not including the cost of land). That minimum amount of rehabilitation expenditures must be incurred no later than two years after the later of the date of issuance of those Series Bonds or the date that the building is acquired by the owner. The Code also requires that less than 25 percent of the net proceeds of the Series 2022C Bonds be used to acquire land.

***Certain State Tax Legislation.*** Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota’s exemption of that interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

On May 19, 2008 the U.S. Supreme Court held in *Department of Revenue of Kentucky v. Davis* that Kentucky’s taxation of interest on bonds issued by other states and their political subdivisions, while exempting from taxation interest on bonds issued by the Commonwealth of Kentucky or its political subdivision, does not impermissibly discriminate against interstate commerce under the Commerce Clause of the U.S. Constitution. In a footnote, however, the Court stated that it had not addressed whether differential treatment of “so called ‘private activity,’ ‘industrial revenue,’ or ‘conduit’ bonds . . . used to finance projects by private entities” violate the Commerce Clause, adding that “we cannot tell with certainty what the consequences would be of holding that Kentucky violates the Commerce Clause by exempting such bonds; we must assume that it could disrupt important projects that the States have deemed to have public purposes. Accordingly, it is best to set this argument aside and leave for another day any claim that differential treatment of interest on private-activity bonds should be evaluated differently from the treatment of municipal bond interest generally.”

Since the Series 2022C Bonds are “private activity bonds” and the Supreme Court’s opinion left open the possibility of a challenge to Minnesota’s differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota’s treatment of those bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states’ bond interest rather than to tax Minnesota bond interest, application of the



1995 statute to subsequent years could cause interest on the Series 2022C Bonds to become taxable by Minnesota and the market value of the Series 2022C Bonds to decline.

### **Bond Premium**

Certain of the Series Bonds may be sold at a premium. An amount equal to the excess of the issue price of a Series Bond over its stated redemption price at maturity constitutes premium on that Series Bond. An initial or subsequent purchaser of a Series Bond must amortize any premium over that Series Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Series Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in that Series Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes, upon a sale or disposition of that Series Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series Bond.

### **Original Issue Discount**

Any Series Bonds that are sold at an initial public offering price that is less than the stated amount to be paid at maturity will constitute "Discount Bonds." The difference between the initial public offering prices of any such Discount Bond and the stated amount to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on such Discount Bond.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

### **Changes in Federal 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, prevent owners of the Series Bonds from realizing the full current benefit of the tax treatment of the Series Bonds or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could

adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

## **CONTINUING DISCLOSURE**

The Agency will covenant in a continuing disclosure undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the State and to provide notices of the occurrence of certain enumerated events. That information and notices are to be filed by the Agency with the Municipal Securities Rulemaking Board through its internet repository named “Electronic Municipal Market Access” (EMMA). (See “Appendix C — Summary of Continuing Disclosure Undertakings.”) The Agency and the State will enter into a separate agreement pursuant to which the State will agree to provide to the Agency the information needed for the Annual Report described in Appendix C. (See “Appendix C — Summary of Continuing Disclosure Undertakings.”)

These covenants have been made in order to assist the Underwriters in complying with the Rule (as defined in Appendix C hereto). Breach of the covenants will not constitute a default or an “Event of Default” under the Series Bonds or the Indenture. A broker or dealer is to consider a known breach of the covenants, however, before recommending the purchase or sale of the Series Bonds in the secondary market. Thus, a failure on the part of the Agency or the State to observe the covenants may adversely affect the marketability and liquidity of the Series Bonds and their market price. During the prior five years, one disclosure report timely filed with EMMA was not timely linked to all outstanding CUSIPs for the associated Bonds of the Agency. The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2019 with EMMA; however, that Agency Annual Report was not specifically linked to two CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series C, and three CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series E. The Agency posted that Annual Report to CUSIP 60416SHP8, the only one of the five omitted CUSIPs with respect to bonds still outstanding, on February 1, 2021. Where the Agency undertakes to provide annual financial information and operating data of the State, the Agency cannot provide annual financial information and operating data of the State until received from the State. For information on the State’s covenants and agreements to comply with its continuing disclosure obligations, see the disclosure under the section heading “CONTINUING DISCLOSURE” in the August 9, 2022 State Official Statement included as Appendix E hereto.

## **LITIGATION**

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

While at any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State’s expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 19 to the State Financial Statements for Fiscal Year Ended June 30, 2021, set forth in Appendix F of the August 9, 2022 State Official Statement included as Appendix E hereto, and additional actions, if any, discussed in the section entitled “LITIGATION” in the August 9, 2022 State Official Statement, 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.

## **CERTAIN LEGAL MATTERS**

The validity of, and the tax exemption of interest on, the Series Bonds are subject to the opinion of Kutak Rock LLP, Bond Counsel. The opinion of Bond Counsel will be provided in substantially the form set forth in Appendix D attached hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Cozen O'Connor.

## **RATINGS**

The Series Bonds are rated “Aa1” by Moody’s Investors Service, Inc. and “AA+” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC. The ratings reflect only the views of these rating agencies. For an explanation of the ratings as described by those rating agencies, please contact the rating agencies. The ratings are subject to change or withdrawal by either of the rating agencies at any time. Therefore, after the date hereof, investors should not assume that those ratings are still in effect. A downward revision or withdrawal or suspension of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds.

## **TRUSTEE**

Computershare Trust Company, National Association (the “Trustee”), a national banking association, serves as successor Trustee under the Indenture to Wells Fargo Bank, National Association (“WFBNA”). The Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA’s corporate trust services to the Trustee in 2021, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Indenture.

Pursuant to the Indenture, any successor Trustee, including a successor by sale or transfer of the corporate trust business, must be a bank or trust company or national banking association having trust powers and combined capital and surplus aggregating at least \$75,000,000.

## **FINANCIAL ADVISOR**

CSG Advisors Incorporated (the “Financial Advisor”) is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series Bonds and provided other advice to the Agency. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

## **UNDERWRITING**

RBC Capital Markets, LLC, Piper Sandler & Co., Wells Fargo Bank, National Association and J.P. Morgan Securities LLC (collectively, the “Underwriters”) will purchase from the Agency, and the Agency will sell to the Underwriters, all of the Series Bonds at an aggregate purchase price of \$113,832,326.59 (which price reflects an underwriting discount of \$620,088.71 and net original issue premium of \$10,257,415.30). The Underwriters may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform,

various investment banking services for the Agency, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of Agency.

Wells Fargo Bank, National Association (“WFBNA”), acting through its Municipal Finance Group, one of the underwriters of the Series Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing compensation, as applicable with respect to the Series Bonds with WFA. WFBNA also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate, Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company (“WFC”).

Wells Fargo Corporate & Investment Banking (which may be referred to elsewhere as “CIB,” “Wells Fargo Securities” or “WFS”) is the trade name used for the corporate banking, capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including WFBNA, a member of the National Futures Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, N.A. Municipal Finance Group, a separately identifiable department of WFBNA, registered with the U.S. Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series Bonds that that firm sells.

## **MISCELLANEOUS**

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purposes. Any statement made or incorporated in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

**MINNESOTA HOUSING FINANCE AGENCY**

By /s/ Jennifer Ho  
Commissioner

Dated: August 31, 2022.

## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture contains various definitions, covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Indenture for a full and complete statement of its provisions.

#### **Certain Defined Terms**

Agency Certificate: As the case may be, a document signed by an Authorized Officer either (i) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth, (ii) setting forth matters to be determined by the Agency or an Authorized Officer pursuant to the Indenture, or (iii) requesting or directing the Trustee or other party to take action pursuant to the Indenture.

Agency Resolution: A copy of a resolution certified by an Authorized Officer to have been duly adopted by the members of the Agency and to be in full force and effect on the date of such certification, and delivered to the Trustee.

Authorized Officer: The Chairperson, Vice Chairperson, Commissioner or Deputy Commissioner of the Agency or any other person authorized by resolution of the Agency to perform an act or sign a document.

Bond Compliance Agreement: A Bond Compliance Agreement, if any, entered into by the Agency and a borrower with respect to a loan funded with proceeds of Bonds deemed to be “private activity bonds” under the Code.

Bond Counsel: Any attorney or firm of attorneys of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds selected by the Agency.

Bond Fund: The Bond Fund created under the Indenture within the Agency’s Housing Development Fund.

Bondowner: A Person in whose name a Bond is registered in the Bond Register.

Business Day: Any day (a) other than a Saturday, Sunday or other day that is a legal holiday in the State, and (b) on which banks in the city in which the designated principal corporate trust office of the Trustee are located are not required or authorized by law to be closed.

Code: The Internal Revenue Code of 1986, as amended and the applicable temporary, proposed and final Treasury regulations promulgated thereunder or applicable thereto.

Default: An Event of Default and an event or condition, the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

Fiscal Year: The 12-month period commencing July 1 and concluding on June 30 in the next succeeding calendar year, or any other 12-month period designated by the State as its fiscal year.

Government Obligations: Direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury).

Interest Payment Date: The date on which interest is payable on any Bonds (other than upon redemption of a Bond on a date other than a regularly schedule interest payment date).

Investment Obligations: Any of the following securities and other investments, if and to the extent the same are at the time legal for the investment of the Agency’s moneys:

- (a) Government Obligations;
- (b) Obligations (i) that are backed by the full faith and credit of any state of the United States of America, (ii) of any agency of the United States of America, or (iii) of any public corporation sponsored by the United States of America, provided that, at the time of purchase, such obligations shall not adversely affect the Rating of the Bonds;
- (c) Interest bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including the Trustee) provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or guaranteed by the State, the proceeds of which insurance are timely available, or (ii) such depository has combined capital and surplus of at least \$75,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clause (a) or (b) of this definition, or a combination thereof, at such levels and valuation frequency as shall not adversely affect the Rating of the Bonds or (iii) the deposit of funds with such depository will not adversely affect the Rating of the Bonds;
- (d) Repurchase agreements and reverse repurchase agreements with banks that are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (a) and (b) of this definition;
- (e) Shares of (i) an investment company registered under the federal investment company act of 1940, whose shares are registered under the federal securities act of 1933, whose only investments are in securities described in clause (a), (b) or (d) above, or (ii) a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$75,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, whose only investments are in securities described in clause (a), (b) or (d) above;
- (f) Any investment contract with any provider as long as such investment contract does not adversely affect the Rating of the Bonds; and
- (g) Any other investment that will not adversely affect the Rating of the Outstanding Bonds.

Opinion of Counsel: A written opinion of counsel selected by the Agency and acceptable to the Trustee or selected by the Trustee.

Outstanding: When used with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture *except*:

- (i) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Owners of such Bonds; *provided* that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;
- (iii) Bonds which have been defeased within the meaning of the Indenture; and
- (iv) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture;

provided, however, that in determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the Agency shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded.

Owner: With respect to any Bond, the Bondowner.

**Person:** Any individual, corporation, limited liability company, partnership, limited liability partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**Program Fund:** The Program Fund created under the Indenture.

**Rating:** With respect to any Bonds, the rating issued by a Rating Agency in force immediately prior to the proposed action to be taken by the Agency under the Indenture, and an action that does not “impair” the Rating with respect to any Bonds shall be an action that will not cause the Rating Agency to lower, suspend or withdraw the rating it has assigned to the Bonds.

**Rating Agency:** Any nationally recognized entity that, upon the request of the Agency, has issued a credit rating on any Bonds issued pursuant to the Indenture.

**Rebate Fund:** The Rebate Fund created under the Indenture.

**Record Date:** The 15th day, whether or not a Business Day, of the month immediately preceding the month in which each Interest Payment Date, or any Redemption Date, occurs.

**Redemption Date:** When used with respect to any Bond to be redeemed, the date fixed for such redemption by or pursuant to the Indenture.

**Redemption Price:** When used with respect to any Bond to be redeemed, the price at which it is to be redeemed pursuant to the Indenture.

**Sinking Fund Payment Date:** A date set forth in any applicable provision of the Indenture or a Supplemental Indenture for the making of a mandatory principal payment for the redemption of a Term Bond.

**Special Record Date:** A date fixed by the Trustee pursuant to the Indenture for the payment of any interest not paid at its Stated Maturity.

**Stated Maturity:** When used with respect to any Bond or any installment of interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

**Tax Exemption Agreement:** A Tax Exemption Agreement, if any, entered into by the Agency and a borrower with respect to a Loan funded with proceeds of Bonds not deemed to be “private activity bonds” under the Code.

**Term Bonds:** Any Bond for the payment of the principal of which mandatory payments are required by a Supplemental Indenture to be made at times and in amounts sufficient to redeem all or a portion of such Bond prior to its Stated Maturity.

**Trust Estate:** The assets, revenues and other property pledged pursuant to the Granting Clauses of the Indenture.

## **Program Fund**

The Agency by the Indenture establishes an account with the Trustee to be designated the “Program Fund,” as a subaccount of the housing infrastructure bond account established by the Act, and is required to deposit with the Trustee to the credit thereof proceeds of the Series Bonds as provided in the Indenture. Income and profit from the investment of moneys in the Program Fund shall be credited to such Fund. The moneys in the Program Fund shall be held in trust by the Trustee and applied to the funding of the Housing Infrastructure Loans and payment of costs of issuance of the Series Bonds. The Trustee shall create specific accounts within the Program Fund, upon receipt of an Agency Certificate, to fund specific Housing Infrastructure Loans. The Trustee shall pay each item payable from the applicable account in the Program Fund to the Agency or at the Agency’s direction, or shall make arrangements for the transfer and deposit of the amount for such payment, as the Agency shall request. Upon receipt by the Trustee of an Agency Certificate stating that all amounts to be paid with respect to Housing Infrastructure Loans financed by

Bonds of such series has been paid, any balance remaining in the Program Fund with respect to such Bonds shall be transferred to the Bond Fund.

### **Bond Fund**

The Agency by the Indenture establishes, and is required to maintain, so long as any of the Bonds are outstanding, with the Trustee, a separate account within the Agency's Housing Development Fund to be designated the "Housing Infrastructure State Appropriation Bond Fund," as a subaccount of the housing infrastructure bond account established by the Act, into which the Agency and Trustee shall make certain deposits pursuant to the Indenture, including, as received each year, all Housing Infrastructure State Appropriations paid by the State. The moneys and investments in the Bond Fund are irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of, premium (if any) on and interest on the Bonds, as and when such principal, premium and interest shall become due and payable. Except as otherwise provided in the Indenture (see "Compensation of Trustee" and "Application of Revenues and Other Moneys After Event of Default" hereinafter), so long as all principal, premium and interest on the Bonds have been paid when due, and the amount in the Bond Fund is sufficient to pay the principal of and interest on Outstanding Bonds in the current Fiscal Year, upon the written direction of the Agency pursuant to an Agency Certificate, the Trustee may use moneys in the Bond Fund in excess of such amount to pay fees, charges and expenses with respect to the Bonds. Upon the written direction of the Agency, the Trustee may use moneys in the Bond Fund to purchase Bonds maturing or subject to redemption on a Sinking Fund Payment Date on either of the next two Interest Payment Dates after such purchase, provided that such Bonds are delivered to the Trustee for cancellation upon such purchase.

### **Investment of Moneys in Program Fund and Bond Fund**

The Trustee shall invest the moneys on deposit in the Program Fund or held as a part of the Bond Fund, respectively, at the written request and direction of an Authorized Officer in Investment Obligations. The type, amount and maturity of Investment Obligations shall conform to any instructions of the Authorized Officer. The Trustee may, from time to time, cause any such investments to be sold or otherwise be converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to the respective Fund. Any interest or profit derived from investments shall be credited to the respective Fund. Investments permitted under the Indenture may be purchased from the Trustee or from any of its affiliates. No portion of the Program Fund or the Bond Fund representing proceeds of the Bonds shall be invested or used in such manner that no part of a series of Bonds would be "arbitrage bonds" under the Code; the Trustee may conclusively rely on the written direction of an Authorized Officer as to compliance with the Code. The Trustee shall be entitled to assume that any investment that at the time of purchase is an Investment Obligation remains an Investment Obligation thereafter, absent receipt of written notice or information to the contrary. If no investment direction is received for a Fund, the funds shall be held uninvested. The Trustee shall have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investment for a Fund made in accordance with the Indenture.

### **Rebate Fund**

The Trustee shall establish a special fund designated as the "Rebate Fund." The Rebate Fund is not a trust fund, is not part of the Trust Estate and is not subject to the lien of the Indenture. For each series of Bonds that is subject to the rebate requirements of Section 148(f) of the Code, or its equivalent, a separate account shall be established in the Rebate Fund. The Trustee shall make information regarding the investments thereunder available to the Agency and shall make deposits in and disbursements from the Rebate Fund in accordance with written instructions in an Agency Certificate delivered from time to time, shall invest the Rebate Fund pursuant to said written instructions, and shall deposit income from such investments immediately upon receipt thereof in the Rebate Fund. The Trustee shall upon receipt of an Agency Certificate transfer moneys from the Bond Fund or moneys representing interest income from the Program Fund, as directed by the Agency Certificate, to the Rebate Fund in the amount of any required deposit. Records of transactions with respect to the separate account within the Rebate Fund for a series of Bonds shall be retained by the Trustee until six years after the Bonds of such series are no longer outstanding.



## **Payment of Bonds**

The Agency covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture and in each and every Bond executed, authenticated and delivered thereunder; will pay or cause to be paid, solely from the Trust Estate, including Housing Infrastructure State Appropriations, the principal of, premium (if any) on and interest on every Bond issued thereunder on the dates, at the places and in the manner prescribed in the Bonds in any coin or currency that, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts; and will cause such amounts received to be deposited with the Trustee prior to the due date of each installment of principal and interest and prior to the maturity of any Bond in amounts sufficient to pay such installment; provided, however, that the principal of and interest on any Bond are not and shall not be an indebtedness or other obligation of the State and the Bonds are not public debt of the State, and the full faith and credit of the State are not pledged to their payment or for any annual transfers of Housing Infrastructure State Appropriations to the Agency. The Agency covenants that it will take all actions required by the Act to cause the Housing Infrastructure State Appropriations to be received on or prior to the dates such amounts are required to pay, with other amounts available in the Bond Fund, principal of and interest of Outstanding Bonds and will deposit all Housing Infrastructure State Appropriations as received in the Bond Fund.

## **Covenant to Request Housing Infrastructure State Appropriations**

On or prior to each June 30 while any Bonds remain Outstanding, the Agency covenants that it will certify to the Commissioner of Management and Budget of the State the amount of principal, premium, if any, and interest on each series of the Bonds, and the fees, charges, and expenses related to each series of the Bonds, payable in the next succeeding Fiscal Year, less the amount on hand in the Bond Fund and available to pay such amounts.

## **Covenants Relating to Housing Infrastructure Loans**

The Agency covenants that the proceeds of the Bonds will be used solely to pay costs of issuance of the Bonds, to pay interest on the Bonds prior to the first date Housing Infrastructure State Appropriations are received and to fund Housing Infrastructure Loans meeting such criteria for Housing Infrastructure State Appropriations as shall be set forth in Section 462A.37 of the Act. Proceeds of the Bonds may also be used for other purposes authorized by the Act as amended from time to time.

## **Tax Covenants with Respect to Series Bonds**

The Agency shall not take any action or fail to take any action or permit any action to be taken on its behalf or cause, or permit any circumstance within its control to arise or continue, if such action or inaction would adversely affect the exclusion from gross income for federal income purposes of the interest on the Series Bonds. These covenants will survive the payment of the Series Bonds.

The Agency shall not use or permit the use of any proceeds of the Series Bonds or any other funds of the Agency, directly or indirectly, to acquire any securities, obligations, or other investment property, and shall not use or permit the use of any amounts received by the Agency or the Trustee with respect to the Series Bonds in any manner, and shall not take or permit to be taken any other action or actions, that would cause the Series Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

The Agency shall not use or permit the use of any proceeds of the Series Bonds or any other funds of the Agency, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, that would result in any Development financed with proceeds of the Series Bonds not being treated as a “qualified residential rental project” as such phrase is used in Sections 147(a)(7) and 142(d) of the Code. In furtherance of this covenant the Agency will enter into a Bond Compliance Agreement with respect to each Housing Infrastructure

Loan to be funded with the proceeds of the Series Bonds in order for the interest on the Series Bonds to be excluded from gross income of the owners for purposes of federal income taxation.

### **Events of Default**

Each of the following events is defined as, and is declared to be and to constitute, an “Event of Default” under the Indenture:

(a) If payment of the principal of, or premium, if any, on any of the Bonds, when the same shall become due and payable, whether at Stated Maturity or upon a Sinking Fund Payment Date, or otherwise, shall not be made.

(b) If payment of any interest on the Bonds when the same shall become due and payable shall not be made.

(c) If default shall be made in the performance or observance of any other of the covenants, agreement or conditions on the part of the Agency in the Indenture, or in the Bonds contained, and such failure shall continue for a period of 60 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the Bondowners of not less than 10% in principal amount of the Bonds Outstanding, provided that if (i) the Agency is proceeding with due diligence to remedy the same, (ii) the default is able to be remedied, and (iii) the Agency has commenced action during the 60-day period necessary to remedy such default, such 60-day period shall be increased to such extent, but not more than an additional 180 days, as shall be necessary to enable the Agency to cure the default through the exercise of due diligence.

(d) The Agency shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

(e) The State has limited or altered the rights of the Agency pursuant to the Act, as in force on the date of adoption of the Indenture, to fulfill the terms of any agreements made with the Owners of the Bonds or in any way impaired the rights and remedies of Owners of Bonds while any Bonds are Outstanding.

### **Remedies**

Upon the occurrence and continuation of any Event of Default, the Trustee may, and upon the written request of the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondowners under the Act, the Bonds and the Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(a) Suit upon all or any part of the Bonds;

(b) Suit to require the Agency to account as if it were the trustee of an express trust for the Bondowners;

(c) Suit to enjoin any acts or things that may be unlawful or in violation of the rights of the Bondowners; and

(d) Enforcement of any other right of the Bondowners conferred by law or by the Indenture.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts that may be unlawful or in violation of the Indenture, or (ii) to preserve or protect the interests of the Bondowners, provided that such request is in accordance with law and the provisions of the Indenture.

## **Application of Revenues and Other Moneys After Event of Default**

The Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee, as promptly as practicable after receipt thereof, any Housing Infrastructure State Appropriations and other payments or receipts pledged under the Indenture. During the continuation of an Event of Default the Trustee shall apply such moneys, securities, revenues, payments and receipts and the income therefrom as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of duties under the Indenture;

(b) To the payment of the interest and principal or Redemption Price then due and payable on Outstanding Bonds, as follows:

*First:* To the payment to the Persons entitled thereto of all installments of interest then due and payable in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Persons entitled thereto, without any discrimination or preference; and

*Second:* To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Outstanding Bonds that shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Outstanding Bonds due and payable on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

Whenever all principal amounts of and interest on all Bonds have been paid under the above provisions, and any required arbitrage rebate and all fees, expenses and charges of the Trustee have been paid, any balance remaining under the Indenture shall be paid to the Agency.

## **Majority of Bondowners Control Proceedings**

If an Event of Default shall have occurred and be continuing, notwithstanding anything in the Indenture to the contrary, the Bondowners of at least a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or any other proceedings under the Indenture, provided that such direction is in accordance with law and the provisions of the Indenture and provided that nothing in the Indenture shall impair the right of the Trustee in its discretion to take any other action under the Indenture that it may deem proper.

## **Individual Bondowner Action Restricted**

No Bondowner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for any remedy under the Indenture unless:

(1) an Event of Default has occurred (a) under section (a) or (b) of the Events of Default subheading above, (b) as to which the Trustee has actual notice, or (c) as to which the Trustee has been notified in writing, and

(2) the Bondowners of at least a majority in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, and

(3) such Bondowners shall have offered the Trustee indemnity, and

(4) the Trustee shall have failed or refused to exercise the powers in the Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

No one or more Bondowners shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture or to enforce any right under the Indenture except in the manner in the Indenture provided and for the equal benefit of the Bondowners of all Bonds Outstanding appertaining thereto.

Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of a Bondowner (i) to receive payment of the principal of or interest on such Bond, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Bondowner may institute or prosecute any such suit or enter judgment therein, if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein, under applicable law, would result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, accounts and properties pledged under the Indenture for the equal and ratable benefit of all Bondowners.

### **Waiver and Non-Waiver of Event of Default**

No delay or omission of the Trustee or of any Bondowner to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein. Every power and remedy given by the Indenture with respect to remedies to the Trustee and the Bondowners, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may waive any Event of Default that in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

Notwithstanding anything contained in the Indenture to the contrary, the Trustee, upon the written request of the Bondowners of at least a majority of the aggregate principal amount of Bonds then Outstanding (including, if more than one series of Bonds shall at the time be Outstanding, the Bondowners of a majority in principal amount of the Bonds of each such Series), shall waive any Event of Default under the Indenture and its consequences; provided, however, that except under the circumstances set forth in the paragraph above, a default in the payment of the principal, or Redemption Price, if any, of or interest on any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Owner of such Bond.

In case of any waiver by the Trustee of an Event of Default under the Indenture, the Agency, the Trustee and the Bondowners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with these provisions.

### **Notices of Defaults**

Within 10 Business Days after the receipt of notice of an Event of Default or the occurrence of an Event of Default of which the Trustee has actual notice or is deemed to have notice, the Trustee, unless such Event of Default shall have theretofore been cured, shall give written notice thereof by first class mail to each Owner of Bonds then Outstanding, provided that, except in the case of a default in the payment of principal or the Redemption Price of or interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondowners. The Trustee shall immediately notify the Agency of any Default or Event of Default known to the Trustee.

### **Trustee May Rely Upon Certain Documents and Opinions**

Except as otherwise specifically provided in the Indenture, the Trustee may rely and shall be protected in acting upon certain resolutions, certificates, statements, instruments, opinions, reports, notices, requests, consents,

orders, bonds or other papers or documents and may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance with the opinion of such counsel. Before being required to take any remedial action, the Trustee may require an opinion of counsel reasonably acceptable to it, which opinion of counsel shall be made available to the other parties to the Indenture upon request, or a verified certificate of any such party, or both concerning proposed actions.

### **Compensation of Trustee**

All advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trust created by the Indenture and reasonable compensation to the Trustee for its services in the premises, including extraordinary fees such as default fees, if any, shall be paid by the Agency from the Trust Estate. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of trustees of an express trust. The Trustee shall have a first lien, with right of payment prior to payment on account of interest or principal of any Bond issued under the Indenture, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created thereby and exercise and performance of the powers and duties of the Trustee thereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Trustee's right to receive compensation, reimbursement, indemnification of money due and owing under the Indenture shall survive the Trustee's resignation or removal.

### **Resignation or Removal of Trustee**

The Trustee may resign and be discharged from the trusts created by the Indenture by giving to the Agency 30 days' notice in writing, and to the Bondowners 30 days' notice by certified mail at its or his address as set forth on the registration books of such resignation, specifying a date when such resignation shall take effect. Such resignation shall take effect on the day specified in such notice, if a successor Trustee has been appointed, or upon such later date as a successor is appointed. If no successor Trustee shall have been appointed and have accepted appointment within 90 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition a court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee may be removed at any time by an instrument or instruments in writing, appointing a successor to the Trustee so removed, filed with the Trustee and executed by either (i) the Agency, if it is not then in Default under the Indenture; or (ii) the Owners of a majority in principal amount of the Bonds secured by the Indenture and then Outstanding.

### **Appointment of Successor Trustee**

In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee, and a successor may be appointed by either (i) the Agency, if it is not then in Default under the Indenture; or (ii) the Owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or instruments in writing filed with the Trustee and notification thereof being given to the Agency. In the event the Trustee has been removed by action of the Bondowners, until a new Trustee shall be appointed by the Bondowners as authorized in the Indenture, the Agency may, subject to the provisions thereof, appoint a Trustee to fill such vacancy. After any such appointment by the Agency, the Trustee so appointed shall cause notice of its appointment to be mailed within 30 days of such appointment to the Owners of the Bonds, and any new Trustee so appointed by the Agency shall immediately and without further act be superseded by a Trustee appointed in the manner above provided by the Owners of a majority in principal amount of said Bonds whenever such appointment by said Bondowners shall be made.

If, in a proper case, no timely appointment of a successor Trustee shall be made pursuant to the foregoing provisions the Owner of any Bond may apply to any court of competent jurisdiction to appoint a successor trustee. The court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor trustee.

## **Payment and Discharge of Indenture**

If the Agency, its successors or assigns, shall

(a) pay or cause to be paid the principal of and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) provide for the payment of principal and premium, if any, of the Bonds and interest thereon by depositing with the Trustee at or at any time before maturity amounts sufficient in cash and/or in Government Obligations (the principal and interest on which when due and payable or redeemable at the option of the holder thereof) and without consideration of any reinvestment thereof shall be sufficient to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds Outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of the Outstanding Bonds to be called for redemption not surrendered or to be surrendered to it for cancellation has been given or waived as provided in the Indenture, or that arrangements satisfactory to the Trustee have been made ensuring that such notice will be given or waived, or (2) a written instrument executed by the Agency and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Agency, or (3) file with the Trustee a waiver of such notice of redemption signed by the Owners of all of such Outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as provided in the Indenture, the entire amount of the Redemption Price, in cash and/or Government Obligation (which do not permit the redemption thereof at the option of the issuer) in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of such Redemption Price on the date such Bonds are to be redeemed, and on such prior dates when principal of and interest on the Outstanding Bonds is due and payable, or

(d) surrender to the Trustee for cancellation all Outstanding Bonds for which payment is not so provided, and shall also pay all other sums due and payable under the Indenture by the Agency,

then and in that case, if all required arbitrage rebate has been paid in respect of the Bonds, all the Trust Estate shall revert to the Agency, and the entire estate, right, title and interest of the Trustee and of the Owners of the Bonds shall thereupon cease, determine and become void; and the Trustee in such case, upon the cancellation of all Bonds for the payment of which cash or securities shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Agency, and at its cost and expense, execute to the Agency, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Agency all cash and deposited securities, if any (other than cash or securities for the payment of the Bonds and interest thereon), which shall then be held under the Indenture as a part of the Trust Estate.

In case of any discharge of the lien of the Indenture pursuant to paragraphs (b) or (c) above, there shall be submitted to the Trustee an opinion of Bond Counsel to the effect that the interest on the Bonds being discharged will not become includable in gross income for federal income tax purposes.

## **Bonds Deemed Not Outstanding After Deposits**

When there shall have been deposited at any time with the Trustee in trust for the purpose, cash or Government Obligations the principal and interest on which shall be sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due dates for such interest or to the date fixed for redemption, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be Outstanding thereunder; and it shall be the duty of the Trustee to hold the cash and securities so deposited for the benefit of the Owners of such Bonds.

## **Purposes for Which Supplemental Indentures May be Executed**

The Agency, by Agency Resolution, and the Trustee from time to time and at any time, subject to the conditions and restrictions contained in the Indenture, may enter into such indentures supplemental thereto as the

Agency may or shall deem necessary or desirable without notice to or consent of any Bondowner for any one or more of the following purposes:

(a) To add to the covenants and agreements of the Agency in the Indenture or any Supplemental Indenture other covenants and agreements to be observed by the Agency that are not contrary to or inconsistent with the Indenture or the applicable Supplemental Indenture as theretofore in effect;

(b) To add to the limitations and restrictions in the Indenture or any Supplemental Indenture other limitations and restrictions to be observed by the Agency that are not contrary to or inconsistent with the Indenture or the applicable Supplemental Indenture as theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Indenture;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture or any Supplemental Indenture, of the Housing Infrastructure State Appropriations or of any other part of the Trust Estate;

(e) To cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any Supplemental Indentures that may be defective or inconsistent with any other provision contained in the Indenture or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Indenture or any Supplemental Indenture as the Agency may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any Supplemental Indenture and which shall not impair the security of the same;

(f) To modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, excluding, however, the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939;

(g) To provide for the issuance of Bonds pursuant to the Indenture;

(h) To make any other change in the Indenture as shall not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondowners. With respect to the foregoing, the Trustee may rely upon the opinion of the Rating Agency with respect to whether the Rating of the Bonds has been adversely affected as conclusively establishing whether the change is materially adverse to the security or other interests of the Bondowners.

The Trustee shall not enter into a Supplemental Indenture under these provisions unless it obtains an Opinion of Counsel stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of the Indenture and is authorized or permitted by the Indenture.

#### **Modification of Indenture with Consent of Bondowners**

Subject to the terms and provisions below, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Agency and the Trustee of such indenture or indentures supplemental thereto as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or deleting in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that, notwithstanding any other provision of the Indenture, nothing therein contained shall permit or be construed as permitting, without the consent of the Owners of all Outstanding Bonds affected thereby, (i) an extension of the maturity of any Bond issued under the Indenture, or (ii) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (iii) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (iv) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount of

the Bonds required to consent to Supplemental Indentures, or (vi) a reduction in the aggregate principal amount of the Bonds required to waive an Event of Default.

If the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Agency from executing the same or from taking any action pursuant to the provisions thereof.



## APPENDIX B

### BOOK-ENTRY-ONLY SYSTEM

#### General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond of each series for each maturity in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds of a series, references herein to the Bondowners, Owners or registered owners of the Series Bonds mean Cede & Co. or such other nominee and do not mean the Beneficial Owners(as hereinafter defined) of the Series Bonds.*

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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries 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”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

To facilitate subsequent transfers, all Series Bonds deposited by 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 Series Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts those Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect 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.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds of the series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer 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 the Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal and redemption price of and interest on the Series Bonds will be made to Cede & Co., or 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 bond issuer or trustee on the 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 the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of the payments to Direct Participants will be the responsibility of DTC, and disbursement of the payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Indenture, payments made by or on behalf of the Agency to DTC or its nominee will satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this Appendix B is based solely on information provided by DTC. No representation is made by the Agency, the State or the Underwriters as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the State, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

*Neither the Agency, the State, the Underwriters nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of, or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to Owners of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondowner.*

**Discontinuation of Book-Entry System**

DTC may discontinue its book-entry services with respect to all or any series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, that series of Series Bonds are required to be delivered as described in the Indenture. The Beneficial Owner, upon registration of those Series Bonds held in the Beneficial Owner's name, will become the Bondowner.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for all or any series of the Series Bonds. In that event, the Series Bonds of that series are to be delivered as described in the Indenture.

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## APPENDIX C

### SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

The following statements are extracted provisions of the Continuing Disclosure Undertaking (the “Disclosure Undertaking”) to be executed by the Agency in connection with the issuance of the Series Bonds. The Agency and the Minnesota Department of Management and Budget (“MMB”) have entered into a separate Continuing Disclosure Agreement (the “State Agreement”) under which MMB has agreed to undertake the Annual Financial Information Disclosure in order that the Agency can satisfy the Annual Financial Information Disclosure obligation described below.

#### Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondowners”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

#### Definitions

In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

(a) “*Annual Financial Information*” means the following financial information and operating data (to the extent not included in Audited Financial Statements): the information in Appendix B to the State of Minnesota Official Statement dated August 9, 2022 included as Appendix E to the Official Statement of the Agency relating to the Series Bonds, Appendix C to such State Official Statement and Appendix F to such State Official Statement.

(b) “*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under “Annual Financial Information Disclosure” herein.

(c) “*Annual Financial Information Disclosure Date*” means December 31 of each year, beginning December 31, 2022.

(d) “*Audited Financial Statements*” means the audited financial statements of the State, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

(e) “*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

(f) “*Commission*” means the Securities and Exchange Commission.

(g) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(h) “*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include

municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

(i) “*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. 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;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, 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
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

(j) “*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

(k) “*MSRB*” means the Municipal Securities Rulemaking Board.

(l) “*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

(m) “*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org) (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

(n) “*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

(o) “*Undertaking*” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

### **Annual Financial Information Disclosure**

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below), on or before each Annual Financial Information Disclosure Date, to the MSRB.

The Agency shall deliver such information in Prescribed Form and by such time so that the MSRB receives the information by the Annual Financial Information Disclosure Date.

If any part of the Annual Financial Information can no longer be generated because the operations of the State to which it is related have been materially changed or discontinued, the Agency shall disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents, including official statements of debt issues of the State or related public entities, which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB by the Annual Financial Information Disclosure Date. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the State, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

### **Listed Events Disclosure**

The Agency shall disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Indenture.

### **Consequences of Failure of the Agency to Provide Information**

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondowner or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Series Bonds or the Indenture or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance. None of the agreements or obligations of the Agency or of the State shall be construed to constitute 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. Neither a default by the Agency under the Disclosure Undertaking nor a default by the State under the State Agreement shall constitute a default or an Event of Default under the Series Bonds or the Indenture.

### **Amendment; Waiver**

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;
- (ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondowners of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondowners of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

### **Termination of Undertaking**

This Disclosure Undertaking shall terminate when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if the Undertaking is so terminated before the final stated maturity of the Series Bonds.

### **Additional Information**

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.



**Beneficiaries**

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondowners and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

**Recordkeeping**

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

**The State Agreement**

Under the State Agreement the State agrees to provide the information needed for the Annual Financial Information which the Agency is required to provide under the Disclosure Undertaking. The State may satisfy this obligation either by providing the Annual Financial Information to the Agency or by identifying any other disclosure document which may be included or incorporated by reference in order to satisfy the Annual Financial Information requirement.

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**APPENDIX D**

**FORM OF OPINION OF BOND COUNSEL**

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[To be dated the date of issuance of the Series Bonds]

Minnesota Housing Finance Agency  
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency  
State Appropriation Bonds (Housing Infrastructure), 2022 Series A, 2022 Series B and 2022  
Series C

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the “Agency”) in connection with the authorization, issuance and delivery by the Agency of its State Appropriation Bonds (Housing Infrastructure), 2022 Series A, in the aggregate principal amount of \$43,790,000 (the “2022 Series A Bonds”), its State Appropriation Bonds (Housing Infrastructure), 2022 Series B, in the aggregate principal amount of \$20,355,000 (the “2022 Series B Bonds”), and its State Appropriation Bonds (Housing Infrastructure), 2022 Series C, in the aggregate principal amount of \$40,050,000 (the “2022 Series C Bonds” and, together with the 2022 Series A Bonds and the 2022 Series B Bonds, the “Series Bonds”). The Series Bonds are being issued in accordance with Minnesota Statutes, Chapter 462A, as amended (the “Act”), an Indenture of Trust, dated as of August 1, 2013, as heretofore and hereafter amended and supplemented (the “General Indenture”), by and between the Agency and Computershare Trust Company, National Association, as successor trustee (the “Trustee”), and an Eleventh Supplemental Indenture of Trust, dated as of September 1, 2022 (the “Supplemental Indenture”), by and between the Agency and the Trustee. The General Indenture and the Supplemental Indenture are referred to herein, collectively, as the “Indenture.”

The Series Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Indenture. The Series Bonds are subject to redemption prior to maturity, as provided in the Indenture.

The Series Bonds are being issued to make loans to certain recipients (the “Housing Infrastructure Loans”) to pay for all or a portion of the costs of acquisition, construction, rehabilitation and equipping, as applicable, of related developments, including facilities related and subordinate thereto, with respect to abandoned or foreclosed properties or for supportive housing, all as defined in the Act, or to finance or refinance the costs of acquisition and rehabilitation of federally assisted rental housing, and other authorized purposes under the Act; provided, however, that a portion of the Housing Infrastructure Loans financed with proceeds of the 2022 Series A Bonds and the 2022 Series B Bonds will represent “grants” for federal income tax purposes, and the balance of the Housing Infrastructure Loans made with proceeds of the 2022 Series A Bonds and the 2022 Series B Bonds will represent loans to finance projects owned, directly or indirectly, by either Section 501(c)(3) organizations or state or local government entities.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency’s Resolution No. MHFA 21-039, adopted July 22, 2021, and Resolution No. MHFA 22-062, adopted July 21, 2022 (together, the “Bond Resolution”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the recipients of the Housing Infrastructure Loans with the covenants contained in the Indenture and the loan documentation relating to each development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution has been duly and validly adopted by the Agency; (3) the Indenture has been duly authorized and executed and is valid and binding upon the Agency in accordance with its terms, and creates the valid pledge and security interest it purports to create with respect to the Revenues, moneys, securities and other Funds held and to be set aside under the Indenture; (4) the Series Bonds are duly and lawfully authorized to be issued and are valid and binding special, limited obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Indenture, and are payable solely, and equally

and ratably, from specified transfers expected to be made by the State of Minnesota (the “State”) pursuant to legislation providing for the appropriation of such transfers from the general fund of the State to the Agency and moneys and securities held from time to time in the funds and accounts established and pledged thereto under the Indenture; and (5) the interest payable on the Series Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2022 Series C Bond is not excluded from gross income for federal income tax purposes of any holder of such bonds who is a “substantial user” of a development financed by such 2022 Series C Bonds or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest on the Series Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the Series Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022. Interest on the Series Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the Series Bonds. All owners of Series Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations, applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022 and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the Series Bonds.

Noncompliance by the Agency or the recipient of a Housing Infrastructure Loan financed by the Series Bonds with their covenants in the Indenture or applicable loan documentation relating to a development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the Series Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the Series Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Dated: \_\_\_, 2022.

Respectfully yours

**APPENDIX E**

**OFFICIAL STATEMENT OF THE STATE OF MINNESOTA**

**DATED AUGUST 9, 2022**

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**SUPPLEMENT to OFFICIAL STATEMENT DATED AUGUST 9, 2022**

**Regarding:**

**\$587,635,000**

**STATE OF MINNESOTA  
General Obligation State Bonds**

**consisting of:**

**\$251,775,000 General Obligation State Various Purpose Bonds, Series 2022A**

**\$220,000,000 General Obligation State Trunk Highway Bonds, Series 2022B**

**\$9,200,000 General Obligation Taxable State Various Purpose Bonds, Series 2022C**

**\$106,660,000 General Obligation State Various Purpose Refunding Bonds, Series 2022D**

*(collectively referred to as the “Bonds”)*

The Inflation Reduction Act, H.R. 5376 (the “IRA”), was signed into law by President Biden on August 16, 2022. As enacted, the IRA includes a 15 percent alternative minimum tax to be imposed on the “adjusted financial statement income,” as defined in the IRA, of certain “applicable corporations” for tax years beginning after December 31, 2022. Interest on the Tax-exempt Bonds, as defined herein, will be included in the “adjusted financial statement income” of such corporations for the purposes of computing the federal alternative minimum tax.

*The Official Statement dated August 9, 2022 (the “Official Statement”), relating to the above-referenced Bonds, is hereby supplemented with the following information underscored below.*

1. The first paragraph on the cover page of the Official Statement is modified to read (*new language underscored*):

In the opinion of Kutak Rock LLP, Bond Counsel, under existing federal and Minnesota laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2022A Bonds, Series 2022B Bonds and Series 2022D Bonds (collectively, the “Tax-Exempt Bonds”) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. The interest to be paid on the Series 2022C Bonds (the “Taxable Bonds”) is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. For a discussion of tax matters see “TAX MATTERS” herein.

2. The first paragraph in the section “TAX MATTERS – The Tax-Exempt Bonds - *General*” is modified to read (*new language underscored*):

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing federal and Minnesota laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants described below, the interest to be paid on the Series 2022A Bonds, the Series 2022B Bonds and the Series 2022D Bonds (collectively, the “Tax-Exempt Bonds”) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

3. The second paragraph in the section "TAX MATTERS - The Tax-Exempt Bonds - General" is modified to read (new language underscored):

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend on such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and applicable corporations as defined in Section 59(k) of the Code relating to the 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 Bonds.

4. The second paragraph of the form of opinion for the Series 2022A Bonds to be delivered by Bond Counsel set forth in Appendix H of the Official Statement is modified to read as follows (*new language underscored*):

Interest on the Series 2022A Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

5. The third paragraph of the form of opinion for the Series 2022B Bonds to be delivered by Bond Counsel set forth in Appendix H of the Official Statement is modified to read as follows (*new language underscored*):

Interest on the Series 2022B Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

6. The second paragraph of the form of opinion for the Series 2022D Bonds to be delivered by Bond Counsel set forth in Appendix H of the Official Statement is modified to read as follows (*new language underscored*):

Interest on the Series 2022D Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

*This Supplement is hereby incorporated into the Official Statement, relating to the above-referenced Tax-exempt bonds, and the Official Statement is to be read only in conjunction with this Supplement.*

**The date of this Supplement is August 22, 2022.**

*In the opinion of Kutak Rock LLP, Bond Counsel, under existing federal and Minnesota laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2022A Bonds, Series 2022B Bonds and Series 2022D Bonds (collectively, the "Tax-Exempt Bonds") is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. The interest to be paid on the Series 2022C Bonds (the "Taxable Bonds") is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. For a discussion of tax matters see "TAX MATTERS" herein.*



**\$587,635,000  
STATE OF MINNESOTA  
General Obligation State Bonds**

**consisting of:**

**\$251,775,000 General Obligation State Various Purpose Bonds, Series 2022A**

**\$220,000,000 General Obligation State Trunk Highway Bonds, Series 2022B**

**\$9,200,000 General Obligation Taxable State Various Purpose Bonds, Series 2022C**

**\$106,660,000 General Obligation State Various Purpose Refunding Bonds, Series 2022D**

*(collectively referred to as the "Bonds")*

**Dated: Date of Delivery**

**Due: as shown on inside cover**

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

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

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

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

The Bonds are offered by the State subject to the legal opinions of Kutak Rock LLP, Bond Counsel, and of the State Attorney General as to the validity of the Bonds, and of Kutak Rock LLP as to the tax exemption of the interest on the Bonds. Delivery will be made on or about August 23, 2022.

Dated: August 9, 2022

**\$587,635,000**  
**State of Minnesota**  
**General Obligation State Bonds**

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

**\$251,775,000 General Obligation State Various Purpose Bonds, Series 2022A**

<b>Maturity (August 1)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>Initial CUSIP** 60412A</b>	<b>Maturity (August 1)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>Initial CUSIP** 60412A</b>
2023	\$12,365,000	5.000%	1.590%	XT5	2033	\$12,365,000	5.000%	2.420%*	YD9
2024	12,365,000	5.000	1.690	XU2	2034	12,365,000	5.000	2.500*	YE7
2025	12,365,000	5.000	1.710	XV0	2035	12,365,000	5.000	2.570*	YF4
2026	12,365,000	5.000	1.790	XW8	2036	12,365,000	5.000	2.610*	YG2
2027	16,865,000	5.000	1.820	XX6	2037	12,365,000	5.000	2.640*	YH0
2028	12,365,000	5.000	1.990	XY4	2038	12,360,000	5.000	2.680*	YJ6
2029	12,365,000	5.000	2.080	XZ1	2039	12,360,000	5.000	2.740*	YK3
2030	12,365,000	5.000	2.150	YA5	2040	12,360,000	5.000	2.800*	YL1
2031	12,365,000	5.000	2.230	YB3	2041	12,360,000	5.000	2.870*	YM9
2032	12,365,000	5.000	2.300	YC1	2042	12,360,000	5.000	2.890*	YN7

**\$220,000,000 General Obligation State Trunk Highway Bonds, Series 2022B**

<b>Maturity (August 1)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>Initial CUSIP** 60412A</b>	<b>Maturity (August 1)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>Initial CUSIP** 60412A</b>
2023	\$11,000,000	5.000%	1.590%	YP2	2033	\$11,000,000	5.000%	2.390%*	YZ0
2024	11,000,000	5.000	1.690	YQ0	2034	11,000,000	5.000	2.480*	ZA4
2025	11,000,000	5.000	1.710	YR8	2035	11,000,000	5.000	2.550*	ZB2
2026	11,000,000	5.000	1.800	YS6	2036	11,000,000	4.000	2.920*	ZC0
2027	11,000,000	5.000	1.830	YT4	2037	11,000,000	3.250	3.270	ZD8
2028	11,000,000	5.000	1.990	YU1	2038	11,000,000	4.000	3.100*	ZE6
2029	11,000,000	5.000	2.070	YV9	2039	11,000,000	3.375	3.420	ZF3
2030	11,000,000	5.000	2.140	YW7	2040	11,000,000	4.000	3.230*	ZG1
2031	11,000,000	5.000	2.220	YX5	2041	11,000,000	3.500	3.580	ZH9
2032	11,000,000	5.000	2.270	YY3	2042	11,000,000	3.500	3.610	ZJ5

**\$9,200,000 General Obligation Taxable State Various Purpose Bonds, Series 2022C**

<b>Maturity (August 1)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>Initial CUSIP** 60412A</b>	<b>Maturity (August 1)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>Initial CUSIP** 60412A</b>
2023	\$370,000	4.000%	3.300%	ZK2	2028	370,000	4.000%	3.300%	ZQ9
2024	370,000	4.000	3.300	ZL0	2029	370,000	4.000	3.300	ZR7
2025	370,000	4.000	3.300	ZM8	2030	370,000	4.000	3.350	ZS5
2026	370,000	4.000	3.300	ZN6	2031	365,000	4.000	3.400	ZT3
2027	370,000	4.000	3.300	ZP1	2032	5,875,000	4.000	3.450	ZU0

\*Priced at the stated yield to the August 1, 2032 redemption date at a price of 100%. See “THE BONDS, Optional Redemption” herein.

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

**\$106,660,000 General Obligation State Various Purpose Refunding Bonds, Series 2022D**

<b>Maturity (August 1)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>Initial CUSIP** 60412A</b>
2023	\$10,310,000	5.000%	1.600%	ZV8
2024	10,210,000	5.000	1.700	ZW6
2025	10,265,000	5.000	1.710	ZX4
2026	10,480,000	5.000	1.800	ZY2
2027	10,610,000	5.000	1.830	ZZ9

<b>Maturity (August 1)</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>Initial CUSIP** 60412A</b>
2028	\$10,735,000	5.000%	1.980%	A29
2029	10,865,000	5.000	2.070	A37
2030	10,915,000	5.000	2.150	A45
2031	11,040,000	5.000	2.230	A52
2032	11,230,000	5.000	2.280	A60

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\*Priced at the stated yield to the August 1, 2032 redemption date at a price of 100%. See “THE BONDS, Optional Redemption” herein.

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

## STATE OF MINNESOTA OFFICIALS

GOVERNOR	Tim Walz
LIEUTENANT GOVERNOR	Peggy Flanagan
SECRETARY OF STATE	Steve Simon
STATE AUDITOR	Julie Blaha
ATTORNEY GENERAL	Keith Ellison
LEGISLATIVE AUDITOR	Judy Randall

## COMMISSIONER OF MANAGEMENT AND BUDGET

James Schowalter

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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 Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the State or Underwriters. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information. Certain information contained herein has been obtained from sources other than records of the State and is believed to be reliable, but it is not guaranteed. Information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there have not been any changes in the affairs of the State since the date hereof.

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

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

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## SUMMARY STATEMENT

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

<b>Issuer:</b>	State of Minnesota
<b>Offering:</b>	<p>\$251,775,000 General Obligation State Various Purpose Bonds, Series 2022A (the “Series 2022A Bonds”)</p> <p>\$220,000,000 General Obligation State Trunk Highway Bonds, Series 2022B (the “Series 2022B Bonds”)</p> <p>\$9,200,000 General Obligation Taxable State Various Purpose Bonds, Series 2022C (the “Series 2022C Bonds”)</p> <p>\$106,660,000 General Obligation State Various Purpose Refunding Bonds, Series 2022D (the “Series 2022D Bonds”)</p> <p><i>(collectively referred to as the “Bonds”)</i></p>
<b>Principal Amounts:</b>	The principal amounts of each serial maturity of the Bonds are set forth on the inside cover pages.
<b>Interest:</b>	Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months, from the Dated Date of the Bonds, payable semiannually on each February 1 and August 1, commencing February 1, 2023.
<b>Dated Date:</b>	Date of Delivery, expected to be August 23, 2022.
<b>Security:</b>	General Obligations of the State of Minnesota to which its full faith, credit and taxing powers are pledged.
<b>Book-Entry Bonds:</b>	The Bonds will be issued in fully registered form without interest coupons in denominations of \$5,000 and integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds.
<b>Redemption:</b>	<p>The Series 2022A Bonds and the Series 2022B Bonds are subject to optional redemption by the State on and after August 1, 2032.</p> <p>The Series 2022C Bonds and the Series 2022D Bonds are not subject to optional redemption prior to their maturity date.</p> <p>See “Optional Redemption” herein for additional information.</p>
<b>Continuing Disclosure:</b>	See “CONTINUING DISCLOSURE” herein. See also “APPENDIX G – CONTINUING DISCLOSURE UNDERTAKING”.

<b>Bond Ratings:</b>	The Bonds described herein have been rated “AAA” by Fitch Ratings, “Aaa” by Moody’s Investors Service Inc. and “AAA” by S&P Global Ratings.
<b>Registrar/Paying Agent/ Escrow Agent:</b>	The Bank of New York Mellon Trust Company, N.A.
<b>Legal Opinions:</b>	The Bonds are approved as to validity by the State Attorney General and Kutak Rock LLP, as Bond Counsel. Kutak Rock LLP will provide the Opinion regarding the tax exemption of interest on the Tax-Exempt Bonds.
<b>Bonds Outstanding:</b>	The total amount of State general obligation bonds outstanding on the date of issuance of the Bonds, including these issues will be approximately \$6.7 billion. The total amount of general obligation bonds authorized but unissued as of the date of issuance of the Bonds, will be approximately \$2.1 billion. See “APPENDIX C – GENERAL OBLIGATION BONDS OUTSTANDING AS OF THE DATE OF ISSUE OF THE BONDS” and “GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED AS OF THE DATE OF ISSUE OF THE BONDS” on pages C-1 and C-2.
<b>Additional Information:</b>	Questions regarding this Official Statement should be directed to Jennifer Hassemer, Assistant Commissioner, Minnesota Management and Budget, <a href="mailto:jennifer.hassemer@state.mn.us">jennifer.hassemer@state.mn.us</a> , (651) 201-8079, Thomas Huestis, Public Resources Advisory Group, <a href="mailto:thuestis@pragadvisors.com">thuestis@pragadvisors.com</a> (610) 580-7007 or Christine Fay, Public Resources Advisory Group, <a href="mailto:cfay@pragadvisors.com">cfay@pragadvisors.com</a> (610) 565-5990. Questions regarding legal matters should be directed to Gregory R. Dietrich, Kutak Rock LLP, (402) 346-6000, <a href="mailto:gregory.dietrich@kutakrock.com">gregory.dietrich@kutakrock.com</a> .

**STATE OF MINNESOTA**  
**\$587,635,000**  
**General Obligation State Bonds**  
consisting of

**\$251,775,000 General Obligation State Various Purpose Bonds, Series 2022A**  
**\$220,000,000 General Obligation State Trunk Highway Bonds, Series 2022B**  
**\$9,200,000 General Obligation State Taxable Various Purpose Bonds, Series 2022C**  
**\$106,660,000 General Obligation State Various Purpose Refunding Bonds, Series 2022D**

*(collectively referred to as the “Bonds”)*

**THE BONDS**

**General**

This Official Statement, including the cover page and the Appendices (this “Official Statement”), has been prepared by the State of Minnesota Department of Management and Budget (the “Department” or “MMB”) to furnish information relating to the \$251,775,000 General Obligation State Various Purpose Bonds, Series 2022A (the “Series 2022A Bonds”), the \$220,000,000 General Obligation State Trunk Highway Bonds, Series 2022B (the “Series 2022B Bonds”), the \$9,200,000 General Obligation Taxable State Various Purpose Bonds, Series 2022C (the “Series 2022C Bonds”) and the \$106,660,000 General Obligation State Various Purpose Refunding Bonds, Series 2022D (the “Series 2022D Bonds”) (collectively referred to as the “Bonds”) of the State of Minnesota (the “State”) to be dated the date of issuance, to prospective purchasers and actual purchasers of the Bonds. Prospective and actual purchasers should read this entire Official Statement.

**Authorization and Purpose**

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

The Series 2022A Bonds in the aggregate principal amount of \$251,775,000 are being issued for the purpose of financing all or a portion of the cost of certain programs and capital projects, the types of which generally include educational facilities, parks, pollution control facilities, transportation, natural resources and agricultural enterprises.

The Series 2022B Bonds in the principal amount of \$220,000,000 are being issued for the purpose of financing the cost of construction, improvement and maintenance of programs and projects of the State trunk highway system.

The Series 2022C Bonds in the principal amount of \$9,200,000 are being issued for the purpose of developing the State’s agricultural resources by financing the Rural Finance Authority’s programs and to improve and rehabilitate railroad rights-of-way and rail facilities.

The Series 2022D Bonds in the principal amount of \$106,660,000 are being issued for the purpose of refunding \$121,835,000 in General Obligation State Various Purpose Bonds, Series 2012A (the “Various Purpose Refunded Bonds”). The proceeds to refund the Various Purpose Refunded Bonds will be placed in an irrevocable escrow fund and used, together with other available funds, to pay the principal of and interest on the Various Purpose Refunded Bonds to the date on which such bonds have been called for redemption and prepayment. The Various Purpose Refunded Bonds and the dates on which they will be called for redemption are described in APPENDIX D.

### *Constitutional Provisions.*

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

### *Statutory Provisions.*

The Series 2022A Bonds and the Series 2022C Bonds are authorized by Minnesota Statutes, Sections 16A.631 through 16A.675. The Series 2022B Bonds are authorized by Minnesota Statutes, Sections 167.50 through 167.52.

Minnesota Statutes, Section 16A.66, authorizes the issuance of general obligation state refunding bonds with the approval of the State's Executive Council. The issuance of the Series 2022D Bonds were approved by resolution of the State Executive Council on June 5, 2013.

### *Session Law Provisions.*

Session laws authorizing the issuance of the Series 2022A Bonds and the amounts included in this issue are set forth below ("X" indicates Special Session Laws):<sup>1</sup>

<b>Law Authorizing</b>	<b>Bonds This Issue<sup>2</sup></b>
Session 2013, Chapter 136.....	\$ 525,000
Session 2014, Chapter 294.....	1,900,000
Session X2015, Chapter 5.....	3,000,000
Session X2017, Chapter 8.....	20,000,000
Session 2018, Chapter 214.....	38,500,000
Session 2019, Chapter 2.....	16,000,000
Session 2020, Chapter 67.....	4,500,000
Session X2020, Chapter 3.....	<u>211,000,000</u>
Total:	\$ 295,425,000

Session laws authorizing the issuance of the Series 2022B Bonds and the amounts included in this issue are set forth below ("X" indicates Special Session Laws):<sup>1</sup>

<b>Law Authorizing</b>	<b>Bonds This Issue</b>
Session X2017, Chapter 3.....	\$ 160,000,000
Session 2018, Chapter 214.....	15,000,000
Session X2020, Chapter 3.....	10,000,000
Session X2021, Chapter 5.....	<u>35,000,000</u>
Total:	\$ 220,000,000

<sup>1</sup>See also "APPENDIX C – GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED" on page C-2 and "APPENDIX D – PROJECT DESCRIPTION".

<sup>2</sup>Including net premium deposited into the Capital Projects Fund.

Session laws authorizing the issuance of the Series 2022C Bonds and the amounts included in this issue are set forth below.

<b>Law Authorizing</b>	<b>Bonds This Issue</b>
Session 2020, Chapter 67.....	\$ 5,510,000
Session X2020, Chapter 3.....	<u>4,000,000</u>
Total:	\$ 9,510,000

## **Bond Terms**

The Bonds mature on the dates and in the principal amounts and bear interest at the annual rates shown on the inside front cover page hereof. Such interest is computed on the basis of a 360-day year and twelve 30-day months. Interest on the Bonds is payable to Bondholders as of the 15<sup>th</sup> day of the preceding month semiannually on each February 1 and August 1 to maturity or prior redemption, if any, commencing February 1, 2023. If principal or interest is due on a date on which commercial banks are not open for business in the states of Minnesota and New York, then payment will be made on the first day thereafter when such banks are open for business.

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

## **Optional Redemption**

The Series 2022A Bonds and the Series 2022B Bonds maturing on or before August 1, 2032 will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on or after August 1, 2033 will be subject to redemption and prepayment by the State at its option on August 1, 2032 and any business day thereafter, in whole or in part, in an order determined by the State and by lot within each maturity at a price of par plus accrued interest to the date specified for redemption.

The Series 2022C Bonds and the Series 2022D Bonds are not subject to redemption prior to their stated maturity date.

## **Notices of Redemption**

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

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

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

## SECURITY<sup>1</sup>

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

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

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

*Additional Security — State Trunk Highway Bonds:* The Minnesota Constitution, Article XIV, establishes a Trunk Highway Fund (the "Trunk Highway Fund" or "State Trunk Highway Fund") to be used solely for trunk highway system purposes and for the payment of principal of and interest on trunk highway bonds. Article XIV provides that the payment of the principal of and interest on State trunk highway bonds is "a first charge on money" coming into the State Trunk Highway Fund during the year in which the principal or interest is payable. Article XIV also establishes a Highway User Tax Distribution Fund to be used solely for highway purposes, authorizes the Legislature to impose taxes on motor vehicles and motor vehicle fuels, and requires the proceeds of such taxes to be paid into the Highway User Tax Distribution Fund. The Minnesota Constitution requires that 95% of the revenues deposited into the Highway User Tax Distribution Fund be distributed from such fund as follows: 62% to

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

the Trunk Highway Fund, 29% to the County State Aid Highway Fund, and 9% to the Municipal State Aid Street Fund. The remaining 5% of Highway User Tax Distribution Fund revenues is distributed to the same three funds in accordance with a formula that the Legislature establishes. Currently these remaining revenues are all distributed to the County State Aid Highway Fund. According to the Minnesota Constitution, no change in the formula allocating the 5% may be made within six years of the last previous change. The current distribution formula was established in the 1998 Legislative Session. During the 2017 Legislative Sessions there were changes made to the formulas prescribing how the amounts deposited to the County State Aid Highway Fund are distributed to individual counties.

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

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

## SOURCES AND USES OF FUNDS

### Various Purpose Bonds

	Series 2022A Bonds	Series 2022C Bonds	Series 2022D Bonds	Total
<b>Sources:</b>				
Par Amount of Bonds	\$251,775,000.00	\$9,200,000.00	\$106,660,000.00	\$367,635,000.00
Net Premium on Bonds	44,007,749.65	368,525.55	16,062,335.80	60,438,611.00
Transfer from State Bond Fund	-	-	2,177,818.75	2,177,818.75
<b>Total Sources</b>	<b>\$295,782,749.65</b>	<b>\$9,568,525.55</b>	<b>\$124,900,154.55</b>	<b>\$430,251,429.75</b>
<b>Uses:</b>				
Capital Projects Fund	\$295,201,844.11	\$9,500,000.00	\$-	\$304,701,844.11
Deposit to Escrow Account	-	-	122,331,058.72	122,331,058.72
Deposit to State Bond Fund	4,730.47	1,971.86	2,337,606.30	2,344,308.63
Underwriters' Discount	353,019.18	56,553.69	116,259.40	525,832.27
Cost of Issuance	223,155.89	10,000.00	115,230.13	348,386.02
<b>Total Uses</b>	<b>\$295,782,749.65</b>	<b>\$9,568,525.55</b>	<b>\$124,900,154.55</b>	<b>\$430,251,429.75</b>

### Trunk Highway Bonds

	Series 2022B Bonds
<b>Sources:</b>	
Par Amount of Bonds	\$220,000,000.00
Net Premium on Bonds	25,873,760.00
<b>Total Sources</b>	<b>\$245,873,760.00</b>
<b>Uses:</b>	
Capital Projects Fund	\$219,801,484.03
Deposit to State Bond Fund	25,587,635.26
Underwriter's Discount	286,124.74
Cost of Issuance	198,515.97
<b>Total Uses</b>	<b>\$245,873,760.00</b>

## **FUTURE FINANCINGS**

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

Pursuant to Minnesota Statutes, Section 462A.37, the Minnesota Housing Finance Agency (“MHFA”) received legislative authorizations to issue housing infrastructure bonds that are supported by a state general fund appropriation in the following years and principal amounts: up to \$100,000,000 was authorized in 2020; and up to \$100,000,000 was authorized in 2021. MHFA previously issued \$56,210,000 under these authorizations. MHFA anticipates issuing approximately \$110,000,000 under one or more of the remaining authorizations in September 2022.

Pursuant to Minnesota Statutes, Section 16A.968, the Commissioner of Management and Budget may sell State Appropriation Bonds to finance up to \$97,720,000 in public infrastructure costs to facilitate redevelopment within a regional exchange district in the City of Duluth. The State previously issued bonds to finance \$71,900,000 of public infrastructure costs under this authorization. The State anticipates issuing bonds to finance approximately \$25,820,000 in additional project costs during the Fall of 2022.

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

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

## **BOOK ENTRY SYSTEM**

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is, in turn, to be recorded on the Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written



confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

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

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

## **TAX MATTERS**

### **The Tax-Exempt Bonds**

*General.* In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing federal and Minnesota laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants described below, the interest to be paid on the Series 2022A Bonds, the Series 2022B Bonds and the Series 2022D Bonds (collectively, the "Tax-Exempt Bonds") is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts.

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

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

the Tax-Exempt Bonds in the event that interest on the Tax-Exempt Bonds becomes subject to federal or Minnesota income taxation.

*Discount Bonds.* The Series 2022B Bonds having a stated maturity in the years 2037, 2039, 2041 and 2042 (the “Discount Bonds”) are being sold at a discount from the principal amount payable on the Discount Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue discount” under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under Section 1288 of the Code is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes to the same extent that stated interest on such Discount Bonds would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under Section 1288 is added to the tax basis of the owner in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity). Original issue discount is taxable under the Minnesota franchise tax on corporations and financial institutions.

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

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

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

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

*Premium Bonds.* All of the maturities of the Series 2022A Bonds, the Series 2022C Bonds, the Series 2022D Bonds and the Series 2022B Bonds having stated maturities in the years 2023 through 2036, 2038 and 2040 (the “Premium Bonds”), are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Premium Bonds must, from time to time, reduce their federal and Minnesota tax bases for the Premium Bonds for purposes of determining gain or loss on the sale, redemption or payment at maturity of such Premium Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a bondholder’s constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire Premium Bonds might recognize taxable gain upon sale of such Premium Bonds, even if such Premium Bonds are sold for an amount equal to or less than their original cost. The amount of premium amortized in any period offsets a corresponding amount of interest for such period. Amortized premium is not deductible for federal or Minnesota income tax purposes. Purchasers of Premium Bonds should consult their own tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling such Premium Bonds.

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

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

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

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

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

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

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

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

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

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

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

## **The Taxable Bonds**

*General.* The interest on the Series 2022C Bonds (the "Taxable Bonds") is included in gross income for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Purchasers of the Taxable Bonds should consult their own tax advisors as to the federal, state or local tax consequences of purchasing, owning or selling the Taxable Bonds.

*Backup Withholding.* Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Taxable Bonds if the purchasers, upon issuance, fail to supply their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code)

properly, or, under certain circumstances, fail to provide a certified statement, under penalty of perjury, that they are not subject to backup withholding.

### **Changes in Federal and State Tax Law**

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

### **LEGAL OPINIONS**

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

### **FINANCIAL INFORMATION**

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

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

### **LITIGATION**

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

While at any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State's expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 19 to the State Financial Statements for Fiscal Year Ended June 30, 2021, included as APPENDIX F hereto, and additional actions, if any, discussed below, no pending actions are likely to have a material adverse effect in excess of \$15 million on the State's expenditures or revenues during the Current Biennium.

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

Joseph Walsh, et al. v. State of Minnesota (Minnesota Supreme Court). On June 6, 2022 the Minnesota Supreme Court affirmed the decision of the Minnesota Court of Appeals upholding the dismissal of appellant's claims for defense and indemnification from the State.

Murphy, et al. v. Minnesota Department of Human Services (DHS) et al. (United States District Court, District of Minnesota). The parties reached a settlement in July 2022, and the district court scheduled a final approval hearing for January 4, 2023.

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.

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 FY 2020. The complaint was filed in March 2022, and the parties' cross-motions for summary judgment are under advisement with the Court.

## **CONTINUING DISCLOSURE**

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

## **MUNICIPAL ADVISOR**

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

## **UNDERWRITING**

The Commissioner acting on behalf of the State has sold the Series 2022A Bonds Bidding Group 1 at public sale to J.P. Morgan Securities LLC as Series 2022A Bidding Group 1 Underwriter, for a price of \$147,085,117.27, with the Series 2022A Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2022A Bonds Bidding Group 2 at public sale to Barclays Capital Inc., as Series 2022A Bidding Group 2 Underwriter, for a price of \$148,344,613.20, with the Series 2022A Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2022B Bonds at public sale to Morgan Stanley & Co. LLC, as Series 2022B Underwriter, for a price of \$245,587,635.26, with the Series 2022B Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2022C Bonds at public sale to Northland Securities, Inc., as Series 2022C Underwriter, for a price of \$9,511,971.86, with the Series 2022C Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2022D Bonds at public sale to BofA Securities, Inc., as Series 2022D Underwriter, for a price of \$122,606,076.40, with the Series 2022D Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

J.P. Morgan Securities, LLC, Barclays Capital Inc., Morgan Stanley & Co. LLC, Northland Securities, Inc. and BofA Securities, Inc. collectively are referred to as the Underwriters, herein.

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

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

#### **RATINGS**

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

#### **AUTHORIZATION OF OFFICIAL STATEMENT**

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

/s/ James Schowalter  
Commissioner of Management and Budget  
State of Minnesota

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**APPENDIX A**

**STATE GOVERNMENT AND FISCAL  
ADMINISTRATION**

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## **APPENDIX A**

### **STATE GOVERNMENT AND FISCAL ADMINISTRATION**

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## **STATE GOVERNMENT AND FISCAL ADMINISTRATION**

### **State Government**

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

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

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

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

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

### **Fiscal Administration**

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

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

## **Accounting System**

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

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

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

## **Financial Reporting**

State law requires the Commissioner of Management and Budget to prepare a comprehensive financial report for each fiscal year of the State in conformance with generally accepted accounting principles by the December 31 following the end of the fiscal year. These reports are audited by the Legislative Auditor. The Legislative Auditor's opinion and the Fiscal Year 2021 basic financial statements are presented in APPENDIX F and general long-term debt unaudited schedules are presented in APPENDIX C.

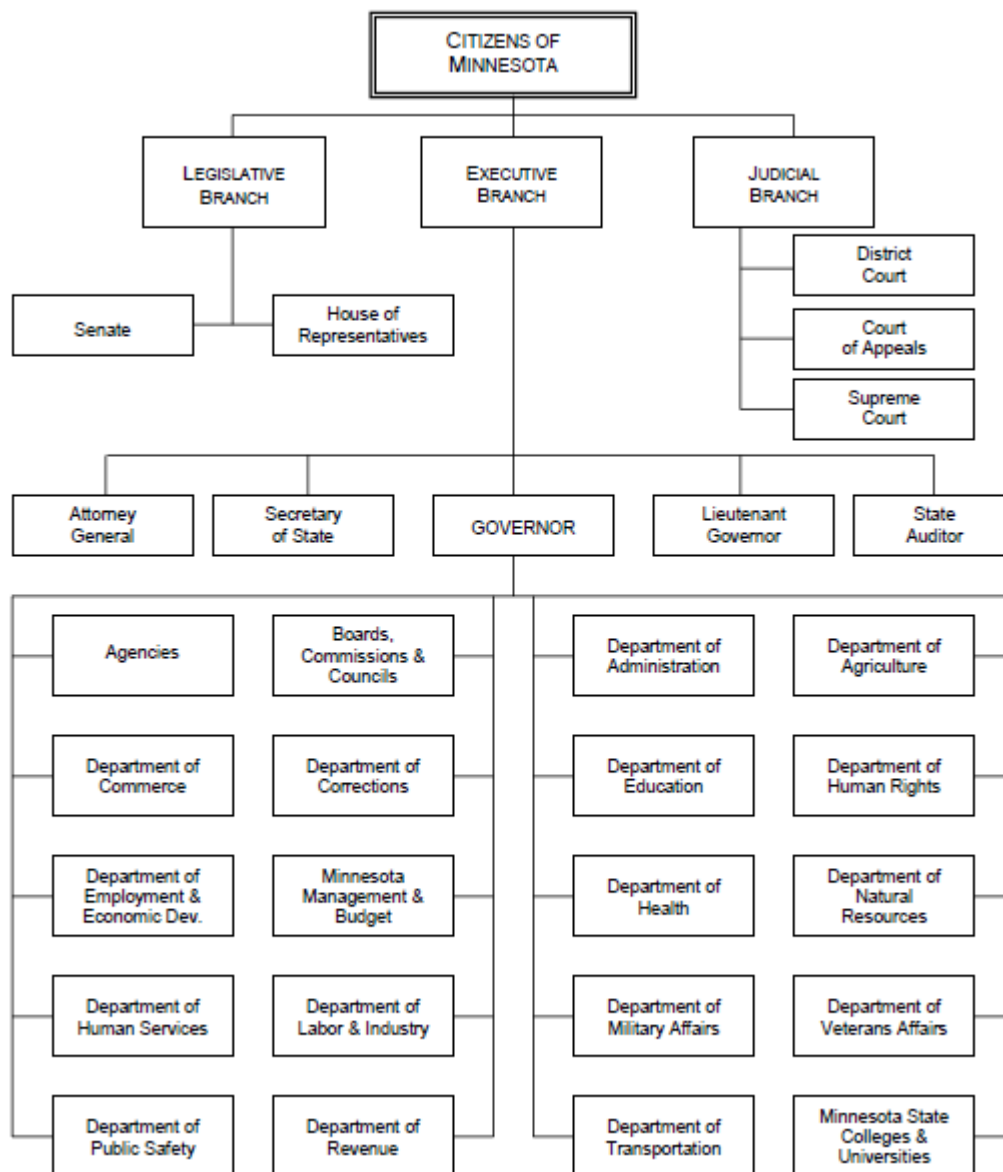
## **Investments**

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

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

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

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



## Revenues

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

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

## **Audit Control Procedures**

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

## **Status of Collective Bargaining and Compensation Plans**

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

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

### **INFORMATION ON EXECUTIVE BRANCH STATE BARGAINING UNITS**

<b><u>Unit</u></b>	<b><u>Employees as of May 2022</u></b>
American Federation of State, County and Municipal Employees (AFSCME) (7 bargaining units)	15,197
MN Association of Professional Employees (MAPE)	15,091
Middle Management Association (MMA)	3,260
MN Government Engineers Council (MGEC)	1,116
MN Nurses Association (MNA)	846
MN Law Enforcement Association (MLEA)	769
State Residential Schools Education Association (SRSEA)	158
State College Faculty Association (MSCF)	4,147
State University Interfaculty Organization (IFO)	3,464
State University Admin and Service Faculty (MSUAASF)	777
Total Represented Employees	<hr/> 44,825
Total State Employment	50,423
Percent of All Executive Branch Employees Unionized	89%



Previous Biennium labor contracts for all Executive Branch bargaining units expired on June 30, 2021. By statute, these contracts remain in effect until subsequent agreements are reached or contracts are cancelled when the right to strike matures. As of the date of this Official Statement, the Legislature has approved the State's agreements with all of the AFSCME bargaining units, MAPE, MMA, MLEA, MNA, SRSEA, IFO and MSUAASF for the Current Biennium. The State is currently in contract negotiations with MGEC and MSCF for employees in the Executive Branch for the Current Biennium.

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

## **Cybersecurity**

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

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

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 2021 Legislature passed legislation creating a new legislative commission on cybersecurity, consisting of 4 senators and 4 representatives. The commission will provide oversight of the State's cybersecurity measures, review State agency cybersecurity policies and practices, and can recommend changes in policy to protect the State from cybersecurity threats. The commission has met several times in the last year, initially focusing on operating procedures and receiving testimony from MNIT and others on cybersecurity issues.

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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, 2021, are included herein as APPENDIX F. These financial statements provide financial information for the State's General Fund, as defined by generally accepted accounting principles, as set forth in the audited financial statements included in APPENDIX F and other major funds; for all other funds, such information is combined into non-major governmental and non-major enterprise funds, which includes the Debt Service Fund. These financial statements have been examined by the Legislative Auditor, independent auditor for the State to the extent indicated in his report included in APPENDIX F. The Legislative Auditor's report and the financial statements, including the Notes, should be read in their entirety. Such financial statements have been included in APPENDIX F in reliance upon the report of the Legislative Auditor. The revenues and expenditures presented consistent with Generally Accepted Accounting Principles for Fiscal Years 2019 through 2021 are summarized on page B-9.

#### **Past Financial Reports**

The State's Annual Comprehensive Financial Reports, including information by individual fund for Fiscal Year 2021 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 F 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 – 2022 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.

### **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 "unallotting."

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

## **COVID-19 PANDEMIC AND EXECUTIVE PEACETIME EMERGENCY ORDERS**

### **COVID-19 Impact**

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

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

On March 13, 2020, the Governor declared a Peacetime Emergency in the State of Minnesota, implemented multiple executive orders and took various actions to protect the health of Minnesotans and prevent the spread of

COVID-19 which included closing non-essential businesses, on-site school operations and implementing a stay at home order, among others. The COVID-19 Peacetime Emergency ended on July 1, 2021 in the State of Minnesota, however there can be no assurance that the State will not at some point in the future reinstate the COVID-19 Peacetime Emergency.

During the late Spring and early Summer of 2020, in consultation with public health and occupational safety experts, the State began gradually re-opening sectors of its economy. On May 18, 2020 the Governor lifted the State's stay at home order and implemented an order called "Stay Safe Minnesota" which included a phased approach to reopening the economy. In January 2021, the State launched a Community Vaccination Program offering free COVID-19 vaccines at locations statewide. As of July 11, 2022, approximately 3.81 million (73.1%) Minnesotans age 5+ have completed vaccine series.

**Unemployment Levels.** Following the onset of the pandemic and related shutdown measures unemployment levels in the State spiked to 11.3% in May 2020. With the reopening of the economy and the widespread availability of COVID-19 vaccines in the State, unemployment levels have significantly rebounded with unemployment levels declining to 2.0% as of May 2022, which was below the national rate of 3.6%.

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

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

In November 2020, MMB released its November 2020 Forecast with an improved outlook and a forecasted budgetary balance of \$636 million for the Previous Biennium and a \$1.273 billion deficit for the Current Biennium. The State's forecast has improved materially since this time with MMB's most recent February 2022 Forecast, reflecting a \$9.253 billion budgetary balance for the Current Biennium. As of the end of the 2022 Legislative Session, there is a projected ending balance of \$7.049 billion for the Current Biennium and projected General Fund reserves of \$3.333 billion. See "BIENNIUM BUDGETS" in this APPENDIX B for additional information.

**Federal Support.** The State has received financial support from the Federal government under five enacted laws which have provided significant relief and support in response to the COVID-19 Pandemic. Under the Family First Coronavirus Response Act, the Federal Medical Assistance Percentage ("FMAP") was increased 6.2 percentage points.. The increased FMAP has resulted in an additional \$190 million in federal support each quarter and is expected to continue through September 30, 2022. In preparing its Current Biennium Budget and subsequently adjusted by the February 2022 Forecast, the State conservatively assumed the enhanced FMAP through June 30, 2022. The State also was allocated \$2.187 billion of Coronavirus Relief Fund ("CRF") monies under the CARES Act for costs incurred in connection with responding to the COVID-19 Pandemic. Of this amount, \$317 million was allocated directly to Hennepin and Ramsey counties while the remaining \$1.870 billion was deposited into the State treasury. To date, the State has programmed and expended all CRF monies for statewide eligible costs. As part of the American Rescue Plan Act ("ARPA") the State was allocated \$2.833 billion from the state fiscal recovery fund, an estimated \$3.189 billion in program specific funds, and an additional \$2.132 billion in funds distributed to local governments. To date, the State has programmed the entire \$2.833 billion in state fiscal recovery funds. See "BIENNIUM BUDGETS - COVID-19 Pandemic Federal Funding – Sources and Uses" in this APPENDIX B for additional information.

**Cash and Liquidity.** The State is well-positioned with a Statutory General Fund Cash Balance of \$18.943 billion as of June 30, 2022, not including cash receipts received from federal stimulus funds. See "CASH FLOW INFORMATION" in this APPENDIX B for additional information.

**Conclusion.** 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 information resources and technical expertise for infrastructure and vulnerability assessments, adaptation planning, and engineering design.

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

## **REVENUE AND EXPENDITURE FORECASTING**

### **General**

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

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

### **Forecasting Risks**

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

## Current Forecast Methods and Assumptions

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

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

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

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

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

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

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

The State’s most recent Budget and Economic Forecast was prepared in February 2022. It was informed by the IHS’ February 2022 baseline forecast, the scenario that IHS considered the most likely at the time the forecast was made. See “BIENNIUM BUDGETS – February 2022 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 2022 outlook, IHS estimated that U.S. real GDP grew 5.7 percent in 2021, a 0.2 percentage point increase from their November 2021 baseline forecast. In February, IHS expected GDP growth to decelerate to 3.7 percent in 2022, down from 4.3 percent in their November forecast. They forecast real GDP growth of 2.7 and 2.6 percent, respectively, in 2023 and 2024.

**IHS FEBRUARY 2022  
GROSS DOMESTIC PRODUCT (GDP)  
BASELINE FORECAST<sup>(1)</sup>  
(Chained Rates of Growth)**

	<b>Calendar Year 2020 Actual %</b>	<b>Calendar Year 2021 Actual %</b>	<b>Calendar Year 2022 Forecast %</b>	<b>Calendar Year 2023 Forecast %</b>	<b>Calendar Year 2024 Forecast %</b>
Real GDP Growth Rate	-3.4	5.7	3.7	2.7	2.6
GDP Deflator (Inflation)	1.3	4.2	4.6	2.5	2.4
Nominal GDP Growth Rate	-2.2	10.0	8.6	5.2	5.1

<sup>(1)</sup> 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 2022 forecast. See "FINANCIAL INFORMATION" in this APPENDIX B. The November 2022 IHS Baseline will be used as the baseline for the next revenue and expenditure forecast.

### **July Revenue and Economic Update**

Minnesota's net General Fund receipts for FY 2022 are now estimated to total \$30.329 billion, \$2.927 billion (10.7 percent) more than projected in the February 2022 Forecast. Net receipts from all major taxes exceeded the forecast. State revenues in the final quarter of FY 2022 were \$2.260 billion (29.5 percent) more than forecast in February.

Net individual income tax receipts are estimated to end the year \$2.389 billion (16.5 percent) more than forecast. Gross income tax receipts were \$1.801 billion above the forecast, and refunds were \$588 million less than expected. Declarations exceeded the forecast by \$1.061 billion, and miscellaneous payments, consisting mostly of final payments, exceeded the forecast by \$254 million. The State estimates that about \$1.181 billion of the net income tax variance (\$921 million from declarations and \$261 million from miscellaneous payments) reflects higher-than-forecast tax year 2021 income tax liability.

Gross partnership and S Corporation tax payments for FY 2022 were \$439 million more than forecast, and refunds for these entities were \$36 million above the forecast, generating a net variance of \$404 million. Pass-Through Entities ("PTE"s) are a subset of partnerships and S Corporations. The State estimates that about \$1.359 billion of the PTE payments received in FY 2022 remains to be claimed as credits on individual income tax returns. As tax year 2021 individual extension returns are filed and return processing continues, the remaining PTE credits will reduce income tax liability for individuals with PTE income. The State expects this to result in refunds and transfers to estimated tax in excess of the forecast for the first six months of FY 2023. In prior State revenue reports this year, the State estimated the share of the individual income tax variance arising from the PTE timing shift. These estimates assumed that PTE credits would result in equivalent income tax refunds. However, recent reports from processed returns indicate that many taxpayers with PTE credits are receiving smaller refunds than the size of their credit, because in the absence of the credit they would have had a balance due. This makes it difficult for the State to know what share of the remaining estimated \$1.359 billion in PTE credits are yet to be paid out in refunds. The State expects to be able to determine final combined PTE and individual income tax liability for tax year 2021 in late January 2023, when return processing is complete. See "GENERAL FUND REVENUE SOURCES" in this APPENDIX B for a discussion of the enacted PTE tax in the 2021 Legislative Sessions.

Income tax withholding receipts exceeded the forecast by \$47 million, and estimated income tax payments were about \$139 million more than expected. These amounts reflect calendar year 2022 economic activity.

Net general sales tax receipts are estimated to end FY 2022 \$88 million (1.3 percent) above the forecast. Gross sales tax payments were \$53 million above the forecast, and refunds were \$35 million lower than expected.

Net corporate receipts were \$437 million (18.4 percent) more than forecast. Gross corporate tax payments were \$423 million above the forecast, and refunds were \$14 million lower than expected. Other net revenues were \$13 million (0.3 percent) more than expected.

All FY 2022 results are preliminary and subject to change. The State's fiscal year that ended June 30, 2022, will officially close on August 20, 2022. As of June 30, total FY 2022 revenue was \$30.426 billion. Estimated accruals and pre-close adjustments subtract about \$97 million on net. Non-tax revenues that will be received or recognized between the end of the fiscal year and the close add an estimated \$68 million. Income, corporate, and sales tax refunds attributable to FY 2022 and expected to be paid out before the close subtract \$165 million. A complete reporting of FY 2022 revenues will be part of the October 2022 Revenue and Economic Update.

### **HISTORIC REVENUES AND EXPENDITURES**

The following table sets forth the State's General Fund revenues and expenditures for the Fiscal Years ended June 30, 2019 through 2021, 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 <sup>(1)</sup>		
	2019	2020	2021
<b>NET REVENUES:</b>			
Individual Income Taxes <sup>(2)</sup>	\$12,674,858	\$12,329,724	\$14,369,219
Corporation Income Taxes <sup>(2)</sup>	1,613,373	1,620,684	2,404,057
Sales Taxes <sup>(3)</sup>	5,775,278	5,797,172	6,150,751
Property Taxes	811,117	772,876	789,888
Motor Vehicle Taxes	323,059	324,150	392,255
Other Taxes <sup>(4)</sup>	2,817,669	2,765,354	3,074,525
Tobacco Settlement <sup>(5)</sup>	162,765	152,282	254,190
Federal Revenues	12,788	52,753	51,409
Licenses and Fees	234,462	245,113	260,722
Departmental Services	242,310	185,483	215,104
Investment/Interest Income	243,163	206,495	413,345
All Other Revenues	479,461	414,783	481,261
<b>NET REVENUES</b>	<b>\$25,390,303</b>	<b>\$24,866,869</b>	<b>\$28,856,726</b>
<b>EXPENDITURES:</b>			
Current:			
Agricultural, Environmental and Energy Resources <sup>(6)</sup>	\$ 280,074	\$ 357,436	\$ 360,345
Economic and Workforce Development	237,288	261,482	241,243
General Education <sup>(7)</sup>	9,678,641	9,895,517	10,019,769
General Government <sup>(8)</sup>	865,390	885,550	1,041,012
Health and Human Services <sup>(9)</sup>	8,029,374	8,134,332	8,198,224
Higher Education <sup>(10)</sup>	942,218	976,077	974,767
Intergovernmental Aid <sup>(11)</sup>	1,867,151	1,780,498	1,957,585
Public Safety and Corrections <sup>(12)</sup>	725,507	774,862	854,501
Transportation	542,645	500,078	536,619
<b>Total Current Expenditures</b>	<b>\$23,168,288</b>	<b>\$23,565,832</b>	<b>\$24,184,065</b>
Capital Outlay	115,086	88,158	67,393
Debt Service	30,673	42,722	33,425
<b>TOTAL EXPENDITURES</b>	<b>\$23,314,047</b>	<b>\$23,696,712</b>	<b>\$24,284,883</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 2,076,256</b>	<b>\$ 1,170,157</b>	<b>\$ 4,571,843</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Issuance	\$ 3,875	\$ 7,594	\$ -
Bond Issuance Premium	625	1,906	-
Transfers-In	265,088	206,109	274,195
Transfers-Out	(1,536,801)	(1,516,631)	(1,582,685)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>\$(1,267,213)</b>	<b>\$(1,301,022)</b>	<b>\$(1,308,490)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 809,043</b>	<b>\$ (130,865)</b>	<b>\$ 3,263,353</b>

- (1) For Fiscal Years 2019, 2020, and 2021, 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 Year 2021, Income Taxes revenue increased due to the increase in higher wage earners' taxable income including capital gains and significantly higher corporate profits.
- (3) During Fiscal Year 2021, Sales Taxes revenue increased due to the increase in disposable cash as a result of the increase in wages and the additional federal unemployment benefits resulting in increased consumer spending.
- (4) During Fiscal Year 2021, Other Taxes revenue increased as a result from an increase in lawful gambling, mortgage, and deed transfer taxes as well as an increase in hospital surcharge taxes as a result of patients receiving healthcare services after the slowdown in the prior year due to the pandemic.
- (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 2020, Agricultural, Environmental and Energy Resources spending increased due to an increase in the General Fund share of the grants to Minnesota Comprehensive Health Association for the premium security program due to a decline in the amount reimbursed by the federal government in the Federal Fund.
- (7) 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. During Fiscal Year 2020, General Education function spending increased due to a two percent per pupil increase and an increase 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. During Fiscal Year 2020, Health and Human Services function spending increased due to the impacts of COVID-19.
- (10) During Fiscal Year 2020, Higher Education function spending increased due to slight increases in operating grants to the University of Minnesota and the Office of Higher Education.
- (11) During Fiscal Year 2021, Intergovernmental Aid spending increased as a result of an increase in grants to local governments. During fiscal year 2020, Intergovernmental Aid spending decreased due to a reduction 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.

## BIENNIUM BUDGETS

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

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

### February 2021 Forecast – Current Biennium

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

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

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

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

### 2021 Legislative Sessions – Current Biennium

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

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

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

Non-Tax and Transfers: Legislation in the 2021 Legislative Sessions also had a significant impact on non-tax revenues and transfers from other funds. Enacted non-tax revenue and transfer changes totaled \$716 million over February 2021 Forecast estimates. The largest portion of this change is a \$633 million transfer from the American Rescue Plan Act (“ARPA”) state fiscal stabilization fund to the General Fund. Guidance from the federal government



allows use of the ARPA funds for the provision of general government services up to an amount of calculated revenue loss due to the COVID-19 pandemic and resulting economic impacts. In addition to transfers from the ARPA state fiscal stabilization fund, the enacted budget also includes \$119 million in reallocations of prior year General Fund expenditures to remaining funds in the Coronavirus Relief Fund. The reallocations impact both the Previous Biennium (\$60 million) and the Current Biennium (\$59 million). The reallocations impact prior year activity in the General Fund and results in increased resources in the Current Biennium.

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

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

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

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

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

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

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

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

### **November 2021 Forecast – Current Biennium**

With the November 2021 Forecast, the Minnesota budget and economic outlook was significantly improved in all years of the budget planning horizon. A General Fund budget surplus of \$7.746 billion was projected for the Current Biennium.

*Revenues:* Total General Fund revenues for the Current Biennium were forecast to be \$56.037 billion, \$5.130 billion (10.1 percent) more than end 2021 Legislative Sessions estimates. Total tax revenue for the biennium was forecast to be \$53.440 billion, \$5.077 billion (10.5 percent) above the prior estimate. The forecasts for all major tax types were higher than at end of session.

*Expenditures:* Total State General Fund expenditures for the Current Biennium were projected to be \$51.999 billion, \$364 million (0.7 percent) lower than previously expected. \$326 million of the change was in E-12 education, where spending projections were lower due to updated pupil counts. Other budget areas also saw lower spending including health and human services, debt service, and property tax aids and credits. These decreases were partially offset by an increase in spending in all other areas of \$136 million (1.4 percent) primarily due to the carryforward of unspent appropriations in FY 2021.

*Reserves:* Minnesota Statute 16A.152 directs MMB to allocate funds to the Budget Reserve Account when there is a positive November forecast balance and other provisions such as repaying accounting shifts and funds borrowed from other sources are fulfilled. With the November 2021 Forecast, allocations to the Budget Reserve Account were triggered and \$870 million was allocated to the Budget Reserve Account compared to end of 2021 Legislative Sessions estimates. After these allocations, the balance of the Budget Reserve Account was \$2.656 billion.

### **February 2022 Forecast – Current Biennium**

With the February 2022 Forecast revisions to revenue and expenditure estimates, the forecast improved \$1.507 billion for the Current Biennium leading to a revised projected General Fund surplus of \$9.253 billion.

*Revenues:* Total General Fund revenues for the Current Biennium were forecast to be \$57.289 billion, \$1.252 billion (2.2 percent) more than the November 2021 Forecast. Total tax revenues for the Current Biennium were forecast to be \$54.594 billion, \$1.154 billion (2.2 percent) above the prior estimate. The forecasts for all major tax types were higher than in November. Minnesota individual income tax receipts were forecast to be \$498 million (1.7 percent) more than the November 2021 Forecast. Of that change, 70 percent was expected to occur in FY 2022. The increase was due to a higher forecast growth in wage and non-wage income, which offset a lower estimate of base year tax liability. Net general sales tax revenue in the Current Biennium was forecast to be \$212 million (1.6 percent) more than the prior estimate. A combination of a \$210 million increase in forecast gross sales tax receipts and a \$2 million reduction in expected refunds contributed to the change. The corporate franchise tax was forecast to generate \$4.427 billion in the Current Biennium, \$324 million (7.9 percent) more than the prior estimate. The forecast change was due to both a higher base of corporate receipts and higher expected growth in corporate profits.

*Expenditures:* Spending estimates for the Current Biennium were slightly lower than the November 2021 Forecast. Expenditures in the Current Biennium were expected to be \$51.729 billion, a reduction of \$270 million (0.5 percent). The decrease was primarily driven by changes in E-12 education spending due to lower than projected pupil counts and decreases in special education transportation costs. Health and human services spending was also lower than in the November 2021 Forecast. An additional quarter of enhanced federal match, due to an extension in the federal public health emergency, was projected to decrease Medical Assistance expenditures.

*Reserves:* The General Fund budget reserve balance remained at \$2.656 billion. In November 2021, the budget reserve was increased according to statutorily required allocations so that it met the statutory target of 4.8 percent of General Fund non-dedicated revenue for the Current Biennium. The stadium reserve balance was expected to be \$327 million by the end of the Current Biennium and was estimated to grow to \$581 million by the end of FY 2025. The stadium reserve balance was expected to grow each year due to growth in the gambling tax revenue forecast. The cash flow account remained at the November 2021 Forecast level, \$350 million.

### **2022 Legislative Session – Current Biennium**

During the 2022 Legislative Session significant changes to General Fund revenue and expenditures were enacted for the Current Biennium and Next Biennium. The enacted changes decreased expected General Fund revenue, including transfers in, \$634 million in the Current Biennium. Appropriation changes from bills enacted in the 2022 Legislative Session totaled \$1.570 billion. There were no changes made to General Fund reserves. Compared to the February 2022 Forecast, a net total of \$2.204 billion in changes were enacted and the expected ending balance of the General Fund for the Current Biennium was reduced to \$7.049 billion.

*Revenues:* There were no changes to tax revenues enacted in the 2022 Legislative Session. Revenue in the Current Biennium is expected to total \$56.655 billion, \$634 million lower than the February 2022 Forecast largely due to the cancellation of a transfer-in to the General Fund previously enacted in the 2021 Legislative Sessions. In the 2021 Legislative Sessions law was enacted that scheduled \$633 million in FY 2023 and \$550 million in FY 2024 to be transferred from the ARPA State Fiscal Recovery Fund to the General Fund. As part of legislation that replenished the State's unemployment insurance trust fund, these transfers into the General Fund were repealed, resulting in \$633 million lower expected revenue in the General Fund in the Current Biennium compared to the February 2022 Forecast. Remaining revenue changes included small fee changes enacted in a commerce bill.

*Expenditures:* Expenditures in the Current Biennium are expected to total \$53.299 million, \$1.570 billion higher than February 2022 Forecast estimates. There were two major bills that accounted for the majority of the expenditure changes enacted this session. The first major legislation extended the Minnesota Premium Security Plan, commonly known as Reinsurance, with funding for an additional three years through plan year 2025. The Reinsurance program reimburses health insurers for Minnesotans in the individual market with costly medical claims in a single year. The General Fund impact of the extension is \$313 million in Fiscal Year 2023, and \$403 million in the Next Biennium. In the Current Biennium, the primary cost is a General Fund transfer to the special revenue fund of \$300 million to finance the State's share of reinsurance payments for plan years 2023 and 2024. The reinsurance extension also impacted the Health Care Access Fund and leveraged \$233 million in federal pass-through funding over the course of the extension from a state innovation waiver. See "HEALTH CARE ACCESS FUND" in this APPENDIX B.

The second major legislation impacting appropriations for the Current Biennium was a bill that allocated state and federal resources to replenish the unemployment insurance trust fund, allocated funds for direct payments to pandemic frontline workers and appropriated funds for ongoing COVID-19 response needs. In order to reverse planned unemployment insurance assessment increases on employers, \$406 million was appropriated from the General Fund and \$2.324 billion was appropriated from the ARPA state fiscal recovery fund for replenishment of the State unemployment insurance trust fund. In addition, the bill appropriated \$512 million for direct payments to Minnesotans that performed direct COVID-19 response work during the pandemic and \$190 million for ongoing COVID-19 response needs. Other smaller enacted spending included appropriations to address mental health needs, broadband development, and military and veteran operations and services.

#### **American Rescue Plan Act – State Fiscal Recovery Fund**

As part of the ARPA the State was allocated \$2.833 billion from the state fiscal recovery fund, an estimated \$3.189 billion in program specific funds, and an additional \$2.132 billion in funds distributed to local governments. Legislation was enacted in the 2021 Legislative Sessions allocating the majority of the flexible \$2.833 billion state fiscal recovery fund. The allocation included \$633 million in FY 2023 and \$550 million in FY 2024 in transfers to the state General Fund to cover revenue loss related to the COVID-19 Pandemic, \$425 million allocated to a flexible COVID-19 response account, \$75 million allocated to schools for summer learning and \$1.15 billion set aside for future legislative appropriation. In the 2022 Legislative Session, law was enacted repealing the transfers of \$633 million in FY 2023 and \$550 million in FY 2024 and those amounts, in addition to the \$1.15 billion in remaining funds, were allocated to replenish the state unemployment insurance trust fund. This \$2.3 billion, in addition to \$406 million from the General Fund, allowed the State to reverse planned unemployment insurance assessment increases on employers. After these allocations, the remaining unallocated balance of the state fiscal recovery fund is \$0.

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**CURRENT BIENNIUM  
GENERAL FUND – BUDGETARY BASIS  
ESTIMATES OF REVENUE AND EXPENDITURES  
END OF 2022 LEGISLATIVE SESSION  
(\$'s in Thousands)<sup>(1)</sup>**

	Enacted FY 2022	Enacted FY 2023	Biennial Total FY 2022-23
<b><u>Actual &amp; Estimated Resources</u></b>			
Balance Forward From Prior Year	7,025,957	8,683,123	7,025,957
Current Resources:			
Tax Revenues	26,552,098	28,042,318	54,594,416
Non-Tax Revenues	850,481	775,491	1,625,972
Subtotal - Non-Dedicated Revenue	27,402,579	28,817,809	56,220,388
Dedicated Revenue	5	5	10
Transfers In	176,896	149,185	326,081
Prior Year Adjustments	71,378	37,103	108,481
Subtotal - Other Revenue	248,279	186,293	434,572
Budget Changes - Taxes	0	0	0
Budget Changes - Non-Taxes	0	-633,877	-633,877
Subtotal-Current Resources	27,650,858	29,004,102	56,654,960
<b>Total Resources Available</b>	<b>34,676,815</b>	<b>37,687,225</b>	<b>63,680,917</b>
<b><u>Actual &amp; Estimated Spending</u></b>			
E-12 Education	10,077,280	10,425,655	20,502,935
Higher Education	1,756,101	1,775,617	3,531,718
Property Tax Aids & Credits	2,575,125	2,078,518	4,653,643
Health & Human Services	7,039,452	9,298,015	16,337,467
Public Safety & Judiciary	1,353,431	1,327,497	2,680,928
Transportation	327,502	149,722	477,224
Environment	207,950	195,477	403,427
Economic Development, Energy, Ag and Housing	960,957	331,787	1,292,744
State Government & Veterans	921,986	967,726	1,889,712
Debt Service	592,426	590,741	1,183,167
Capital Projects & Grants	186,482	179,665	366,147
Estimated Cancellations	-5,000	-15,000	-20,000
<b>Total Expenditures &amp; Transfers</b>	<b>25,993,692</b>	<b>27,305,420</b>	<b>53,299,112</b>
<b>Balance Before Reserves</b>	<b>8,683,123</b>	<b>10,381,805</b>	<b>10,381,805</b>
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	2,655,745	2,655,745	2,655,745
Stadium Reserve	212,600	326,761	326,761
<b>Budgetary Balance</b>	<b>5,464,778</b>	<b>7,049,299</b>	<b>7,049,299</b>

<sup>(1)</sup> Totals may not foot due to rounding.

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

**CURRENT BIENNIUM  
GENERAL FUND – BUDGETARY BASIS  
ESTIMATES OF NONDEDICATED REVENUES  
END OF 2022 LEGISLATIVE SESSION  
(\$'s in Thousands)<sup>(1)</sup>**

(\$ in Thousands)	<b>Fiscal Year 2022</b>	<b>Fiscal Year 2023</b>	<b>Current Biennium</b>
<b>Non-Dedicated Revenues</b>			
Individual Income Tax	14,477,173	15,697,125	30,174,298
Corporate Income Tax	2,375,832	2,051,145	4,426,977
Sales Tax	6,602,798	7,219,596	13,822,394
Statewide Property Tax	771,915	764,133	1,536,048
Estate Tax	210,600	215,400	426,000
Liquor, Wine & Beer Tax	104,550	107,700	212,250
Cigarette & Tobacco Products Tax	598,240	600,330	1,198,570
Taconite Occupation Tax	56,900	27,800	84,700
Mortgage Registry Tax	215,957	180,954	396,911
Deed Transfer Tax	200,936	201,538	402,474
Insurance Gross Earn & Fire Marshall	449,173	459,711	908,884
Controlled Substance Tax	5	5	10
Other Gross Earnings	50	50	100
Lawful Gambling Taxes	164,750	173,050	337,800
Medical Assistance Surcharges	330,772	348,984	679,756
Other Tax Refunds	(7,553)	(5,203)	(12,756)
Investment Income	30,000	30,000	60,000
Lottery Revenue	72,986	71,934	144,920
Tobacco Settlements	175,112	168,289	343,401
Departmental Earnings	218,082	212,989	431,071
DHS MSOP Collections	15,000	14,800	29,800
DHS SOS Collections	85,950	89,850	175,800
Fines & Surcharges	76,655	75,357	152,012
All Other Non-Dedicated Revenue	176,696	112,272	288,968
Transfer and Adjustments	248,279	186,293	434,572
<b>Total Net Non-Dedicated Revenues</b>	<b>27,650,858</b>	<b>29,004,102</b>	<b>56,654,960</b>

<sup>(1)</sup> 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 2022 Legislative Session.

### HISTORICAL AND PROJECTED REVENUE GROWTH GENERAL FUND END OF 2022 LEGISLATIVE SESSION (\$'s in Millions)<sup>(1)</sup>

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Enacted FY 2022	Enacted FY 2023	Planning FY 2024	Planning FY 2025	Planning Annual
<b>Individual Income Tax</b>	\$ 11,841	\$ 12,444	\$ 12,135	\$ 14,233	\$ 14,477	\$ 15,697	\$ 16,400	\$ 16,740	
\$ change	910	603	(309)	2,097	245	1,220	703	340	
% change	8.3%	5.1%	-2.5%	17.3%	1.7%	8.4%	4.5%	2.1%	5.1%
<b>Sales Tax</b>	\$ 5,453	\$ 5,762	\$ 5,746	\$ 6,169	\$ 6,603	\$ 7,220	\$ 7,422	\$ 7,642	
\$ change	48	309	(17)	424	433	617	202	220	
% change	0.9%	5.7%	-0.3%	7.4%	7.0%	9.3%	2.8%	3.0%	4.9%
<b>Corporate Tax</b>	\$ 1,257	\$ 1,621	\$ 1,539	\$ 2,258	\$ 2,376	\$ 2,051	\$ 1,850	\$ 1,804	
\$ change	51	364	(82)	719	117	(325)	(201)	(46)	
% change	4.3%	29.0%	-5.1%	46.7%	5.2%	-13.7%	-9.8%	-2.5%	5.3%
<b>Statewide Property Tax</b>	\$ 811	\$ 811	\$ 753	\$ 803	\$ 772	\$ 764	\$ 748	\$ 749	
\$ change	(47)	(1)	(57)	50	(31)	(8)	(16)	0	
% change	-5.5%	-0.1%	-7.1%	6.6%	-3.9%	-1.0%	-2.1%	0.0%	-1.1%
<b>Other Tax Revenue</b>	\$ 1,885	\$ 1,961	\$ 53,681	\$ 2,197	\$ 2,324	\$ 2,310	\$ 2,348	\$ 2,403	
\$ change	53	76	51,720	(51,484)	127	(14)	38	55	
% change	2.9%	4.0%	2636.7%	-95.9%	5.8%	-0.6%	1.6%	2.3%	3.5%
<b>Total Tax Revenue</b>	\$ 21,248	\$ 22,600	\$ 73,854	\$ 25,660	\$ 26,552	\$ 28,042	\$ 28,769	\$ 29,337	
\$ change	1,015	1,352	51,255	(48,194)	892	1,490	726	569	
% change	5.0%	6.4%	226.8%	-65.3%	3.5%	5.6%	2.6%	2.0%	4.7%
<b>Non-Tax Revenues</b>	\$ 814	\$ 879	\$ 817	\$ 922	\$ 850	\$ 775	\$ 783	\$ 782	
\$ change	(5)	65	(62)	105	(71)	(75)	7	(0)	
% change	-0.6%	8.0%	-7.0%	12.8%	-7.7%	-8.8%	0.9%	0.0%	-0.6%
<b>Transfers, All Other</b>	\$ 235	\$ 264	\$ 256	\$ 746	\$ 248	\$ 186	\$ 136	\$ 64	
\$ change	(47)	29	(8)	490	(498)	(62)	(51)	(71)	
% change	-16.6%	12.3%	-3.0%	191.4%	-66.7%	-25.0%	-27.2%	-52.6%	-16.9%
<b>Total Revenue</b>	\$ 22,297	\$ 23,743	\$ 74,928	\$ 27,329	\$ 27,651	\$ 29,004	\$ 29,687	\$ 30,184	
\$ change	963	1,446	51,185	(47,599)	322	1,353	683	497	
% change	4.5%	6.5%	215.6%	-63.5%	1.2%	4.9%	2.4%	1.7%	4.4%

<sup>(1)</sup>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 2022 LEGISLATIVE SESSION  
(\$'s in Millions)<sup>(1)</sup>**

	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Enacted FY 2022	Enacted FY 2023	Planning FY 2024	Planning FY 2025	Average Annual
<b>E-12 Education</b>	\$ 9,233	\$ 9,588	\$ 9,836	\$ 9,919	\$ 10,077	\$ 10,426	\$ 10,577	\$ 10,666	
\$ change	332	355	248	83	158	348	151	89	
% change	3.7%	3.8%	2.6%	0.8%	1.6%	3.5%	1.4%	0.8%	2.1%
<b>Higher Education</b>	\$ 1,651	\$ 1,642	\$ 1,693	\$ 1,714	\$ 1,756	\$ 1,776	\$ 1,753	\$ 1,753	
\$ change	95	(9)	51	21	42	20	(23)	-	
% change	6.1%	-0.5%	3.1%	1.2%	2.4%	1.1%	-1.3%	0.0%	0.9%
<b>Prop. Tax Aids &amp; Credits</b>	\$ 1,724	\$ 1,927	\$ 1,867	\$ 2,026	\$ 2,575	\$ 2,079	\$ 2,152	\$ 2,191	
\$ change	49	203	(60)	159	549	(497)	73	39	
% change	2.9%	11.8%	-3.1%	8.5%	27.1%	-19.3%	3.5%	1.8%	3.5%
<b>Health &amp; Human Services</b>	\$ 6,622	\$ 6,677	\$ 7,035	\$ 6,611	\$ 7,039	\$ 9,298	\$ 9,004	\$ 9,529	
\$ change	678	55	359	(424)	428	2,259	(294)	525	
% change	11.4%	0.8%	5.4%	-6.0%	6.5%	32.1%	-3.2%	5.8%	5.3%
<b>Public Safety &amp; Judiciary</b>	\$ 1,130	\$ 1,226	\$ 1,237	\$ 1,314	\$ 1,353	\$ 1,327	\$ 1,341	\$ 1,341	
\$ change	(4)	96	11	77	40	(26)	14	(0)	
% change	-0.3%	8.5%	0.9%	6.2%	3.0%	-1.9%	1.0%	0.0%	2.5%
<b>Debt Service</b>	\$ 563	\$ 550	\$ 540	\$ 516	\$ 592	\$ 591	\$ 585	\$ 563	
\$ change	34	(13)	(10)	(25)	77	(2)	(5)	(22)	
% change	6.4%	-2.4%	-1.8%	-4.5%	14.9%	-0.3%	-0.9%	-3.8%	0.0%
<b>All Other</b>	\$ 1,424	\$ 1,444	\$ 1,570	\$ 1,547	\$ 2,600	\$ 1,809	\$ 1,454	\$ 1,644	
\$ change	124	20	125	(23)	1,053	(791)	(355)	190	
% change	9.5%	1.4%	8.7%	-1.4%	68.1%	-30.4%	-19.6%	13.1%	2.1%
<b>Total Spending</b>	\$ 22,347	\$ 23,053	\$ 23,778	\$ 23,647	\$ 25,994	\$ 27,305	\$ 26,866	\$ 27,688	
\$ change	1,308	707	724	(131)	2,347	1,312	(439)	822	
% change	6.2%	3.2%	3.1%	-0.6%	9.9%	5.0%	-1.6%	3.1%	3.1%

<sup>(1)</sup>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 2022 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 2022 Legislative Session had significant impact on revenue and spending in the Next Biennium. For revenues, legislative action resulted in \$725 million less revenue than projected in February. The largest change impacting revenue is the reversal of a \$550 million transfer from the ARPA state fiscal recovery fund that was initially enacted in the 2021 Legislative Sessions. Other revenue changes, largely related to legislation extending Reinsurance that repealed transfers from the Health Care Access Fund into the General Fund, total \$175 million less revenue than forecast. For spending, changes resulted in increased base level spending by \$246 million compared to the February 2022 Forecast.

General Fund revenues, including the impact of legislative changes, in the Next Biennium are estimated to be \$59.871 billion, \$3.216 billion (5.7 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 \$54.553 billion, \$1.254 billion (2.4 percent) higher than estimates for the Current Biennium. Spending projections only include increases incorporated in current law to education aids, health care, and local aid/property tax relief programs based on enrollment, caseload and current law formula provisions. The impact of inflation is not reflected in expenditure projections.

The General Fund Budget Reserve Account and Cash Flow Account balances are not expected to change from the Current Biennium. The Stadium Reserve Account is expected to grow to \$581 million by the end of the Next Biennium, an increase of \$254 million over the Current Biennium, due to lawful gambling revenue collections.

Revenue, spending and reserve estimates for the Next Biennium will be updated in the November 2022 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 2022 consist of four income brackets having tax rates of 5.35 percent, 6.80 percent, 7.85 percent and 9.85 percent as shown below. The tax brackets are indexed annually for inflation, as measured by the national chained consumer price index. The starting point for computing tax liability is federal adjusted gross income (FAGI), per the Internal Revenue Code as of 1986, as amended through December 31, 2018. In computing taxable income, Minnesota allows a similar standard deduction to the IRS. Itemized deductions are similar to federal itemized deductions, with some exceptions. Minnesota allows for dependent exemptions (not taxpayer and spouse exemptions) that match the federal amount prior to 2018. Minnesota requires numerous other additions and subtractions to FAGI to arrive at taxable income. There is a subtraction for social security benefits included in FAGI. The subtraction phases out for higher-income taxpayers. The subtraction amounts and phase-out thresholds are indexed annually for inflation. Two earner couples are entitled to a non-refundable credit against tax liability to offset the additional tax liability that results from the "married joint" filing status as opposed to the "single" filing status. The maximum credit per return to offset this "marriage penalty" is \$1,596.00. In addition, the State tax code contains a refundable child-care credit, a working family credit, and an education credit all targeted at low income parents, and families. An alternative minimum tax is imposed on Minnesota alternative minimum taxable income or AMTI (which is similar to federal alternative minimum taxable income) at a flat rate of 6.75 percent on AMTI in excess of an exemption amount, to the extent the minimum tax exceeds the regular tax.

#### SINGLE FILER

<b>Taxable Income</b>	<b>Tax</b>
on the first \$28,080	5.35%
on all over \$28,080 but not over \$92,230	6.80%
on all over \$92,230 but not over \$171,220	7.85%
on all over \$171,220	9.85%

#### MARRIED FILING JOINTLY

<b>Taxable Income</b>	<b>Tax</b>
on the first \$41,050	5.35%
on all over \$41,050, but not over \$163,060	6.80%
on all over \$163,060, but not over \$284,810	7.85%
on all over \$284,810	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.

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## HEAD OF HOUSEHOLD

Taxable Income	Tax
on the first \$34,570	5.35%
on all over \$34,570, but not over \$138,890	6.80%
on all over \$138,890, but not over \$227,600	7.85%
on all over \$227,600	9.85%

In 2021, legislation was enacted primarily focused on providing temporary tax relief related to the COVID-19 pandemic. The most significant provisions were conformity to the federal exclusion for debt forgiveness under the federal Paycheck Protection Program and the partial exclusion for unemployment benefits up to \$10,200 for taxpayers with adjusted gross income under \$150,000. In the 2021 Legislative Sessions, a pass-through entity tax was enacted. It was designed to be revenue neutral on a tax year basis but in early years may shift revenue between fiscal years. There may also be cases where the pass-through entity tax will have an effect on Minnesota income tax liability.

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

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

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

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

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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 2022 is shown below:

Fee Basis	Amount of Fee
Less than \$1,080,000	\$0
\$1,080,000 to \$2,159,999	\$220
\$2,160,000 to \$10,809,999	\$650
\$10,810,000 to \$20,609,999	\$2,160
\$21,610,000 to \$43,219,999	\$4,330
\$43,220,000 or more	\$10,810

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

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

**Liquor, Wine and Fermented Malt Beverages Tax:** Liquor is taxed at \$5.03 per gallon. Wine is taxed at rates that vary from \$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 66.3 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:

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

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

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

#### Other Sources

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

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

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

#### Tobacco Settlement

On May 8, 1998, the State of Minnesota settled a lawsuit initiated against several tobacco companies. The settlement agreement as amended as of June 1, 2001, (the “Minnesota Agreement”), between the Attorney General of the State and the then-existing four largest United States cigarette manufacturers, Philip Morris, Reynolds Tobacco, Lorillard and B & W (collectively, the “Settling Defendants”)<sup>1</sup>, 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.

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

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

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

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

As required, the Settling Defendants have made all of the Initial Payments and have made Annual Payments from 1998 through 2022 and certain other amounts pursuant to the Minnesota Agreement totaling approximately \$5.258 billion to date.

	<b>Unadjusted Minnesota Agreement Applicable Base Payment</b>	<b>State’s Actual Receipts<sup>(1)</sup></b>
<b>FY2013 Annual Payment</b>	204,000,000	170,060,090
<b>FY2014 Annual Payment</b>	204,000,000	175,398,533
<b>FY2015 Annual Payment</b>	204,000,000	170,746,036
<b>FY2016 Annual Payment</b>	204,000,000	171,238,161
<b>FY2017 Annual Payment</b>	204,000,000	168,226,161
<b>FY2018 Annual Payment</b>	204,000,000	166,931,236
<b>FY2019 Annual Payment</b>	204,000,000	162,765,479
<b>FY2020 Annual Payment</b>	204,000,000	152,282,216
<b>FY2021 Annual Payment</b>	204,000,000	254,190,406 <sup>(2)</sup>
<b>FY2022 Annual Payment</b>	<b>204,000,000</b>	<b>192,965,398</b>

<sup>(1)</sup> As reported by the State and to the best of the State’s knowledge, amounts reflect the State’s actual receipts, including applicable adjustments.

<sup>(2)</sup> 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 2022 and FY 2023 based on the end of 2022 Legislative Session. The table for FY 2022 represents actual Statutory General Fund cash flow balances through June 30, 2022. The table for FY 2023 represents projected Statutory General Fund cash flow balance for that fiscal year. The projected monthly cash flow analyses have been formatted to include transfers in and transfers out to more accurately reflect State operations. The payment of debt service is included in transfers out for each fiscal year. Please note that monthly cash flow projections are subject to a high level of variability.

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

**STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS**  
**END OF 2022 LEGISLATIVE SESSION**  
**ACTUALS FOR FISCAL YEAR ENDED JUNE 30, 2022**  
(\$'s in Thousands)

	<u>Jul-21</u> Act	<u>Aug-21</u> Act	<u>Sep-21</u> Act	<u>Oct-21</u> Act	<u>Nov-21</u> Act	<u>Dec-21</u> Act	<u>Jan-22</u> Act	<u>Feb-22</u> Act	<u>Mar-22</u> Act	<u>Apr-22</u> Act	<u>May-22</u> Act	<u>Jun-22</u> Act
Beginning Cash Balance	12,140,642	10,620,404	9,665,489	10,466,960	11,286,889	11,907,642	12,084,729	13,542,084	12,753,192	14,151,636	17,029,460	16,619,219
Individual Income Tax	1,102,604	889,507	1,448,359	939,530	723,286	1,146,457	1,574,058	584,056	1,245,703	3,302,641	809,303	1,360,159
Corporate Tax	(62,249)	61,911	580,124	77,621	65,496	926,312	722,477	45,219	914,629	528,449	70,594	794,418
Sales Tax	307,327	611,739	616,189	642,134	602,254	577,278	691,208	500,461	467,760	660,558	564,284	572,801
Property Tax	21,499	514	0	155,420	161,066	12,235	5,693	43	0	0	172,036	237,995
Tobacco Tax	6,741	74,131	60,124	42,409	50,759	57,289	84,416	20,789	32,115	44,580	41,472	98,735
Insurance Tax	4,115	14,238	119,620	404	10,526	118,238	4,092	34,481	158,093	5,244	4,362	134,759
Excise Tax	193,006	137,497	113,823	224,834	147,581	130,752	259,301	146,949	156,291	253,219	200,110	161,435
Investment Earnings	2,703	4,921	2,734	2,550	2,737	2,883	2,374	3,668	3,295	4,621	6,775	10,458
Interagency Grants	12,902	18,677	8,371	13,662	6,473	12,278	20,529	15,403	11,628	12,320	15,221	20,722
Other Revenue	362,503	495,561	435,335	299,887	340,775	367,474	688,044	289,179	365,502	350,354	389,385	365,749
Total Revenue	1,951,151	2,308,697	3,384,681	2,398,451	2,110,954	3,351,196	4,052,192	1,640,247	3,355,016	5,161,986	2,273,542	3,757,230
Transfer In	1,370,747	330,024	230,089	192,655	126,624	145,138	106,204	130,746	115,934	173,077	93,975	360,313
Total Sources	3,321,898	2,638,721	3,614,769	2,591,105	2,237,577	3,496,333	4,158,396	1,770,993	3,470,950	5,335,063	2,367,516	4,117,543
Compensation	487,166	330,802	337,079	338,404	345,924	499,918	337,517	353,920	289,892	349,649	354,806	352,602
Agency Operations	311,578	263,087	192,580	229,244	177,538	200,927	245,352	191,710	241,664	200,311	608,892	216,036
Aid to Schools	213,616	1,399,560	1,015,799	559,636	209,573	732,715	965,123	975,226	1,151,966	1,207,626	956,132	462,416
Aid to Cities & Towns	341,196	40,462	90,306	8,785	19,135	317,573	9,980	8,168	13,150	5,346	15,128	6,934
Aid to Counties	191,104	73,175	35,885	33,657	24,266	191,453	18,648	19,867	19,453	27,821	15,861	14,633
Aid to Higher Ed	75,143	110,823	120,232	83,268	70,326	74,935	136,774	105,379	69,732	100,916	72,200	100,193
Aid to Non-Gov't	101,605	30,542	25,864	12,282	(34,525)	42,953	41,202	39,218	32,166	53,664	44,937	8,326
Aid to Other Gov't	28,124	15,714	35,652	20,068	18,807	15,263	13,758	18,194	15,665	15,632	13,557	13,560
DHS Payments to Individuals	1,511,836	616,015	538,315	257,066	570,222	492,887	811,893	668,625	100,936	322,981	582,232	291,897
Other Aid to Individuals	79,823	369,857	243,214	40,742	19,932	11,602	6,915	9,204	11,272	10,198	2,937	5,230
Other Expenditures	6,928	(8,916)	5,529	(3,120)	5,770	(3,326)	12,601	(8,885)	(1,672)	634	1,764	(18,944)
Total Expenditures	3,348,121	3,241,122	2,640,454	1,580,032	1,426,968	2,576,900	2,599,762	2,380,628	1,944,225	2,294,779	2,668,447	1,452,882
Transfer Out	1,494,016	352,515	172,844	191,145	(439,584)	742,346	101,280	179,256	128,282	162,459	109,311	340,921
Transfer Out Debt Service	0	0	0	0	629,440	0	0	0	0	0	0	0
Total Uses	4,842,136	3,593,637	2,813,298	1,771,177	1,616,824	3,319,246	2,701,042	2,559,884	2,072,506	2,457,239	2,777,758	1,793,803
Sources Less Uses	(1,520,238)	(954,916)	801,472	819,929	620,753	177,087	1,457,354	(788,891)	1,398,444	2,877,825	(410,241)	2,323,740
High Point	12,282,083	10,800,647	11,653,737	11,487,707	12,054,137	12,157,803	14,410,074	13,863,396	14,551,821	17,232,870	17,461,824	18,972,799
Low Point	10,599,788	9,656,830	9,651,704	10,232,716	11,050,341	10,938,259	11,783,308	12,753,192	12,562,352	13,936,364	16,068,257	16,569,518
Ending Cash Balance	10,620,404	9,665,489	10,466,961	11,286,889	11,907,642	12,084,729	13,542,084	12,753,192	14,151,636	17,029,461	16,619,219	18,942,960

**STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS**  
**END OF 2022 LEGISLATIVE SESSION**  
**ESTIMATES FOR FISCAL YEAR ENDING JUNE 30, 2023**  
(\$'s in Thousands)

	<u>Jul-22</u>	<u>Aug-22</u>	<u>Sep-22</u>	<u>Oct-22</u>	<u>Nov-22</u>	<u>Dec-22</u>	<u>Jan-23</u>	<u>Feb-23</u>	<u>Mar-23</u>	<u>Apr-23</u>	<u>May-23</u>	<u>Jun-23</u>
	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est
Beginning Cash Balance	18,942,960	17,883,429	16,247,895	17,254,913	17,536,035	17,156,303	17,570,697	18,028,414	17,233,826	17,016,850	18,429,558	18,455,336
Individual Income Tax	907,123	966,518	1,800,296	998,921	828,904	1,393,709	1,817,685	623,039	1,210,384	2,561,324	939,182	1,650,038
Corporate Tax	82,699	41,590	444,927	94,603	64,603	430,488	37,000	25,553	268,836	175,273	45,502	340,071
Sales Tax	626,142	682,115	651,855	655,441	626,137	603,297	707,655	505,360	472,163	621,405	588,970	581,805
Property Tax	15,639	(0)	(0)	164,209	164,209	19,549	3,910	(0)	0	(0)	202,050	194,567
Tobacco Tax	6,845	64,287	66,754	52,175	50,788	48,746	75,546	31,941	37,163	50,946	43,232	102,031
Insurance Tax	3,987	14,332	116,567	389	7,068	114,045	3,200	44,429	140,240	861	4,907	115,459
Excise Tax	183,665	104,585	163,371	242,100	129,383	133,005	235,645	139,428	129,052	279,023	126,366	228,421
Investment Earnings	3,336	3,534	3,624	2,219	5,286	5,688	2,305	5,845	2,418	4,250	6,695	4,620
Interagency Grants	15,613	15,467	17,922	9,915	5,479	10,105	9,642	15,491	14,124	15,142	7,447	15,189
Other Revenue	432,803	379,605	357,343	263,281	270,407	567,682	488,287	231,609	326,690	423,989	268,564	442,807
Total Revenue	2,277,854	2,272,033	3,622,658	2,483,252	2,152,264	3,326,312	3,380,875	1,622,696	2,601,071	4,132,213	2,232,916	3,675,008
Transfer In	642,916	558,937	113,795	115,616	89,107	97,389	110,856	142,045	133,956	94,513	110,306	1,007,498
Total Sources	2,920,770	2,830,970	3,736,453	2,598,868	2,241,371	3,423,701	3,491,731	1,764,741	2,735,027	4,226,725	2,343,222	4,682,507
Compensation	495,688	321,409	309,149	332,680	393,087	437,669	336,011	332,699	313,157	345,074	406,715	382,898
Agency Operations	325,439	212,559	206,810	199,524	115,469	268,798	204,403	122,035	250,057	219,358	148,580	255,733
Aid to Schools	285,853	1,471,742	1,028,346	586,269	228,511	813,886	1,030,182	1,021,323	1,269,450	1,226,250	1,023,135	504,861
Aid to Cities & Towns	311,163	20,044	12,494	106,901	23,379	315,085	29,990	14,558	11,114	18,098	7,748	11,565
Aid to Counties	192,021	33,272	38,238	56,732	15,935	173,787	12,296	13,239	15,131	17,050	32,584	9,154
Aid to Higher Ed	82,399	141,870	69,888	61,498	56,404	111,871	110,389	70,967	62,629	93,036	80,822	66,512
Aid to Non-Gov't	34,426	25,456	35,096	27,482	23,711	25,780	32,684	34,424	28,745	67,297	30,200	20,959
Aid to Other Gov't	29,304	18,742	32,100	18,881	13,948	12,842	13,707	6,781	12,293	12,060	11,944	259
DHS Payments to Individuals	1,229,759	1,200,305	483,207	640,374	734,895	703,898	1,097,089	754,276	677,398	673,794	423,245	474,861
Other Aid to Individuals	97,276	276,384	360,278	117,975	14,480	12,903	13,178	3,990	17,573	7,179	5,018	23,607
Other Expenditures	31,880	32,552	27,588	54,018	32,951	21,212	41,982	27,674	23,877	25,559	25,811	21,782
Total Expenditures	3,115,208	3,754,335	2,603,194	2,202,334	1,652,769	2,897,731	2,921,910	2,401,966	2,681,424	2,704,753	2,195,801	1,772,190
Transfer Out	865,094	712,169	126,241	115,412	377,593	111,577	112,104	157,362	270,579	109,264	121,643	403,507
Transfer Out Debt Service	0	0	0	0	590,741		0	0	0	0	0	0
Total Uses	3,980,301	4,466,504	2,729,435	2,317,746	2,621,103	3,009,307	3,034,014	2,559,328	2,952,003	2,814,017	2,317,444	2,175,697
Sources Less Uses	(1,059,531)	(1,635,534)	1,007,018	281,122	(379,732)	414,393	457,717	(794,587)	(216,976)	1,412,708	25,778	2,506,810
High Point	19,035,140	17,830,465	17,971,533	17,851,197	18,028,477	17,759,092	18,946,657	18,259,218	18,006,041	19,196,296	18,781,331	21,031,207
Low Point	17,866,469	16,171,456	16,281,750	17,077,132	17,156,303	16,846,672	17,298,774	17,233,826	16,959,340	17,052,346	18,312,374	18,633,078
Ending Cash Balance	17,883,429	16,247,895	17,254,913	17,536,035	17,156,303	17,570,697	18,028,414	17,233,826	17,016,850	18,429,558	18,455,336	20,962,145



## TRUNK HIGHWAY SYSTEM

The State trunk highway system consists of approximately 12,000 miles of highways, 4,901 bridges of ten-foot spans or longer, and 1,075 maintenance, enforcement, service, and administrative buildings at 269 sites. Minnesota has 913 miles of interstate highways, all of which are part of the State trunk highway system. Total highway mileage, including roads and streets under local jurisdiction, is almost 145,000 miles.

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

### Trunk Highway Fund

*Nearly all revenues have been impacted by the COVID-19 Pandemic, and the revenues presented include those estimated impacts. For the primary transportation revenues in the Highway User Tax Distribution Fund including gas taxes, registration taxes, and motor vehicle sales taxes, revenues were down about \$200 million (-4.0%) in the Previous Biennium compared to pre-COVID 19 Pandemic forecasts. These reductions were due both to the reduced travel from the stay at home Executive Orders, and the associated longer-term economic impacts. Highway User Tax Distribution (HUTD) Fund revenues are anticipated to increase modestly each year through the forecast period and completely recover to pre-COVID-19 estimates. MnDOT prioritizes the payment of debt service on the Trunk Highway Bonds and critical public services in considering alternatives to address the impacts of the COVID-19 Pandemic on transportation funding. See “COVID-19 PANDEMIC AND EXECUTIVE PEACETIME EMERGENCY ORDERS” in this APPENDIX B for more information.*

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

In 2017, the Legislature statutorily dedicated several transportation related revenues, previously deposited in the General Fund, to the Highway User Tax Distribution Fund. The General Fund transfers consist of a fixed portion of the sales tax on auto parts, the motor vehicle rental tax of 9.2 percent, the motor vehicle rental sales tax of 6.5 percent, and 11 percent of the motor vehicle lease sales tax (“MVLST”). In Fiscal Year 2018, these revenues generated \$84.8 million in the Highway User Tax Distribution Fund, with a corresponding transfer of \$50.0 million to the Trunk Highway Fund. The largest component, the fixed portion of the sales tax on auto parts, was \$31.5 million in both Fiscal Years 2018 and 2019, and then increased in statute to \$145.6 million in Fiscal Years 2020 and beyond. In Fiscal Year 2021, these revenues increased to \$181.2 million in the Highway User Tax Distribution Fund, with a corresponding transfer of \$106.7 million to the Trunk Highway Fund. In Fiscal Year 2022, these revenues increased to \$200.2 million in the Highway User Tax Distribution Fund (with a corresponding \$117.9 million transfer to the Trunk Highway Fund).

In addition to distributions from the Highway User Tax Distribution Fund, the Trunk Highway Fund receives revenue from deposits of federal aid reimbursements, investment income, and miscellaneous fees and reimbursements. In 2020, the Legislature dedicated certain oversize/overweight transportation permit fee revenue to a dedicated account in the special revenue fund previously deposited in the Trunk Highway Fund, to repay any loans secured via the federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The law authorizes MnDOT to pursue a pilot project in Nicollet County, and if approved dedicates the permit revenue to repay that debt. A Minnesota motor fuel tax is collected on all fuel used to propel vehicles on the public roads of the State and includes gasoline, diesel

fuel, and other special fuels. In 2008 the Legislature approved \$1.8 billion in Trunk Highway bonds to be appropriated initially over a 10-year period, subsequently reduced to eight years in Laws of 2010, Chapter 190. The debt service on these bonds is to be paid from motor fuel tax increases which were phased in over several years. The final tax rate increase of a half cent was implemented on July 1, 2012, for a total rate of 28.5 cents per gallon of which 3.5 cents is to be used for debt service and is expected to be in place through at least Fiscal Year 2040, the anticipated duration of debt service on the Trunk Highway bonds. The following table shows the motor fuel tax rate changes passed by the 2008 Legislature:

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

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

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

Revenue from motor fuels taxes was \$846 million to the Highway User Tax Distribution Fund in Fiscal Year 2021, after refunds. Of this amount, \$498 million was transferred to the Trunk Highway Fund. MnDOT's current forecast estimates collections of \$918 million, after refunds, in Fiscal Year 2022 to the Highway User Tax Distribution Fund, with a resulting transfer of \$541 million to the Trunk Highway Fund.

Motor vehicle registration taxes consist of taxes on passenger vehicles and on trucks. For passenger vehicles the tax is \$10 plus 1.285 percent times a declining percentage of the original value of the vehicle based upon registration year. In 2020, the Legislature increased the tax rate used for newly registered vehicles, from 1.25 to 1.285 percent, which has the effect of offsetting the revenue reductions from changing the price used for the calculation from base value including destination charge to manufacturer's suggested retail price. These statutory changes were based on recommendations from the Vehicle Registration Task Force, created in 2019 to study various methods of vehicle registration and the corresponding fee structures. For vehicles newly registered in 2009 or later, the new statutory schedule is automatically applied, which contains no tax caps. For vehicles previously registered before 2009, the new tax schedule is only applied if the amount calculated is less than the vehicle registration amount paid in the previous year; otherwise the registration amount is equal to the previous year's registration tax. The minimum tax is \$35. Motor vehicle registration taxes for trucks are based on the weight and age of the vehicles, with the maximum tax being \$1,760 for trucks registered at 80,000 pounds that are less than nine years old. Trucks registered at a weight greater than 80,000 pounds pay an additional \$50 per ton of registered weight. Motor vehicle registration taxes generated \$854 million in Fiscal Year 2021, after refunds, of which \$503 million was transferred to the Trunk Highway Fund. MnDOT estimates collections to be \$868 million in Fiscal Year 2022 to the Highway User Tax Distribution Fund, with a resulting transfer of \$511 million to the Trunk Highway Fund.

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

**MOTOR VEHICLE SALES TAX DEDICATION  
END OF 2022 LEGISLATIVE SESSION  
(\$'s in Millions)**

<b>Year</b>	<b>Highway User Tax Distribution Fund</b>		<b>General Fund</b>		<b>Transit Assistance Fund</b>	
	<b>Percent</b>	<b>Forecasted Amount</b>	<b>Percent</b>	<b>Forecasted Amount</b>	<b>Percent</b>	<b>Forecasted Amount</b>
2008	38.25%	\$191.1*	36.25%	\$176.5*	25.50%	\$130.7*
2009	44.25%	195.5*	26.25%	116.8*	29.50%	130.3*
2010	47.50%	216.7*	16.25%	74.1*	36.25%	162.8*
2011	54.50%	276.1*	6.25%	31.6*	39.25%	197.4*
2012	60.00%	335.4*	0.00%	0	40.00%	223.6*
2013	60.00%	358.7*	0.00%	0	40.00%	239.1*
2014	60.00%	384.2*	0.00%	0	40.00%	256.1*
2015	60.00%	416.6*	0.00%	0	40.00%	277.7*
2016	60.00%	428.8*	0.00%	0	40.00%	285.7*
2017	60.00%	452.6*	0.00%	0	40.00%	301.7*
2018	60.00%	463.4*	0.00%	0	40.00%	308.9*
2019	60.00%	485.9*	0.00%	0	40.00%	323.9*
2020	60.00%	486.0*	0.00%	0	40.00%	324.0*
2021	60.00%	589.0*	0.00%	0	40.00%	392.7*
2022	60.00%	603.4	0.00%	0	40.00%	402.2

\*Actual

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

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

**CURRENT BIENNIUM  
END OF 2022 LEGISLATIVE SESSION  
ESTIMATED REVENUES AND EXPENDITURES  
TRUNK HIGHWAY FUND  
(\$'s In Thousands)**

	<b>Fiscal Year Ended June 30, 2022</b>	<b>Fiscal Year Ended June 30, 2023</b>	<b>Current Biennium</b>
<b><u>Estimated Resources</u></b>			
Balance Forward from Prior Year	\$ 434,640	\$ 213,214	\$ 434,640
Revenues			
Federal Grants	482,859	633,507	1,116,366
Departmental Earnings	15,500	15,500	31,000
Investment Income	3,409	11,099	14,508
Other Income	41,000	41,000	82,000
Total Revenues	\$ 542,768	\$ 701,106	\$ 1,243,874
Transfers from Other Funds			
General Fund Reimbursement	4,291	4,291	8,582
Hwy Users Tax Distribution Fund	1,517,853	1,560,070	3,077,923
Plant Management Fund	1,308	1,308	2,616
County State Aid Highway Fund	10,000		10,000
Total Transfers	1,533,452	1,565,669	3,089,121
<b>Total Resources Available</b>	<b>2,510,860</b>	<b>2,479,989</b>	<b>4,797,635</b>
<b><u>Estimated Uses</u></b>			
Expenditures			
Transportation			
MnDOT	\$ 1,965,642	\$ 1,800,588	\$ 3,766,230
Public Safety	149,567	145,474	295,041
Subtotal-Transportation	2,115,209	1,946,062	4,061,271
Total Expenditures	\$ 2,115,209	\$ 1,946,062	\$ 4,061,271
Transfers to Other Funds			
Debt Service Fund	217,438	266,229	483,667
Total Transfers	217,438	266,229	483,667
Total Uses	\$ 2,338,198	\$ 2,224,126	\$ 4,562,324
Undesignated Fund Balance	178,214	267,697	267,979

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

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

appropriated amount of federal aid for a State fiscal year is then reduced by all advance construction conversions in that State fiscal year and increased by all new advance construction in that year.

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

In 2021, the Legislature created a “Dedicated Funds Expenditures Task Force,” to review and make recommendations regarding the permissible uses of expenditures from the Trunk Highway Fund and the Highway User Tax Distribution Fund. A legislative report was completed in February 2022, summarizing this analysis and no changes to permissible uses of Trunk Highway Funds were made.

### **Capital Needs of the Trunk Highway System**

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

See APPENDIX D for a list of bond authorizations to be included in the Series 2022B Bonds.

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

<b>Legislature</b>	<b>Authorizations (\$ in Millions)</b>	<b>Purpose</b>
2007	\$ 20.0	Highway Flood Damage
2008	1,783.3	Trunk Highway Improvements
2009	40.0	Trunk Highway Interchanges
2009	2.7	Reconstruction and Repair of Trunk Highways and Bridges in Flood Areas
2010	100.1	Trunk Highway Construction and Interchanges
2010	26.4	Trunk Highway Capital Improvements
2012	16.1	Trunk Highway Capital Improvements
2012	35.0	Highway Flood Damage
2013	300.0	Corridors of Commerce
2015	140.0	Trunk Highway Capital Improvements
2017	940.0	Corridors of Commerce & Trunk Highway Capital Improvements
2018	416.2	Corridors of Commerce & Trunk Highway Capital Improvements
2020	300.0	Trunk Highway Capital Improvements & MnDOT Facilities and Truck Stations
2021	413.0	Corridors of Commerce & Trunk Highway Capital Improvements
<b>Total:</b>	<b>\$ 4,532.8</b>	

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

**CURRENT BIENNIUM  
END OF 2022 LEGISLATIVE SESSION  
TRUNK HIGHWAY IMPROVEMENT PROGRAM  
ANTICIPATED ENCUMBRANCES  
(\$'s in Millions)**

<b>Improvement Category</b>	<b>Trunk Highway and Federal Funds</b>	<b>Bond Funds</b>	<b>Total</b>
Major Construction <sup>(1)</sup>	\$1,180.6	\$850.9	\$2,042.1
Safety	95.3	-	95.3
Traffic Management	5.4	-	5.4
Municipal Agreements	55.4	-	55.4
Right of Way	85.6	-	85.6
Miscellaneous Agreements	447.7	-	447.7
Program Delivery	276.2	85.1	361.3
Total <sup>(2)</sup>	\$ 2,146.2	\$ 936.0	\$ 3,082.2

<sup>(1)</sup> The Major Construction Category includes the following activities: Reconstruction, Bridge Replacement, Bridge Repairs, Reconditioning, Resurfacing, and Road Repair.

<sup>(2)</sup> The total encumbrances, excluding the amount provided by bond funds, reflects forecast amounts of \$1,029.8 million of State highway revenues and \$1,116.4 million of federal funds. Totals may not foot due to rounding.

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

<b>Category</b>	<b>Trunk Highway Fund</b>	<b>Trunk Highway Bond Fund</b>	<b>Total</b>
Major Construction <sup>(1)</sup>	\$1,189.0	\$539.6	\$1,728.6
Safety	96.0	-	96.0
Traffic Management	5.4	-	5.4
Agreements and Miscellaneous	506.6	-	506.6
Right of Way	86.2	-	86.2
Program Delivery	278.2	54.0	332.1
Total	\$2,161.4	\$593.6	\$2,755.0

<sup>(1)</sup> The Major Construction Category includes the following activities: Reconstruction, Bridge Replacement, Bridge Repairs, Reconditioning, Resurfacing, and Road Repair.

**TRUNK HIGHWAY HISTORIC REVENUES AND EXPENDITURES**

The following table sets forth the Trunk Highway Fund revenues and expenditures for the Fiscal Years ending June 30, 2019 through 2021. The revenues and expenditures shown include all revenues and expenditures for that fiscal year, including revenue received and expenditures made after June 30 of such fiscal year which are properly allocable to such fiscal years. Beginning balances or deficits are not included. The actual expenditures set forth in the table on the following page are presented by expenditure account.

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

	Fiscal Year Ended June 30 <sup>(1)</sup>		
	2019	2020	2021
<b>Revenues:</b>			
Taxes: <sup>(2)</sup>			
Motor Fuel	\$547,730	\$513,206	\$497,404
Motor Vehicle	489,357	494,728	508,433
Motor Vehicle Sales Tax	286,198	287,049	346,946
Other (Auto Parts, Rental Taxes, etc.)	55,842	116,441	106,700
Less: Revenue Refunds	(31,419)	(29,224)	(29,279)
Net Taxes	\$1,347,707	\$1,382,200	\$1,430,204
Federal Grant Agreements	627,708	547,643	528,939
Penalties & Fines	5,071	4,825	4,677
Investment Income	18,901	13,894	3,176
Local Government Contracts	25,116	38,315	19,983
Other Revenue	23,070	22,188	26,041
TH Revenue Refunds	4	23	66
Total Revenues	\$2,047,577	\$2,009,089	\$2,013,086
<b>Expenditures:</b>			
Personnel Services	\$526,110	\$542,344	\$557,949
Purchased Services	229,543	246,668	226,881
Materials and Supplies	126,524	95,188	122,898
Capital Outlay:			
Equipment	70,499	36,175	44,261
Capital Outlay & Real Property <sup>(3)</sup>	920,241	803,733	926,784
Grants and Subsidies:			
Individuals	436	18	26
Counties	273	410	403
Cities	44	28	44
School Districts	31	-	-
Other Grants	1,023	790	-
All Other	38,006	40,419	839
Total Expenditures	\$1,912,730	\$1,765,773	\$1,974,312
Transfers:			
Debt Service	214,903	209,821	246,160
Other Transfers <sup>(4)</sup>	(6,066)	(5,250)	(5,610)
Net Transfers	\$208,838	\$204,572	\$240,550
Total Expenditures and			
Net Transfers Out	\$2,121,568	\$1,970,345	\$2,214,861

<sup>(1)</sup>For Fiscal Years 2019, 2020, and 2021 the schedule of revenues and expenditures includes all revenues and expenditures for the fiscal year, and encumbrances for the fiscal year, including accruals at June 30.

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

<sup>(3)</sup>Because construction contracts typically span into future fiscal years and are encumbered in their entirety in the appropriate fiscal year, materially large amounts of encumbrances exist at the end of a fiscal year. For Fiscal Years 2019, 2020, and 2021, encumbrances have been included in Capital Outlay and Real Property totals.

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

## HEALTH CARE ACCESS FUND

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

<b>Resources</b>	
Projected Unreserved Balance at June 30, 2021	\$ 552
Revenues	<u>1,784</u>
Total Resources	\$ 2,336
<b>Expenditures</b>	<u>1,473</u>
<b>Projected Unreserved Balance Before Transfers</b>	\$863
<b>Transfers to Other Funds</b>	<u>264</u>
<b>Projected Unrestricted Balance at June 30, 2023</b>	<u>\$ 599</u>

During the 2022 Legislative Session, Minnesota extended and funded its reinsurance program for three additional years through calendar year 2025. Operation of this program reduces the amount of federal Basic Health Program funding the State receives. This results in the Health Care Access Fund paying a larger share of MinnesotaCare claims. In order to reduce the impact on the Health Care Access Fund for this policy change, the Legislature appropriated \$529.557 million from the General Fund to operate the reinsurance program and reduced a statutory transfer to the General Fund in the amount of \$173.8 million in the Next Biennium.

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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”)<sup>1</sup>, 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 2021, the external auditors rendered unmodified audit opinions with respect to the financial statements of the three Retirement Systems, each of which contains the dual reporting structure.

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

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<sup>1</sup>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. Beginning 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. 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, 2021, are available from the following public web sites:

MSRS: <https://www.msrs.state.mn.us/annual-reports-fy-2021>

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, 2021, are available from the following public web sites:

MSRS: <https://www.msrs.state.mn.us/annual-reports-fy-2021>

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-92 through F-111) and Required Supplementary Information (pages F-160 through F-174) in the State Financial Statements in APPENDIX F. Pension disclosures in the State's Financial Statements differ from the Retirement Systems' financial statements. The State's Financial Statements disclosures only include the State's proportionate share and there is a one year lag in the disclosures statements in State's Financial Statements compared to the Systems' 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 56,637 active employees, 51,030 retirees, disabilitants, and beneficiaries, and 29,526 members who no longer contribute, but are eligible for future monthly benefits or a refund of their contributions, as of June 30, 2021. These members participate in five unique defined benefit retirement funds. The largest funds include the State Employees Retirement Fund, Correctional Employees Retirement Fund and State Patrol Retirement Fund, which represents 99.0 percent of total assets for MSRS' defined benefit funds.

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

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

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

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

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

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

Membership statistics for each of the MSRS funds, as of June 30, 2021, follow:

	<b>State Employees Retirement Fund</b>	<b>State Patrol Retirement Fund</b>	<b>Correctional Employees Retirement Fund</b>	<b>Judges Retirement Fund</b>	<b>Legislators Retirement Fund</b>	<b>Totals</b>
Benefit Recipients:						
Retirees	39,335	895	3,127	303	272	43,932
Beneficiaries	4,357	154	276	75	85	4,947
Disabiltants	1,738	72	325	16	0	2,151
Terminated members:						
Vested, no benefits	17,317	69	1,428	19	27	18,860
Non-Vested	9,562	36	1,068	0	0	10,666
Active members:						
Vested	34,718	644	3,078	283	12	38,735
Non-Vested	16,171	268	1,426	37	0	17,902
Total Membership	123,198	2,138	10,728	733	396	137,193
<i>Annualized Payroll</i>	<i>\$3,325,417,000</i>	<i>\$88,351,000</i>	<i>\$282,667,000</i>	<i>\$52,960,000</i>	<i>\$856,000</i>	<i>\$3,750,251,000</i>

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, 2021, for the defined contribution funds total \$11,875,075,000.

#### **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, 2021, PERA's three multi-employer, cost-sharing, defined benefit plans cover 164,754 members currently employed and earning benefits; 155,857 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 125,460 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 4,007 active members, 1,032 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, 2021, follow:

	<b>General Employees Retirement Fund (GERF)</b>	<b>Public Employees Police &amp; Fire Fund (PEPFF)</b>	<b>Public Employees Correctional Fund (PECF)</b>	<b>Totals</b>
Benefit Recipients:				
Retirees	99,441	8,021	1,277	108,739
Beneficiaries	9,214	1,951	79	11,244
Disabilitants	3,577	1,684	216	5,477
Terminated Members:				
Vested, no benefits	66,048	1,813	3,832	71,693
Non Vested	81,052	912	2,200	84,164
Active Members:				
Vested	91,971	8,733	2,098	102,802
Non Vested	57,310	2,972	1,690	61,972
Total Membership	408,613	26,086	11,392	446,091
<i>Annualized Payroll</i>	<i>\$6,761,354,000</i>	<i>\$1,096,195,000</i>	<i>\$222,093,000</i>	<i>\$8,079,642,000</i>

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 609 reporting employer units, 81,821 active members and a total of 69,033 retirees, survivors, beneficiaries and disabilitants who were receiving monthly benefits, as of June 30, 2021.

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, 2021, follow:

Benefit Recipients:	
Retirees	62,367
Disabilitants	446
Beneficiaries	6,220
Terminated Members:	
Vested, deferred	17,300
Non Vested	38,717
Active Members:	
Vested	67,978
Non Vested	13,843
Total Membership	206,871
<i>Annualized Payroll</i>	<i>\$5,326,108,000</i>

#### **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 \$89.5 billion, as of June 30, 2021. The Combined Funds market value was \$81.32 billion, as of June 30, 2022 (unaudited).

### ***Assumed Return***

Employee and employer contribution rates are specified in State statute as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of promised pension benefits. In order to meet these projected pension costs, Minnesota Statutes specify the annual investment return the retirement fund assets are assumed to earn. The 2012 Legislature modified the investment earnings assumption to a "select and ultimate" method, effective for the July 1, 2013 actuarial valuation report. At that time, the "select" annualized assumed investment return was 8.0 percent for Fiscal Year 2013 through Fiscal Year 2017 and the "ultimate" annualized assumed investment return rate was 8.5 percent for Fiscal Year 2018 and years thereafter, with the exception of the Legislators and Elective State Officers Retirement Funds, which changed from 8.5 percent to 0 percent for all years. The 2015 Legislature reduced the annualized assumed investment return from 8.5 percent to 8.0 percent for MSRS, PERA, and SPTRFA for Fiscal Year 2016 and years thereafter; however, TRA was statutorily required to continue to use the "select and ultimate" method. (For additional information on the select and ultimate method and recent legislative changes, see "Pension Legislation and Litigation" in this APPENDIX B.) The 2018 Legislature reduced the annualized assumed investment return to 7.5 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2018 and years thereafter. Normally, pension assets will accumulate in the Combined Funds for 30 to 40 years during an employee's years of active service. A typical retiree can be expected to draw benefits for an additional 15 to 20 years or longer. This provides the Combined Funds with a long investment time horizon and permits the SBI to take advantage of the return opportunities offered by common stocks and other equity investments in order to meet the annualized assumed investment return. 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 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 September 2017 SBI meeting, an increase in the Private Markets target allocation from 20 to 25% was approved. Domestic and International Stocks were combined under a new reporting name called Public Equity—with a target allocation of 67% to domestic and 33%

to international. In addition, a strategic allocation category framework was adopted. The transition to this framework was complete by June 30, 2019. At its May 2020 meeting, the SBI approved additional asset allocation policy changes to the Fixed Income category for enhanced liquidity management. The changes modified the target allocation to 25% (consisting of the current 20% allocation to Core Bonds and Treasuries, the current 2% allocation to Cash, and a transfer of 3% from Public Equities), and additionally sought structural changes to balance Treasuries with return seeking bond allocation. SBI staff transitioned to this new policy framework throughout Fiscal Year 2021.

The target allocation to each asset class as of June 2022 was as follows:

Total Public Equity	50%
<i>Domestic Stocks – 33.5%</i>	
<i>International Stocks – 16.5%</i>	
Total Fixed Income	25%
<i>Core Bonds – 10%</i>	
<i>Treasuries – 10%</i>	
<i>Cash – 5%</i>	
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 30 percent. An increase to the maximum allowable allocation to Private Markets from 25 to 30 percent was approved at the September 2017 SBI meeting.

The following table represents the actual asset allocation and the market value for the Combined Funds as of June 30, 2021 and June 30, 2022 (unaudited).

**COMBINED FUNDS INVESTMENTS**  
**PERIODS ENDING JUNE 30, 2021 AND JUNE 30, 2022 (UNAUDITED)**  
(\$’s in Millions)

	<b>Target Allocation as of June 30, 2021</b>	<b>Actual Mix 6/30/2021</b>	<b>Market Value 6/30/2021<sup>(1)</sup></b>	<b>Target Allocation as of June 30, 2022</b>	<b>Actual Mix 6/30/2022 (unaudited)</b>	<b>Market Value 6/30/2022<sup>(1)</sup> (unaudited)</b>
Public Equities	<b>50%</b>	50.05%	\$44,792	50%	48.81%	\$39,693
Total Fixed Income	<b>25</b>	24.19	21,735	25	24.82	20,183
Private Markets	<b>25</b>	25.76	22,967	25	26.37	21,444
<i>Invested Private     Markets</i>		<i>17.46</i>	<i>15,533</i>		<i>25.15</i>	<i>20,455</i>
<i>Uninvested     Allocation Invested     in Public Equities</i>		<i>8.31</i>	<i>7,434</i>		<i>1.22</i>	<i>989</i>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>\$89,494</b>	<b>100%</b>	<b>100 %</b>	<b>\$81,320</b>

<sup>(1)</sup> Market value based on fair value as defined in GASB 31.

Source: SBI Quarterly Board Book Performance and SBI staff, period ended June 30, 2021, and SBI staff for the period ended June 30, 2022 (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 30.3 percent for the Fiscal Year ending June 30, 2021. The rate of return in the Combined Funds was approximately negative 6.4 percent for the one-year period that began on July 1, 2021 and ended June 30, 2022 (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.

<i>Period Ending June 30, 2021</i>										
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>3 Yr.</u>	<u>5 Yr.</u>	<u>10 Yr.</u>	<u>20 Yr.</u>	<u>30 Yr.</u>
<b>Combined Funds</b>	<b>15.1%</b>	<b>10.3%</b>	<b>7.3%</b>	<b>4.2%</b>	<b>30.3%</b>	<b>13.4%</b>	<b>13.1%</b>	<b>10.4%</b>	<b>8.1%</b>	<b>9.3%</b>
Composite Index	14.4%	9.7%	7.6%	4.0%	28.8%	13.0%	12.6%	10.1%	7.9%	9.0%
<i>Period Ending June 30, 2022 (unaudited)</i>										
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>3 Yr.</u>	<u>5 Yr.</u>	<u>10 Yr.</u>	<u>20 Yr.</u>	<u>30 Yr.</u>
<b>Combined Funds</b>	<b>10.3%</b>	<b>7.3%</b>	<b>4.2%</b>	<b>30.3%</b>	<b>-6.4%</b>	<b>8.3%</b>	<b>8.5%</b>	<b>9.4%</b>	<b>8.2%</b>	<b>8.6%</b>
Composite Index	9.7%	7.6%	4.0%	28.8%	-6.3 %	7.9%	8.2%	9.0%	8.0%	8.4%

Source: SBI Quarterly Board Book for the period ended June 30, 2021 and SBI staff for the period ended June 30, 2022.

Actual Combined Funds returns relative to the total fund composite index are shown above. For the 10-year period ending June 30, 2022 (unaudited), the Combined Funds outperformed the composite index by 0.4 percent points. For the 20-year period ending June 30, 2022 (unaudited), the Combined Funds outperformed the composite index by 0.2 percent points. The annualized rate of return was 8.6 percent for the past 30-year period ending June 30, 2022 (unaudited).

Comparing the Actual Combined Funds returns relative to the 7.5 percent annualized investment return assumption enacted by the 2018 Legislature, for the period ended June 30, 2022 (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 2021 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 2021 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)

<b>Minnesota State Retirement Systems (MSRS)</b>				
<b>Plans Covered</b>	<b>Type</b>	<b>State Employer Participation</b>	<b>State Provides Other Non-Employer Contributions</b>	<b>FY 2021 State Pension Employer Contributions<sup>(1)</sup></b>
<b>State Employees Retirement Fund</b>	<b>Multiple employer, cost-sharing plans</b>	Yes <sup>(2)</sup>	No	\$ 205,167
<b>Correctional Employees Retirement Fund</b>	<b>Multiple employer, cost-sharing plans</b>	Yes	No	\$48,791
<b>Judges Retirement Fund</b>	<b>Single employer, State plan</b>	Yes	No	\$11,916
<b>Legislators Retirement Fund<sup>(3)</sup></b>	<b>Single employer, State plan</b>	Yes	No	\$0
<b>State Patrol Retirement Fund</b>	<b>Single employer, State plan</b>	Yes	No	\$24,809
Unclassified Employees Retirement Fund	Defined Contribution	Yes	No	\$7,457
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
<b>Public Employees Retirement Association (PERA)</b>				
<b>Plans Covered</b>	<b>Type</b>	<b>State Employer Participation</b>	<b>State Provides Other Non-Employer Contributions</b>	<b>FY 2021 State Pension Employer Contributions<sup>(1)</sup></b>
<b>General Employees Retirement Fund</b>	<b>Multiple employer, cost-sharing plan</b>	Yes <sup>(4)</sup>	Yes	\$3,232
<b>Public Employees Police and Fire Fund</b>	<b>Multiple employer, cost-sharing plan</b>	No	Yes <sup>(4)</sup>	\$0
<b>Public Employees Correctional Fund</b>	<b>Multiple employer, cost-sharing plan</b>	No	No	\$0
Volunteer Firefighter Retirement Fund	Multiple employer, agent plan	N/A	Yes <sup>(4)</sup>	N/A
Defined Contribution Fund	Defined Contribution	N/A	N/A	N/A
<b>Teachers Retirement Association (TRA)</b>				
<b>Plans Covered</b>	<b>Type</b>	<b>State Employer Participation</b>	<b>State Provides Other Non-Employer Contributions</b>	<b>FY 2021 State Pension Employer Contributions<sup>(1)</sup></b>
<b>Teachers Retirement Fund</b>	<b>Multiple employer, cost-sharing plan</b>	Yes <sup>(5)</sup>	Yes <sup>(5)</sup>	\$16,771 <sup>(5)</sup>

<sup>(1)</sup> 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."

<sup>(2)</sup> The State is a primary employer for the State Employees Retirement Fund.

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

<sup>(4)</sup> 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.

<sup>(5)</sup> 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, 2021; PERA, Schedule Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only, Fiscal Year ended June 30, 2021; TRA, Schedule of Employer and Non-Employer Allocations, Fiscal Year ended June 30, 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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# STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES

## DIRECT AID TO PENSION FUNDS

(\$'s in Thousands)

Fiscal Year Ended June 30th	(Former) Minneapolis Employees Retirement Fund (MERF) <sup>(1)</sup>	TRA/ MTRFA & DTRFA <sup>(2)</sup>	St. Paul Teachers Retirement Fund (SPTRFA) <sup>(3)</sup>	Duluth Teachers Retirement Fund (DTRFA) <sup>(4)</sup>	TRA/ DTRFA <sup>(4)</sup>	MSRS Elective State Officers Retirement Fund <sup>(5)</sup>	MSRS Legislators Retirement Fund <sup>(6)</sup>	MSRS Judges Retirement Fund (JRF)	PERA Public Employees Police and Fire Fund (PEPFF)	Total
2012	\$22,750	\$15,454	\$2,827	\$346	\$-	\$459	\$3,167	\$-	\$-	\$45,003
2013	22,750	15,454	2,827	346	-	476	3,422	-	-	45,275
2014	24,000	15,454	9,827	6,346	-	-	3,891	-	-	59,518
2015	24,000	15,454	9,827	6,000	14,377	-	3,964	-	-	73,622
2016	6,000	29,831	9,827	-	-	-	5,177	-	-	50,835
2017	6,000	29,831	9,827	-	-	-	8,936	3,000	-	57,594
2018	16,000	29,831	9,827	-	-	-	8,961	6,000	-	70,619
2019	16,000	29,831	14,827	-	-	-	8,909	6,000	4,500	80,067
2020	16,000	29,831	14,827	-	-	-	8,850	6,000	4,500	80,008
2021	16,000	29,831	14,827	-	-	-	8,761	6,000	9,000	84,419
*2022	16,000	29,831	14,827	-	-	-	8,721	6,000	9,000	84,379
*2023	16,000	29,831	14,827	-	-	-	8,895	6,000	9,000	84,553
*2024	16,000	29,831	14,827	-	-	-	9,073	6,000	9,000	84,731
*2025	16,000	29,831	14,827	-	-	-	9,255	6,000	9,000	84,913

<sup>(1)</sup>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.

<sup>(2)</sup>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.

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

<sup>(4)</sup>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.

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

<sup>(6)</sup>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 2022-FY 2025 as of the end of the 2022 Legislative Session.  
Source: MMB General Fund balance analysis

The following table summarizes State General Fund Appropriation pension aid provided to local governments during the last ten fiscal years and estimates for Fiscal Year 2022 through Fiscal Year 2025.

**STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES  
PENSION RELATED LOCAL GOVERNMENT AID**

(\$'s in Thousands)

<b>Fiscal Year Ended June 30th</b>	<b>Basic Local Police and Fire Association<sup>(1)</sup></b>	<b>Local Police and Fire Associations Amortization Aid</b>	<b>PERA Aid<sup>(2)</sup></b>	<b>Volunteer Firefighter Relief</b>	<b>Redirected Aid- SPTRFA /TRA</b>	<b>Police-Fire Retirement Supplemental Aid<sup>(3)</sup></b>	<b>Total</b>
2012	\$82,338	\$1,255	\$14,328	\$671	\$2,077	\$-	\$100,669
2013	80,696	2,753	14,316	608	-	-	98,373
2014	89,572	2,729	14,187	558	2,094	15,498	124,638
2015	93,936	2,729	14,146	625	2,094	15,498	129,028
2016	98,468	2,729	14,090	531	2,094	15,498	133,410
2017	102,204	2,729	14,068	584	2,094	15,473	137,152
2018	105,252	2,729	14,065	629	2,094	15,498	140,267
2019	110,058	2,729	13,919	705	2,094	15,498	145,003
2020	115,461	2,729	13,900	606	2,094	15,495	150,285
2021	121,295	2,729	0	637	2,094	15,500	142,255
*2022	121,776	2,729	0	637	2,094	15,500	142,736
*2023	126,726	2,729	0	637	2,094	15,500	147,686
*2024	131,793	2,729	0	634	2,094	15,500	152,750
*2025	137,065	2,729	0	634	2,094	15,500	158,022

<sup>(1)</sup>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.

<sup>(2)</sup>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.

<sup>(3)</sup>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 2022-FY 2025 as of the end of the 2022 Legislative Session.

Source: MMB General Fund balance analysis

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## Retirement Systems Funding

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

<u>Retirement System</u>	<u>Fund</u>	<u>Statutory Funding Date as of the July 1, 2021, actuarial valuation</u>
MSRS	State Employees Retirement Fund	2048
	State Patrol Retirement Fund	2048
	Correctional Employees Retirement Fund	2048
	Judges Retirement Fund	2048
	Legislators Retirement Fund	2026
PERA	General Employees Retirement Fund	2048
	Public Employees Police and Fire Fund	2048
	Public Employees Correctional Fund	2048
TRA	Teachers Retirement Association Fund	2048

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

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

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

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

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

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

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

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

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

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

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

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

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## Actuarial Valuation Requirements

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

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

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

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

The actuarial valuations of the pension funds use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the pension funds. For example, the pension funds use an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a five-year period to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2021, the aggregate market value of all of the assets of the Retirement Systems, as determined by the Retirement Systems’ actuaries, was approximately \$89.636 billion. As of June 30, 2021, the aggregate actuarial value of all assets of the Retirement Systems was \$78.126 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, 2021, 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, 2021<sup>(1)</sup>**

(\$'s in millions)

		Actuarial Value			Market Value			Membership	
	Actuarial Accrued Liability <sup>2</sup>	Actuarial Value of Assets (AVA) <sup>3</sup>	Unfunded Actuarial Liability (UAAL) <sup>4</sup>	Funding Ratio <sup>5</sup>	Market Value of Assets (MVA) <sup>6</sup>	Unfunded Liability	Funding Ratio	Active Members	Other Members
1. Funds Where the State Has Custodial Responsibility									
Minnesota State Retirement System (MSRS):									
— State Employees Retirement Fund	\$15,646	\$15,198	\$449	97.13%	\$17,440	(\$1,794)	111.46%	50,889	72,309
— Correctional Employees Retirement Fund	1,771	1,380	391	77.95%	1,581	190	89.27%	4,504	6,224
— State Patrol Retirement Fund	992	835	157	84.21%	958	34	96.57%	912	1,226
— Judges Retirement Fund	391	241	150	61.56%	277	115	70.69%	320	413
— Legislators Retirement Fund <sup>(7)</sup>	174	0	174	N/A	0	174	N/A	12	384
Subtotal	\$18,974	\$17,654	\$1,321		\$20,256	(\$1,281)		56,637	80,556
Public Employees Retirement Association (PERA):									
— General Employees Fund	\$29,216	\$24,909	\$4,307	85.26%	28,588	628	97.85%	149,281	259,332
— PERA Police & Fire Fund	10,794	9,931	863	92.01%	11,398	-604	105.60%	11,705	14,381
— Local Correctional Service Fund	871	904	-34	103.89%	1,036	-165	118.97%	3,788	7,604
Subtotal	\$40,881	\$35,744	\$5,136		\$41,022	(\$141)		164,774	281,317
Teachers' Retirement Association (TRA):	\$30,815	\$24,728	\$6,087	80.25%	\$28,358	\$2,457	92.03%	81,821	125,050
Custodial Subtotal	\$90,670	\$78,126	\$12,544		\$89,636	\$1,035		303,232	486,923
2. Other Funds to Which the State Contributes									
Local Police & Fire Associations <sup>(8)</sup>	176	232	-56	131.57%	232	-56	131.57%	114	236
St. Paul Teachers' Retirement Fund	1,730	1,160	570	67.06%	1,295	435	74.86%	3,353	9,427
Other Contribution Subtotal	\$1,906	\$1,392	\$514		\$1,527	\$379		3,467	9,663
TOTAL	\$92,576	\$79,518	\$13,058		\$91,163	\$1,414		306,699	496,586

(1)The information provided in this table reflects the condition of all funds as of June 30, 2021 and is derived from actuarial valuation results as of July 1, 2021. For additional information on the State's pension systems, see "APPENDIX F – State Financial Statements Note 8 – Pension and Investment Trust Funds" (see pages F-92 through F-111) and "Required Supplementary Information" (see pages F-160 through F-174).

(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, 2021 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, 2021; St. Paul Teachers' Retirement Fund Association actuarial valuation report, Fiscal Year ended June 30, 2021; 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 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 discount rate.

The Fiscal Year 2021 GASB 67 Reports are based on June 30, 2021 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, 2021. 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 2021 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 30.3 percent for Fiscal Year 2021. 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, 2021**  
(\$'s in Thousands)

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position<sup>1</sup></b>	<b>NPL</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>Covered Payroll<sup>2</sup></b>	<b>NPL as a Percentage of Covered Payroll</b>
MSRS:						
State Employees	\$17,521,580	\$17,440,051	\$81,529	99.53%	\$3,325,417	2.45%
State Patrol	1,111,995	957,864	154,131	86.14%	88,351	174.45%
State Correctional	2,023,040	1,580,953	442,087	78.15%	282,667	156.40%
Judges	429,083	276,638	152,445	64.47%	52,960	287.85%
Legislators <sup>3</sup>	<u>140,796</u>	<u>0</u>	<u>140,796</u>	<u>0.00%</u>	<u>856</u>	<u>16,448.13%</u>
MSRS Totals	\$21,226,494	\$20,255,506	\$970,988	95.43%	\$3,750,251	25.89%
TRA	\$32,738,056	\$28,361,757	\$4,376,299	86.63%	\$5,326,108	82.17%
PERA:						
General Employees	\$32,858,101	\$28,587,653	\$4,270,448	87.00%	\$6,761,354	63.16%
Police and Fire	12,169,995	11,398,101	771,894	93.66%	1,096,195	70.42%
Local Government	<u>1,019,288</u>	<u>1,035,716</u>	<u>(16,428)</u>	<u>101.61%</u>	<u>222,093</u>	<u>(7.40)%</u>
Correctional						
Total PERA	\$46,047,384	\$41,021,470	\$5,025,914	89.09%	\$8,079,642	62.20%

<sup>1</sup>Represents the market value of plan assets as of the actuarial valuation date.

<sup>2</sup>As of the actuarial valuation date.

<sup>3</sup>Is currently funded on a pay-as-you-go basis.

Source. Retirement Systems' GASB 67 and 68 Accounting reports, Fiscal Year ended June 30, 2021.

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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 2021 are as follows:

**MINNESOTA RETIREMENT SYSTEMS**  
**SENSITIVITY OF THE FISCAL YEAR 2021 NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT**  
**RATE**  
**USING GASB STATEMENT NO. 67**  
**Actuarial Valuation Date as of July 1, 2021**  
(\$'s in Thousands)

	With 1% Decrease		Current Discount Rate		With 1% Increase	
	Rate	NPL	Rate	NPL	Rate	NPL
MSRS						
State Employees	5.50%	\$2,351,249	6.50%	\$81,529	7.50%	\$(1,793,650)
State Patrol	5.50%	\$300,696	6.50%	\$154,131	7.50%	\$33,986
State Correctional	5.50%	\$753,731	6.50%	\$442,087	7.50%	\$190,045
Judges	5.50%	\$196,507	6.50%	\$152,445	7.50%	\$114,703
Legislators	0.92%	\$156,756	1.92%	\$140,796	2.92%	\$127,416
TRA	6.00%	\$8,840,337	7.00%	\$4,376,299	8.00%	\$715,432
PERA						
General Employees	5.50%	\$8,709,534	6.50%	\$4,270,448	7.50%	\$627,907
Police and Fire	5.50%	\$2,450,633	6.50%	\$771,894	7.50%	\$(604,256)
Local Government Correctional	5.50%	\$170,971	6.50%	\$(16,428)	7.50%	\$(165,149)

Source. Retirement Systems' GASB 67 and 68 Accounting reports, Fiscal Year ended June 30, 2021.

*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.<sup>1</sup>

Following approval by the LCPR, this bill was passed by both the House and Senate. Then Governor Mark Dayton vetoed the bill.<sup>2</sup> 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, 1<sup>st</sup> 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.<sup>3</sup> 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.<sup>4</sup>

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

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

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

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<sup>1</sup>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](http://www.commissions.leg.state.mn.us/lcpr/documents/omnibus/2016/S0588-2_Summary.pdf)

<sup>2</sup>Then Governor Dayton's veto message regarding Chapter 177 (S.F. 588) can be found here:

[https://www.leg.state.mn.us/archive/veto/2016veto\\_ch177.pdf](https://www.leg.state.mn.us/archive/veto/2016veto_ch177.pdf)

<sup>3</sup>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](http://www.commissions.leg.state.mn.us/lcpr/documents/omnibus/2017/SS_SF3_Summary.pdf)

<sup>4</sup>Then Governor Dayton's veto letter regarding Chapter 2 (S.F. 3) can be found here:

[https://www.leg.state.mn.us/archive/veto/2017\\_sp1veto\\_ch2.pdf](https://www.leg.state.mn.us/archive/veto/2017_sp1veto_ch2.pdf)

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 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.

## **2018 Omnibus Retirement Act**

The 2018 Legislature unanimously passed the 2018 Omnibus Retirement Act (Laws of Minnesota 2018, Chapter 211). This act was signed by the then Governor Dayton on May 31, 2018. The act contained a comprehensive set of reforms intended to improve the funding status of Minnesota's public pension funds. Based on estimates provided to the LCPR by the Retirement Systems, the 2018 Omnibus Retirement Act immediately reduced the actuarial accrued liabilities of the three Retirement Systems by approximately \$3.3 billion. The description below, adapted from a summary published by the LCPR, provides information about the enacted changes:<sup>5</sup>

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

- *Elimination of augmentation:* "Augmentation" is a cost of living adjustment made each year to the pension benefit earned by a member who is no longer in public service. In other words, it is an automatic annual increase in the pension benefit accrued by former employees.
- *Elimination of enhanced augmentation:* The act reduced the enhanced rate of augmentation for former employees of the University of Minnesota Hospital and Clinics under the MSRS General Plan who were transferred to private sector employment with Fairview Hospital and Healthcare Services in 1996. The rates of augmentation in place prior to the 2018 act, 5.5% (until age 55) and 7.5% (from age 55 to the date pension payments begin), were reduced by .75% each year, until augmentation ceases after December 31, 2024.
- *Early retirement subsidies removed:* Early retirement benefits are calculated by adding in augmentation (at 2.5% or 3% prior to the 2018 act, depending on hire date) that an early retiree would have otherwise received had the retiree waited until normal retirement age to begin receiving a pension. The act eliminated this subsidy over a five-year period, for the MSRS General Plan, PERA General Plan, TRA, and SPTRFA.
- *Rate of interest on refunds reduced:* After leaving public employment, a member may take a refund of employee contributions, while forfeiting the right to a pension at retirement age. Interest is paid on the refund for the years that the contributions were in the plan. The act reduced the rate of interest on refunds of employee contributions to former employees from 4 percent annually to 3 percent annually.

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

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

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<sup>5</sup> 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](https://www.commissions.leg.state.mn.us/lcpr/documents/omnibus/2018/Summary_of_S2620_as_Enacted.pdf)



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

- *COLA triggers repealed:* Prior to the 2018 act, Minnesota Statutes provided automatic increases to the COLA rates established in law if a plan reached a specified funding ratio. The act removed these automatic modifications to post retirement pension benefit adjustments for all plans.
- *COLA percentage reduced:* The percentage of automatic increase was modified for these plans:  
 MSRS General Plan: From 2 percent (applicable prior to the 2018 act) to 1 percent through calendar year 2023, then 1.5 percent thereafter.  
 MSRS Correctional Plan: From 2 percent (applicable prior to the 2018 act) to 1.5 percent.  
 TRA: From 2 percent (applicable prior to the 2018 act) to 1 percent through calendar year 2023, then the rate will increase by 0.1 percent each year until it reaches 1.5 percent, and remain at 1.5 percent thereafter.  
 SPTRFA: No COLA increase for calendar years 2019 and 2020, then 1 percent thereafter.
- *COLA tied to SSA COLAs:* For the PERA General and Correctional Plans, the COLA is now tied to the COLA as announced each year by the federal Social Security Administration.  
 PERA General Plan: The increase as of a January 1, 2019, is 50 percent of the increase announced by the SSA, but no less than 1 percent and no greater than 1.5 percent.  
 PERA Correctional Plan: The increase as of a January 1, 2019, is equal to the increase announced by the SSA, but no less than 1 percent and no greater than 2.5 percent. When the plan's funded ratio is less than 85 percent for two years or less than 80 percent for one year, the 2.5 percent maximum is reduced to 1.5 percent and remains at 1.5 percent thereafter.
- *First COLA postponed until normal retirement age:* For members who retire before normal retirement age (at an early retirement age), the member's pension benefit will not be increased by a COLA until the member reaches normal retirement age. This change is to take effect for retirements that occur after January 1, 2024, and affects MSRS General, PERA General, TRA, and SPTRFA.

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

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

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

#### MSRS GENERAL AND UNCLASSIFIED PLAN CONTRIBUTION INCREASES

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

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### MSRS CORRECTIONAL PLAN CONTRIBUTION INCREASES

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

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

### MSRS STATE PATROL PLAN CONTRIBUTION INCREASES

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

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

### PERA POLICE & FIRE PLAN CONTRIBUTION INCREASES

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

### TRA CONTRIBUTION INCREASES

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

### SPTRFA CONTRIBUTION INCREASES

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

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

### DIRECT STATE AID (\$ IN MILLIONS)

	FY19	FY18-19	FY20	FY21	FY20-21
PEPFF	\$4.5	<b>\$4.5</b>	\$4.5	\$9	<b>\$13.5</b>
SPTRFA	\$5	<b>\$5</b>	\$5	\$5	<b>\$10</b>

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

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

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

### **MSRS – Statutory Funding Actuarial Valuations**

While MSRS administers five defined benefit pension funds, the three largest funds, the State Employees Retirement Fund, the Correctional Employees Retirement Fund, and the State Patrol Retirement Fund, represent over 99.0 percent of total assets for MSRS's defined benefit funds. Refer to the MSRS Annual Comprehensive Financial Report for further discussion of actuarial valuations for the MSRS defined benefit pension funds as of June 30, 2021.

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 97.13 percent funded, with the actuarial value of assets totaling \$15.198 billion, and the actuarial accrued liability totaling \$15.646 billion, as of July 1, 2021. For purposes of determining the actuarial value of assets, assets are based on a five-year moving average of expected and market values. The State Employees Retirement Fund's funding status, determined on a market value of assets basis, increased from 91.25 percent as of the July 1, 2020 actuarial valuation to 111.46 percent as of the July 1, 2021, actuarial valuation. The improvement is due to positive investment returns 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, 2021 actuarial valuation for the State Employees Retirement Fund calculated that statutory contributions currently received from members and employers are 3.12 percent of payroll above the amount required to fully fund the retirement plan by 2048. The contribution changed from a sufficiency of 1.69 percent of payroll as of July 1, 2020, to a sufficiency of 3.12 percent of payroll as of July 1, 2021 (projected annual payroll for the fiscal year beginning on the July 1, 2021 actuarial valuation date was \$3.3 billion). The primary reason for the improvement was favorable investment returns during the fiscal year.

Actuarial valuation results as of July 1, 2021 show that the MSRS Correctional Employees Retirement Fund is 77.95 percent funded, with the actuarial value of assets totaling \$1.380 billion, and the actuarial accrued liability totaling \$1.771 billion. The contribution sufficiency of 0.80 percent of payroll as of July 1, 2020 increased during the fiscal year, resulting in a contribution sufficiency of 3.70 percent of payroll as of July 1, 2021. Funding status, determined on a market value of assets basis, increased from 73.23 percent as of the July 1, 2020, actuarial valuation to 89.27 percent as of the July 1, 2021, actuarial valuation because there is no smoothing of asset gains and losses using this method.

The State Patrol Retirement Fund is 84.21 percent funded, with the actuarial value of assets totaling \$835 million, and the actuarial accrued liability totaling \$992 million based on July 1, 2021 actuarial valuation results. The contribution sufficiency increased from 4.10 percent of payroll as of July 1, 2020 to 11.99 percent of payroll as of July 1, 2021. Annual State contributions of \$1 million are reflected in the computations of the contribution sufficiency as of the July 1, 2020 and the July 1, 2021 actuarial valuation dates. The funding status, determined on a market value of assets basis, increased from 76.60 percent as of the July 1, 2020, actuarial valuation to 96.57 percent as of the July 1, 2021, actuarial valuation because there is no smoothing of asset gains and losses using this method.

The Judges Retirement Fund, is 61.56 percent funded, with the actuarial value of assets totaling \$241 million and the actuarial accrued liability totaling \$391 million based on July 1, 2021 actuarial valuation results. The contribution deficiency for the plan of 0.47 percent of payroll as of the July 1, 2020 actuarial valuation was eliminated, resulting in a contribution sufficiency of 4.84 percent of payroll as of the July 1, 2021 actuarial valuation. The improvement is due to better than expected investment returns and changes to plan provisions. Funding status, determined on a market value of assets basis, increased from 53.83 percent as of the July 1, 2020 actuarial valuation to 70.69 percent as of the July 1, 2021 actuarial valuation for the same reasons, 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 following methods and assumptions:

**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, 2021	\$3,078,219

Sources: MSRS Annual Comprehensive Report, June 30, 2021, and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2021.

**MSRS - Historical Funding**

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

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

<i>For the Fiscal Year ended June 30<sup>th</sup></i>	<i>Statutory Actual Contribution Rates</i>			<i>Actuarial Recommended Rate</i>	<i>Sufficiency/ Deficiency Employee</i>
	<i>Employee</i>	<i>Employer</i>	<i>Total</i>		
2012	5.00%	5.00%	10.00%	12.32%	(2.32)%
2013	5.00%	5.00%	10.00%	12.45%	(2.45)%
2014	5.50%	5.50%	11.00%	12.82%	(1.82)%
2015	5.50%	5.50%	11.00%	12.44%	(1.44)%
2016	5.50%	5.50%	11.00%	14.49%	(3.49)%
2017	5.50%	5.50%	11.00%	13.24%	(2.24)%
2018	5.75%	5.88%	11.63%	11.53%	0.10%
2019	6.00%	6.25%	12.25%	11.58%	0.67%
2020	6.00%	6.25%	12.25%	10.56%	1.69%
2021	6.00%	6.25%	12.25%	9.13%	3.12%

Sources: MSRS Annual Comprehensive Financial Reports (2012 – 2021) – 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)**

<i>For the Fiscal Year ended June 30<sup>th</sup></i>	<i>Aggregate Accrued Liabilities</i>			<i>Reported Assets</i>	<i>Portion Covered by Reported Assets</i>			<i>Funding Ratio (%)</i>
	<i>Active Member Contributions (1)</i>	<i>Retirees and Beneficiaries (2)</i>	<i>Employer Financed Portion (3)</i>		<i>% (1)</i>	<i>% (2)</i>	<i>% (3)</i>	
2012	\$1,044,810	\$5,489,756	\$4,548,661	\$9,162,301	100	100	57.8	82.7
2013	1,090,373	5,807,381	4,530,887	9,375,780	100	100	54.7	82.0
2014	1,128,164	6,471,998	4,844,964	10,326,272	100	100	56.3	83.0
2015	1,161,369	6,949,000	4,982,333	11,223,285	100	100	62.5	85.7
2016	1,206,968	7,746,511	5,363,407	11,676,370	100	100	50.8	81.6
2017	1,260,721	8,207,943	5,040,486	12,364,957	100	100	57.5	85.2
2018	1,309,528	8,512,016	4,857,945	13,035,350	100	100	66.2	88.8
2019	1,365,782	8,974,283	4,839,075	13,489,773	100	100	65.1	88.9
2020	1,429,966	9,117,035	4,636,842	13,954,562	100	100	73.5	91.9
2021	1,493,476	9,563,516	4,589,409	15,197,610	100	100	90.2	97.1

Source: MSRS Annual Comprehensive Report, June 30, 2021 – 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, 2021. 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, 2021.

### MSRS General Employees Retirement Plan

<b>A. Coverage</b>	Most State employees, University of Minnesota non-instructional employees, and selected metropolitan agency employees
<b>B. Contribution Rates</b>	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).
<b>C. Benefit Formula</b>	<p>If first hired before July 1, 1989, the benefit formula is the greater of (a) or (b):</p> <p>(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).</p> <p>(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.</p> <p>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.</p>
<b>D. Retirement Age and Service Requirements</b>	<p><i>Eligibility for unreduced retirement benefits:</i></p> <p>Age 65 for employees hired before July 1, 1989, or age 66 for employees hired on or after July 1, 1989</p> <p>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)</p> <p>Rule of 90 for those employees hired before July 1, 1989.</p> <p><i>Eligibility for reduced retirement benefits:</i></p> <p>Age 55 with three years of service if hired prior to July 1, 2010, or five years of service if hired after June 30, 2010, reduced from full retirement age</p> <p>Any age with 30 years of service, reduced from age 62 (pre-July 1, 1989 hires only)</p> <p>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).</p>
<b>E. Surviving Spouse Benefit</b>	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.
<b>F. Refunds</b>	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 2021 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, 2021. 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.<sup>1</sup>

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

For the Fiscal Year Ended (June 30 <sup>th</sup> )	Employer Contributions <sup>(1)</sup>						Total
	State Employees Retirement Fund	Correctional Employees Retirement Fund	Elective State Officers Fund <sup>(2)</sup>	Judges Retirement Fund <sup>(3)</sup>	Legislators Retirement Fund <sup>(2)</sup>	State Patrol Retirement Fund	
2012	\$115,159	\$24,188	\$465	\$7,922	\$3,935	\$11,620	\$ 163,289
2013	121,673	24,632	470	8,177	3,399	11,482	169,833
2014	128,037	26,468	N/A	9,426	3,436	11,894 <sup>(4)</sup>	179,261
2015	146,333	29,480	N/A	9,776	3,216	13,763 <sup>(4)</sup>	202,568
2016	151,168	30,678	N/A	10,219	5,087	13,938 <sup>(4)</sup>	211,090
2017	158,352	31,763	N/A	10,758	8,716	15,783 <sup>(4)</sup>	225,372
2018	164,233	32,893	N/A	11,027	8,856	15,952 <sup>(4)</sup>	232,961
2019	182,939	38,245	N/A	11,287	8,798	19,479 <sup>(4)</sup>	260,748
2020	204,006	43,658	N/A	11,767	8,764	21,975 <sup>(4)</sup>	290,170
2021	206,381	48,823	N/A	11,916	8,639	24,809 <sup>(4)</sup>	300,568

<sup>(1)</sup> 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).

<sup>(2)</sup> 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.

<sup>(3)</sup> Employer contributions to the Judges Retirement Fund do not include supplemental State aid totaling \$3 million in Fiscal Year 2017 and \$6 million in Fiscal Year 2018. This amount is recognized as a General Fund contribution in MSRS' financial statements.

<sup>(4)</sup> 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 (2012-2021).

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<sup>1</sup> 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, 2021.

### ***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 2021**

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Long-term Expected Return	6.50 percent
Inflation	2.25 percent
Salary Increases	Reported total salary at the valuation date increased according to the rate table, to current fiscal year and annually for each future year. Prior fiscal year salaries are annualized for members with less than one year of service
Payroll Growth	3.00 percent
Mortality Rates	Pub-2010 General Employee mortality table projected with mortality improvement scale MP-2018. Rates are multiplied by a factor of 0.97 for males and 1.06 for females

Sources: MSRS Annual Comprehensive Report, June 30, 2021 and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2021.

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 \$81.5 million. Actuaries determined this amount assuming a long-term expected single discount rate of return of 6.5 percent, an inflation rate of 2.25 percent, a payroll growth rate of 3.00 percent and salary increase assumptions based on service related rates (rates that are dependent on the number of years employed). As a result, employers will report pension income of \$2.098 billion. Lastly, as of the June 30, 2021 measurement date, Fiduciary Net Position as a percentage of the Total Pension Liability was 99.53 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 2021, 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, 2021**  
(\$ in Thousands)

<b>Retirement Fund</b>	<b>Total Pension Liability (TPL)</b>	<b>Plan Fiduciary Net Position (FNP)</b>	<b>Net Pension Liability (NPL)</b>	<b>Plan FNP As a % of TPL</b>	<b>State's Proportionate Share</b>	<b>State's Share of NPL</b>	<b>FY2021 Pension Expense / (Income)</b>	<b>State's Share of Pension Expense/ (Income)</b>
State Employees	\$17,521,580	\$17,440,051	\$81,529	99.53%	99.423%	\$81,062	\$(2,098,087)	\$(2,084,348)
State Patrol	1,111,995	957,864	154,131	86.14%	100.000%	154,131	812	812
Correctional Employees	2,023,040	1,580,953	442,087	78.15%	99.956%	441,892	(122,025)	(121,909)
Judges	429,083	276,638	152,445	64.47%	100.000%	152,445	4,449	4,449
Legislators	140,796	0	140,796	0.00%	100.000%	140,796	2,646	2,646
Totals	\$21,226,494	\$20,255,506	\$970,988	95.43		\$970,326	\$(2,212,205)	\$(2,198,350)

Source: MSRS 2021 Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2021.

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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.

<u>Plan Administrator</u>	<u>Plans Covered</u>
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, 2021 (\$'s in Thousands)											
	State Administered					Non-State Administered	State Administered				Total for All Plans
	Multiple Employer					Multiple Employer	Single Employer				
	SERF <sup>(1)</sup>	CERF <sup>(1)</sup>	GERF <sup>(1)</sup>	P&FF <sup>(1)</sup>	TRF <sup>(1)</sup>	SPTRF <sup>(1)</sup>	JRF <sup>(1)</sup>	LRF <sup>(1)</sup>	SPRF <sup>(1)</sup>		
State's Proportionate Share of the Net Pension Liability as an:											
Employer	\$ 998,968	\$ 447,093	\$ 22,051	\$ 3,635	\$ 256,907	\$ 503	\$ 185,923	\$ 146,789	\$ 231,455	\$ 2,293,324	
Non-Employer Contributing Entity	-	-	179,348	60,676	499,032	207,016	-	-	-	946,072	
Total	<u>\$ 998,968</u>	<u>\$ 447,093</u>	<u>\$ 201,399</u>	<u>\$ 64,311</u>	<u>\$ 755,939</u>	<u>\$ 207,519</u>	<u>\$ 185,923</u>	<u>\$ 146,789</u>	<u>\$ 231,455</u>	<u>\$ 3,239,396</u>	
State's Proportionate Share % of the Net Pension Liability as of:											
Current Year Measurement Date	75.21%	99.95%	3.36%	4.88%	10.23%	31.75%	100.00%	100.00%	100.00%		
Prior Year Measurement Date	74.94%	99.87%	3.43%	5.40%	10.65%	33.77%	100.00%	100.00%	100.00%		
Difference between Expected and Actual Experience	\$ 17,930	\$ 12,256	\$ 1,836	\$ 2,842	\$ 15,160	\$ -	\$ 1,051	\$ -	\$ 1,837	\$ 52,912	
Changes in Assumption	-	-	-	21,552	271,231	9,411	2,331	-	47,264	351,789	
Net Difference Between Projected and Actual Earnings	47,645	7,120	3,479	1,953	11,705	16,709	1,043	-	3,312	92,966	
Change in Proportionate Share	31,383	477	30,382	49,849	-	11,372	-	-	-	123,463	
Contributions Subsequent to the Measurement Date	156,738	48,662	17,720	9,586	47,696	15,691	17,915	8,639	24,809	347,456	
Deferred Outflows of Resources	<u>\$ 253,696</u>	<u>\$ 68,515</u>	<u>\$ 53,417</u>	<u>\$ 85,782</u>	<u>\$ 345,792</u>	<u>\$ 53,183</u>	<u>\$ 22,340</u>	<u>\$ 8,639</u>	<u>\$ 77,222</u>	<u>\$ 968,586</u>	
Difference between Expected and Actual Experience	\$ 10,258	\$ 1,398	\$ 762	\$ 3,054	\$ 11,458	\$ 6,921	\$ 1,633	\$ -	\$ 9,138	\$ 44,622	
Changes in Assumption	2,255,214	289,622	7,467	40,108	634,593	1,507	-	-	101,010	3,329,521	
Change in Proportionate Share	-	174	9,685	7,444	109,648	8,578	-	-	-	135,529	
Deferred Inflows of Resources	<u>\$ 2,265,472</u>	<u>\$ 291,194</u>	<u>\$ 17,914</u>	<u>\$ 50,606</u>	<u>\$ 755,699</u>	<u>\$ 17,006</u>	<u>\$ 1,633</u>	<u>\$ -</u>	<u>\$ 110,148</u>	<u>\$ 3,509,672</u>	
Net Pension Expense	\$ 252,702	\$ 26,112	\$ 30,127	\$ 22,574	\$ 87,954	\$ 29,431	\$ 5,303	\$ 15,410	\$ 26,067	\$ 495,680	
<sup>(1)</sup> 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 <sup>(1)</sup>	CERF <sup>(2)(4)(5)</sup>	GERF <sup>(1)</sup>	P&FF <sup>(2)(4)(5)</sup>	TRF <sup>(2)</sup>	SPTRF <sup>(2)</sup>	JRF <sup>(2)(4)</sup>	LRF <sup>(2)</sup>	SPRF <sup>(2)(4)(5)</sup>
Actuarial Valuation/ Measurement Date	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
Long-Term Expected Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate <sup>(3)</sup>	2.45%	2.45%	2.45%	2.45%	2.19%	2.45%	2.45%	2.45%	2.45%
Experience Study Dates	2014 - 2018	2011 - 2015	2014 - 2018	2011 - 2015	2014 - 2018	2011-2016	2011 - 2015	N/A	2011 - 2015
Inflation	2.25%	2.50%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	Service Related Rates	2.85 - 9.25%	3.00 - 9.00%	2.50%	4.50%	Service Related Rates
Payroll Growth	3.00%	3.25%	3.00%	3.25%	3.00%	3.00%	2.50%	N/A	3.25%
<sup>(1)</sup> For SERF and GERF, the Pub-2010 General Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2018 for SERF, and Scale MP-2019 for GERF. There are various adjustments in each plan to match experience. <sup>(2)</sup> For CERF, P&FF, TRF, SPTRF, JRF, LRF, and SPRF mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015 for CERF, TRF, JRF, LRF, and SPRF, and Scale MP-2019 for P&FF and SPTRF. There are various adjustments in each plan to match experience. <sup>(3)</sup> Source: Fidelity Index for SERF, CERF, GERF, P&FF, SPTRF, JRF, LRF, and SPRF, and Bond Buyers for TRF, formerly published by the Board of Governors of the Federal Reserve System. <sup>(4)</sup> The inflation assumption for Fiscal Year 2022 will change to 2.25 percent for CERF, P&FF, JRF, and SPRF. <sup>(5)</sup> The payroll growth assumption for Fiscal Year 2022 will change to 3.00 percent for CERF, P&FF, and SPRF.									

See “APPENDIX F – STATE FINANCIAL STATEMENTS Note 8 - Pension and Investment Trusts” (pages F-92 through F-111) and “Required Supplementary Information” (see pages F-160 through F-174), for additional information on pension disclosures related to the implementation of GASB 68. The State’s Fiscal Year 2021 financial statements and corresponding pension related disclosures and required supplementary information are based on the June 30, 2020 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.

<b>State's Proportionate Share</b> <b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b> <b>As of June 30, 2020</b> <b>(\$'s in Thousands)</b>						
	With a 1% Decrease <sup>(5)</sup>		Current Discount Rate		With a 1% Increase <sup>(5)</sup>	
	Rate	NPL <sup>(1)</sup>	Rate	NPL <sup>(1)</sup>	Rate	NPL <sup>(1)</sup>
SERF <sup>(4)</sup>	6.50%	\$ 2,371,234	7.50%	\$ 998,968	8.50%	\$ (143,085)
CERF <sup>(4)</sup>	6.50%	682,316	7.50%	447,093	8.50%	255,125
GERF <sup>(4)</sup>	6.50%	322,773	7.50%	201,399	8.50%	101,275
P&FF <sup>(4)</sup>	6.50%	128,181	7.50%	64,311	8.50%	11,470
TRF <sup>(4)</sup>	6.50%	1,157,335	7.50%	755,939	8.50%	425,209
SPTRF	6.50%	271,169	7.50%	207,519	8.50%	154,784
JRF <sup>(4)</sup>	6.50%	226,631	7.50%	185,923	8.50%	151,040
LRF <sup>(3)(4)</sup>	1.45%	163,912	2.45% <sup>(2)</sup>	146,789	3.45%	132,500
SPRF <sup>(4)</sup>	6.50%	351,715	7.50%	231,455	8.50%	131,896
<sup>(1)</sup> Net Pension Liability (Asset). <sup>(2)</sup> LRF: The municipal bond rate was used for all years. <sup>(3)</sup> The discount rate changed from 3.13 percent for LRF. <sup>(4)</sup> The discount rate for Fiscal Year 2022 will change to 6.50 percent for SERF, CERF, GERF, P&FF, JRF, and SPRF, 7.00 percent for TRF, and 1.92 percent for LRF. <sup>(5)</sup> 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.

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

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

<b>Summary of State OPEB Amounts</b> <b>As of June 30, 2021</b> <b>(\$'s in Thousands)</b>	
Description	Amount <sup>(1)</sup>
Total OPEB Liability	\$ 687,901
Changes of Assumption	\$ 89,533
Transactions Subsequent to the Measurement Date	34,148
Deferred Outflows of Resources	\$ 123,681
Difference between Expected and Actual Experience	\$ 101,517
Changes of Assumption	19,644
Deferred Inflows of Resources	\$ 121,161
Total OPEB Expense	\$ 60,554
<sup>(1)</sup> Amounts represent the primary government's total proportionate share of 99.7 percent. The remaining 0.3 percent represents a discretely presented component unit's proportionate share.	

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

<b>OPEB Plan Actuarial Assumptions</b>	
Description	OPEB Plan
Actuarial Valuation <sup>(1)</sup>	July 1, 2020
Measurement Date <sup>(1)</sup>	June 30, 2020
Discount Rate: 20 Year Municipal Bond Rate <sup>(2)</sup>	2.21%
Healthcare Cost Trend Rate	7.5% reduce to 3.8% by 2071
Experience Study Dates	2015 – 2019
Inflation	2.25%
Salary Increases	3.00%
<sup>(1)</sup> 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.	
<sup>(2)</sup> Source: Bond Buyer 20-Bond 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 F – STATE FINANCIAL STATEMENTS Note 9 – Termination and Postemployment Benefits” (pages F-112 through F-116) and “Required Supplementary Information” (see pages F-160 through F-174), 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.

<b>State’s Share Sensitivity of the Total OPEB Liability to Changes in the Discount Rate As of June 30, 2021 (\$’s in Thousands)</b>					
With a 1% Decrease <sup>(2)</sup>		Current Discount Rate		With a 1% Increase <sup>(2)</sup>	
Rate	TOPEBL	Rate <sup>(1)</sup>	TOPEBL	Rate	TOPEBL
1.21%	\$ 738,693	2.21%	\$ 687,901	3.21%	\$ 639,852
<sup>(1)</sup> The discount rate changed from 3.5 percent.					
<sup>(2)</sup> 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.

<b>State’s Share Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate As of June 30, 2021 (\$’s in Thousands)</b>					
With a 1% Decrease <sup>(1)</sup>		Current Healthcare Trend Rate		With a 1% Increase <sup>(1)</sup>	
Rate	TOPEBL	Rate	TOPEBL	Rate	TOPEBL
2.8%	\$ 621,775	3.8%	\$ 687,901	4.8%	\$ 765,869
<sup>(1)</sup> 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**

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

<b><u>Category</u></b>	<b><u>Type</u></b>	<b><u>Principal Amount</u></b>	
1	Transportation	\$ 352,674	
	Refunding Bonds	1,117,950	
	Various Purpose	<u>2,549,248</u>	
	Total Category 1		4,019,872
2	School Loan	\$ 9,559	
	Rural Finance Authority	<u>91,349</u>	
	Total Category 2		\$ 100,908
3	Trunk Highway	\$ 1,684,895	
	Trunk Highway Refunding	<u>385,390</u>	
	Total Category 3		<u>\$ 2,070,285</u>
	Total Outstanding as of the Date of the Bonds		\$ 6,191,065
	Plus Series 2022A Bonds		251,775
	Plus Series 2022B Bonds		220,000
	Plus Series 2022C Bonds		9,200
	Plus Series 2022D Bonds		106,660
	Less Various Purpose Refunded Bonds		(121,835)
	Total Outstanding as of the Date of the Bonds - Including These Issues		<u>\$ 6,656,865</u>

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

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

**GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED  
AS OF THE DATE OF ISSUE OF THE BONDS  
(\$'s in Thousands)**

<u>Purpose of Issue</u>	<u>Law Authorizing</u>	<u>Total Authorization (1)(2)</u>	<u>Previously Issued as Par Bonds</u>	<u>Previously Issued as Premium</u>	<u>The Bonds <sup>(3)</sup></u>	<u>Remaining Authorization</u>
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	1,779,573.0	0.0	0.0	\$0.0
Various Purpose	2008, Ch. 179	788,149.7	785,466.9	2,480.1	0.0	\$202.7
Various Purpose	2009, Ch. 93	255,186.9	250,536.6	3,498.4	0.0	\$1,151.9
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	548,049.0	524,846.2	22,945.6	0.0	\$257.2
Trunk Highway	2012, Ch. 287	17,506.8	17,485.0	0.0	0.0	\$21.8
Various Purpose	2012, Ch. 293	562,282.3	512,150.2	47,331.8	0.0	\$2,800.3
Various Purpose	X2012, Ch. 1	52,462.670	45,716.440	6,589.460	0.0	\$156.8
Various Purpose	2013, Ch. 136	171,967.4	150,550.4	20,349.6	525.0	\$542.4
Various Purpose	2014, Ch. 294	888,259.7	734,768.7	144,824.3	1,900.0	\$6,766.7
Various Purpose	X2015 Ch. 5	189,466.4	151,914.4	32,975.6	3,000.0	\$1,576.4
Trunk Highway	X2017, Ch. 3	940,913.5	516,718.0	0.0	160,000.0	\$264,195.5
Various Purpose	X2017, Ch. 8	1,035,082.8	806,855.6	176,631.4	20,000.0	\$31,595.8
Various Purpose	2018, Ch. 214	888,699.0	628,442.7	147,306.3	38,500.0	\$74,450.0
Trunk Highway	2018, Ch. 214	416,608.0	48,360.0	0.0	15,000.0	\$353,248.0
Various Purpose	2019, Ch. 2	102,402.0	60,633.4	16,866.7	16,000.0	\$8,902.0
Various Purpose	2020, Ch. 67	50,050.0	23,769.1	1,255.9	10,010.0	\$15,015.0
Various Purpose	X2020, Ch. 3	1,392,315.0	374,852.2	91,147.8	215,000.0	\$711,315.0
Trunk Highway	X2020, Ch. 3	300,300.0	58,000.0	0.0	10,000.0	\$232,300.0
Trunk Highway	X2021, Ch. 5	<u>413,413.0</u>	<u>5,000.0</u>	<u>0.0</u>	<u>35,000.0</u>	<u>\$373,413.0</u>
Totals		\$12,459,422.9	\$9,125,759.4	\$729,399.1	\$524,935.0	\$2,079,329.4

<sup>(1)</sup> Amount as shown reflects any amendments by subsequent session laws.

<sup>(2)</sup> 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.

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

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

Bond Issue	Original Principal		Final Maturity after Refunding	Interest Rate Range	Outstanding Principal 06/30/2022		Outstanding Principal as of Date of Issue	
	Various Purpose	Trunk Highway			Various Purpose	Trunk Highway	Various Purpose	Trunk Highway
Series 2012A August 16, 2012	422,000	-	2032	2.50% - 5.00%	140,270	-	-	-
Series 2012B August 16, 2012	-	234,000	2032	2.00% - 5.00%	-	128,700	-	117,000
Series 2013A August 15, 2013	273,350	-	2033	4.00% - 5.00%	163,990	-	150,320	-
Series 2013B August 15, 2013	-	200,000	2033	4.00% - 5.00%	-	120,000	-	110,000
Series 2013D November 6, 2013	283,820	-	2033	3.00% - 5.00%	167,580	-	167,580	-
Series 2013E November 6, 2013	-	112,000	2033	4.00% - 5.00%	-	67,200	-	67,200
Series 2013F November 6, 2013 (Refunding)	373,940	-	2026	3.125% - 5.00%	159,755	-	159,755	-
Series 2014A August 21, 2014	429,670	-	2034	5.00%	276,795	-	255,500	-
Series 2014B August 21, 2014	-	288,000	2034	3.00% - 5.00%	-	187,200	-	172,800
Series 2014C August 21, 2014 (Taxable)	26,040	-	2033	2.75% - 3.75%	14,545	-	13,330	-
Series 2014D August 21, 2014 (Taxable Refunding)	28,210	-	2032	2.43% - 4.00%	9,555	-	8,615	-
Series 2014E August 21, 2014 (Refunding)	-	123,315	2026	2.75% - 4.00%	-	49,300	-	37,355
Series 2015A August 19, 2015	368,225	-	2035	5.00%	254,590	-	236,405	-
Series 2015B August 19, 2015	-	310,000	2035	2.95% - 5.00%	-	217,000	-	201,500
Series 2015C August 19, 2015 (Taxable)	7,200	-	2025	2.55% - 3.00%	2,880	-	2,160	-
Series 2015D August 19, 2015 (Refunding)	376,655	-	2027	5.00%	223,950	-	186,170	-
Series 2015E August 19, 2015 (Refunding)	-	14,900	2027	3.00% - 5.00%	-	8,060	-	6,715
Series 2016A August 11, 2016	265,890	-	2036	5.00%	196,040	-	182,970	-
Series 2016B August 11, 2016	-	215,000	2036	2.25% - 5.00%	-	161,250	-	150,500
Series 2016D August 11, 2016 (Refunding)	310,565	-	2029	2.25-5.00%	244,830	-	212,190	-
Series 2017A October 11, 2017	312,295	-	2037	5.00%	250,735	-	250,735	-
Series 2017B October 11, 2017	-	114,000	2037	2.25% - 5.00%	-	91,200	-	91,200
Series 2017C October 11, 2017 (Taxable)	27,000	-	2022	2.02%	27,000	-	27,000	-
Series 2017D October 11, 2017 (Refunding)	323,770	-	2030	3.00% - 5.00%	273,350	-	273,350	-
Series 2017E October 11, 2017 (Refunding)	-	81,110	2029	3.00% - 5.00%	-	56,430	-	56,430
Series 2018A August 21, 2018	397,720	-	2038	5.00%	338,740	-	319,080	-
Series 2018B August 21, 2018	-	206,000	2038	3.00% - 5.00%	-	175,100	-	164,800
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%	366,660	-	346,540	-
Series 2019B August 20, 2019	-	190,690	2039	3.00% - 5.00%	-	171,620	-	162,085
Series 2019C August 20, 2019 (Taxable)	36,345	-	2029	1.95% - 3.00%	32,075	-	29,940	-
Series 2019D August 20, 2019 (Refunding)	27,570	-	2029	5.00%	18,350	-	13,770	-
Series 2020A August 25, 2020	330,360	-	2040	5.00%	314,065	-	297,770	-
Series 2020B August 25, 2020	-	152,020	2040	1.50 - 4.00%	-	144,415	-	136,810
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%	97,235	-	60,505	-
Series 2020E August 25, 2020 (Refunding)	-	163,380	2030	2.00% - 3.00%	-	145,580	-	117,260
Series 2020F August 25, 2020 (Taxable Refunding)	223,970	-	2031	0.47% - 1.35%	223,970	-	203,595	-
Series 2020G August 25, 2020 (Taxable Refunding)	-	180,190	2032	0.40% - 1.32%	-	180,190	-	167,630
Series 2021A September 23, 2021	565,150	-	2041	4.00% - 5.00%	565,150	-	565,150	-
Series 2021B September 23, 2021	-	311,000	2041	1.625% - 5.00%	-	311,000	-	311,000
Series 2022A August 23, 2022	251,775	-	2042	5.00%	-	-	251,775	-
Series 2022B August 23, 2022	-	220,000	2042	3.25% - 5.00%	-	-	-	220,000
Series 2022C August 23, 2022 (Taxable)	9,200	-	2032	4.00%	-	-	9,200	-
Series 2022D August 23, 2022 (Refunding)	106,660	-	2032	5.00%	-	-	106,660	-
Totals for Date:	6,348,910	3,115,605			4,398,625	2,214,245	4,366,580	2,290,285

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

**DEBT SERVICE PAYMENTS ON GENERAL OBLIGATION BONDS  
OUTSTANDING AS OF THE DATE OF ISSUE OF THE BONDS<sup>(1)(2)</sup>**  
**(\$'s in Thousands)**

<b>Fiscal Year</b>	<b>General Fund</b>			<b>Trunk Highway Fund</b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2023	167,635	121,123	288,758	34,225	44,353	78,578
2024	398,710	167,689	566,399	185,445	65,196	250,641
2025	383,975	149,546	533,521	177,035	58,500	235,535
2026	359,045	132,817	491,862	168,685	51,942	220,627
2027	330,930	117,480	448,410	159,720	45,782	205,502
2028	319,555	102,853	422,408	155,960	40,041	196,001
2029	302,005	89,339	391,344	153,750	34,662	188,412
2030	283,915	77,388	361,303	149,645	29,617	179,262
2031	268,195	66,213	334,408	144,655	24,704	169,359
2032	214,370	56,035	270,405	132,845	19,934	152,779
2033	193,855	46,721	240,576	116,635	15,630	132,265
2034	181,100	37,872	218,972	104,935	11,810	116,745
2035	152,260	29,949	182,209	89,335	8,736	98,071
2036	130,965	23,151	154,116	74,935	6,437	81,372
2037	112,775	17,339	130,114	59,435	4,646	64,081
2038	99,705	12,311	112,016	48,685	3,240	51,925
2039	84,320	7,992	92,312	42,980	2,040	45,020
2040	64,665	4,550	69,215	32,680	1,129	33,809
2041	44,545	2,103	46,648	23,150	538	23,688
2042	28,255	565	28,820	15,550	156	15,706
	<u>\$ 4,120,780</u>	<u>\$ 1,263,036</u>	<u>\$ 5,383,816</u>	<u>\$ 2,070,285</u>	<u>\$ 469,093</u>	<u>\$ 2,539,378</u>

<sup>(1)</sup> Totals do not include the Bonds.

<sup>(2)</sup> FY 2023 debt service excludes amounts paid prior to the date of issue of the Bonds.

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

Note 10 – Long-Term Commitments (see page F-117)

Note 11 – Operating Lease Agreements (see page F-118)

Note 12 – Long-Term Liabilities (see pages F-119 through F-132).



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<sup>(1)</sup>  
(\$'s in thousands)**

<b>In Fiscal Year</b>	<b>General Fund</b>	<b>Trunk Highway Fund</b>	<b>All Other Funds <sup>(2)</sup></b>	<b>Transfer Total</b>
2013	222,584	120,305	69,133	\$412,022 <sup>(3)</sup>
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 (est)	604,322	261,929	40,529	\$906,780
2024 (est)	627,160	285,955	41,381	\$954,496

<sup>(1)</sup>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.

<sup>(2)</sup>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.

<sup>(3)</sup>The debt service transfer for FY 2013 is lower than subsequent fiscal years as a result of the application of proceeds of tobacco securitization bonds which were used to refund, in part, and prepay certain general obligation indebtedness of the State.

## CAPITAL INVESTMENT GUIDELINES

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

The capital investment guidelines are:

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

The capital investment guidelines are intended to:

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

The capital investment guidelines are intended to be a current fiscal year "point in time" calculation. Total State personal income is derived from the IHS Economics data used to develop the February 2022 Forecast and reflects the State's 2022 Fiscal Year.

As of February 28, 2022, 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: 2.20 percent
- Guideline #2:* Total principal outstanding (issued, and authorized but unissued) as a percent of State personal income: 3.60 percent
- Guideline #3:* Of the State's general obligation bonds outstanding on June 30, 2021, 42.3 percent were scheduled to mature within five years and 75.0 percent were scheduled to mature with ten years. Furthermore, of the State's general obligation bonds outstanding on June 30, 2022, 42.2 percent were scheduled to mature within five years and 74.3 percent were scheduled to mature with ten years.

<sup>(1)</sup>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 2021 valuation, was estimated by the Commissioner of Revenue to be \$810,816,101,000. 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)

<b>Year of Assessment</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total Market Value</b>	<b>Percentage Change from Prior Year</b>
2012	\$509,008,895	\$7,294,854	\$516,303,749	(1.16)%
2013	538,667,874	7,639,228	546,307,102	5.81
2014	584,994,974	8,223,550	593,218,524	8.59
2015	602,497,413	9,131,285	611,628,698	3.10
2016	622,191,903	9,956,138	632,148,041	3.35
2017	652,152,583	10,406,895	662,559,478	4.81
2018	689,525,713	10,942,242	700,467,955	5.65
2019	729,187,563	10,370,038	739,557,601	5.58
2020	765,234,223	11,561,794	776,796,018	5.04
2021	800,340,712	10,475,389	810,816,101	4.38

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## CONTINGENT LIABILITIES

### State Continuing Appropriations

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

*Minnesota Department of Management and Budget.* The 2011 Legislature authorized, in Minnesota Statutes, Section 16A.99, the issuance of State appropriation refunding bonds. MMB issued \$656,220,000 aggregate principal amount of State General Fund Appropriation Refunding Bonds, Taxable Series 2012A and Tax-Exempt Series 2012B (the “State Appropriation Refunding Bonds”). Net proceeds of the State Appropriation Refunding Bonds were applied to the prepayment and refunding of tobacco securitization bonds, originally issued in 2011. As of the date of this Official Statement, there are \$357,055,000 of State Appropriation Refunding Bonds outstanding. MMB anticipates refinancing outstanding bonds in a current refunding in Fall of 2022. See “Future Financings” in this Official Statement.

The 2012 Legislature authorized, in Minnesota Statutes, Section 16A.965, the issuance of State appropriation bonds. MMB issued \$462,065,000 aggregate principal amount of State General Fund Appropriation Bonds, Tax-Exempt Series 2014A and Taxable Series 2014B (the “Minnesota Sports Facility Authority State Appropriation Bonds”). Net proceeds of the State Appropriation Bonds were applied to the financing of a portion of the costs of acquisition, construction, improving and equipping of the professional football stadium project of the Minnesota Sports Facility Authority as provided by Minnesota Statutes, Chapter 473J. As of the date of this Official Statement, there are \$388,050,000 of the Minnesota Sports Facility Authority State Appropriation Bonds outstanding. The project is in downtown Minneapolis and was completed for the 2016 National Football League season.

The 2013 Legislature authorized the Commissioner of Administration to enter into a long-term lease purchase agreement for a Legislative Office Facility that provides office and hearing room space as well as parking for the Legislature. The same legislation also authorized the Commissioner of MMB to issue lease revenue bonds or certificates of participation to finance the pre-design, design, and construction and equipping of the building and parking facilities. Certificates of Participation were issued in August 2014 in the amount of \$80,100,000 for this project. As of the date of this Official Statement, there are \$65,270,000 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 \$14,410,000 of Lewis and Clark State Appropriation Bonds outstanding.

The 2019 Legislature authorized, in Minnesota Statutes, Section 16A.968, the Commissioner of MMB to issue State appropriation bonds for the purpose of financing up to \$97,720,000 of public infrastructure projects to facilitate redevelopment within a newly created regional exchange district in the City of Duluth (“Duluth Public Infrastructure State Appropriation Bonds”). The State issued \$66,300,000 of Duluth Public Infrastructure State Appropriation Bonds in November 2020 to finance \$64,810,000 in project costs, of which \$66,300,000 of par amount is outstanding as of the date of this Official Statement. In 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 \$6,920,000 of these bonds outstanding. MMB anticipates issuing additional bonds to finance approximately \$25,820,000 in additional project costs in Fall of 2022. See “Future Financings” in this Official Statement.

The 2020 Legislature authorized, in Minnesota Statutes, Section 16A.963, the Commissioner of MMB to issue State appropriation bonds for the purpose of financing up to \$2,000,000 for the cost of acquiring and installing

electric vehicle charging infrastructure on state-owned property (“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 \$1,875,000 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 \$14,050,000 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 \$29,670,000 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. Planning for eligible projects began in 2021, with the design scoping process expected to be completed by Fall 2022. The exact timing and size of any issuance(s) is not currently known, however it is anticipated that the initial funding would not occur until the Fall of 2023.

*University of Minnesota.* The Legislature approved State financial assistance for a 50,000-seat, on-campus football stadium for the University of Minnesota (the “U of M”). In 2006, the Legislature appropriated from the General Fund \$10,250,000 in each of not more than 25 years, beginning in 2008, to the U of M for the payment of special purpose revenue bonds issued by the U of M to finance a portion of the stadium. The U of M issued \$137,250,000 Special Purpose Revenue Bonds (State Supported Stadium Debt), Series 2006 (“Series 2006 Stadium Bonds”) for the stadium in December 2006. Transfers from the General Fund to the U of M are conditioned upon satisfaction of certain requirements by the U of M. Pursuant to Minnesota Statutes, Section 137.54, in August 2015, U of M issued the Series 2015A Special Purpose Revenue Refunding Bonds (“Series 2015A Refunding Stadium Bonds”) to refund the outstanding Series 2006 Stadium Bonds. In addition, per the Legislation, the Board of Regents allocated sufficient funds from the savings realized from the refunding to provide \$10,000,000 to finance the predesign and design of improved health education and clinical research facilities for the Medical School and the Academic Health Center. As of the date of this Official Statement, there are \$53,095,000 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 \$117,200,000 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 \$17,515,000 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 \$20,030,000 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 \$69,810,000 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 \$9,885,000 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 \$29,760,000 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 \$74,655,000 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 \$58,260,000 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. As of the date of this Official Statement, there are \$54,700,000 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. As of the date of this Official Statement, MHFA has not yet issued any of these bonds.

MHFA anticipates an additional housing infrastructure bond sale to occur in September 2022 under one or more of these authorizations. See “Future Financings” in this Official Statement.

### **Lease Purchase Financing For Equipment**

The Commissioner of Management and Budget is authorized by Minnesota Statutes, Section 16A.85, to establish a master lease equipment financing program. Pursuant to this authority the Commissioner of Management and Budget has entered into master lease agreements providing for equipment financing and expects to continue this practice. As of June 30, 2022, \$36,631,883 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 June 30, 2022, \$26,835,198 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 \$3,500,000 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 \$36,520,000 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 June 30, 2022, there are approximately \$5,315,000 of aid anticipation certificates of indebtedness enrolled in the program all of which will mature within a 14 month period. The State expects that school districts and intermediate school districts will issue certificates of indebtedness next year and will enroll these certificates in the program in about the same amount of principal as this year.

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

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

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

As of June 30, 2022, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2050, is approximately \$17,300,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2022 is currently estimated at \$1,285,000,000, with the maximum amount of principal and interest payable in any one month being \$1,025,000,000. 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 Iron Range Resources and Rehabilitation Board (“IRRRB”) shall issue revenue bonds payable from certain taconite production tax revenues in a total principal amount of \$15,000,000, plus costs of issuance relating thereto, for the purpose of making grants to school districts located in the taconite relief area or taconite assistance area, as statutorily defined, to be used by such school districts for health, safety, and maintenance improvements. Bonds issued under this program are debt obligations subject to the school district credit enhancement program, provided that advances made by the State are not subject to the provisions of the school district credit enhancement program requiring the levy of an ad valorem tax by affected school districts in order to repay the State. Minnesota Laws 2013, Chapter 143 authorized the issuance of an additional \$38,000,000 in revenue bonds for the same purpose as previously authorized. The IRRRB issued



\$37,830,000 of these bonds in October 2013 for this program. As of the date of this Official Statement, there are \$25,645,000 of the bonds outstanding.

### **City and County Credit Enhancement Program**

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

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

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

As of June 30, 2022, the total amount of principal on bonds plus interest on the bonds enrolled in the program, through the year 2052, is approximately \$743,400,000. 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 2023 the total amount of principal and interest outstanding as of June 30, 2022 is \$57,600,000 with the maximum amount of principal and interest payable in any one month currently estimated at \$30,700,000.

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

## OBLIGATIONS OF STATE AGENCIES

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

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

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

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

	Number of Series	Final Maturity	Original Principal Amount	Outstanding Principal Amount
Rental Housing.....	7	2049	\$ 41,705	\$ 41,065
Residential Housing Finance.....	64	2052	3,739,000	2,236,475
Multifamily Housing.....	<u>1</u>	2051	<u>15,000</u>	<u>12,720</u>
	<u>72</u>		<u>\$3,795,715</u>	<u>\$2,290,260</u>

The MHFA has also issued and there were outstanding six series of its conduit multifamily revenue bonds in the approximate aggregate principal amount of \$77,039,466 as of June 30, 2022, fifty-eight series of its Homeownership Finance Bonds in the approximate aggregate principal amount of \$1,068,537,740 as of July 31, 2022, and three series of its Home Ownership Mortgage-backed Exempt Securities in the approximate aggregate principal amount of \$5,681,685 as of June 30, 2022. 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 \$150,000,000. The Index Bank Note had an outstanding balance of \$96,357,641 as of July 1, 2022. 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 \$1,631,876,000. 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 \$436,415,000 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 \$150,940,000 tax exempt bonds and \$34,765,000 taxable bonds outstanding that are payable solely from and secured by an irrevocable pledge of revenues to be derived from the operation of the buildings financed from the Revenue Fund and from fees imposed upon students, student facilities or other sources all of which are received in the Revenue Fund. In addition to bonds, the Revenue Fund issues guaranties of debt (other than revenue bonds) incurred to finance Revenue Fund facilities. Two guaranties have been issued to date with outstanding balances of \$1,850,245 and the other for \$1,020,000. The guaranties are on a parity to right of payment with the revenue bonds.

*Minnesota Higher Education Facilities Authority (“MHEFA”).* MHEFA was established by Minnesota Statutes, Section 136A.25 to 136A.42, passed in 1971. The law, as amended, authorizes MHEFA to issue revenue bonds to finance the acquisition, construction, improvement and remodeling of nonprofit higher educational institution buildings and structures to be used solely for or to facilitate nonsectarian educational purposes, and to refinance facilities of this type. The amount of such bonds outstanding at any time may not exceed \$1,300,000,000. As of the date of this Official Statement, MHEFA has \$1,091,679,593 principal amount of bonds outstanding, primarily for the benefit of private colleges in the State. The bonds are not the general obligation or indebtedness of

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

*Minnesota State Armory Building Commission ("MSABC").* MSABC was established and is governed by Minnesota Statutes, Chapter 193, which authorizes the MSABC to issue its bonds to finance the acquisition, construction, and equipment of National Guard armory buildings. The total principal amount of such bonds outstanding at any time may not exceed \$15,000,000. As of the date of this Official Statement, MSABC has \$5,570,000 principal amount of bonds outstanding. MSABC is required to lease each armory to the State for use by National Guard Forces, upon lease rentals specified by statute. The bonds are payable from ad valorem taxes levied by the county or municipality where the armory is located, State appropriations to pay lease rentals, and rentals or use charges derived from persons or groups other than the State using the armory where such use will not interfere with the State's use.

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

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

*Minnesota Public Facilities Authority ("MPFA").* The MPFA was established in 1987 and is governed by Minnesota Statutes, Chapter 446A which authorizes it to make loans to local government units. As of the date of this Official Statement, the MPFA has \$430,900,000 State Revolving Fund Revenue Bonds outstanding. The MPFA's bonds are not a debt or liability of the State. The principal amount of MPFA bonds issued and outstanding at any time may not exceed \$2,000,000,000, excluding bonds issued under Minnesota Statutes, Section 446A.087.

*Minnesota Agricultural and Economic Development Board ("MAEDB").* The MAEDB was established by Minnesota Statutes, Chapter 41A, to provide for agricultural and economic development in the State and is authorized to issue revenue bonds for these purposes. The revenue bonds issued by the MAEDB are not general obligations of the State. As of the date of this Official Statement, MAEDB has called all pooled revenue bonds outstanding, therefore there are no bonds outstanding that are paid for from revenues received from all of the borrowers under all of the pooled bonds and are additionally secured by a pledge of funds maintained in a reserve account created by the MAEDB for such pooled bonds. In addition, the MAEDB has \$143,516,158 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 \$4,760,000 of Minnesota State Retirement System bonds outstanding.

*Minnesota Department of Transportation ("MnDOT").* The 2020 Minnesota Legislature authorized, in Minnesota Statutes, Section 174.525 (new statute created in MN Laws of 2020, Chapter 69), MnDOT to pursue a loan through the federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) for a specific project on Trunk Highway 14 in Nicollet County. If MnDOT applies for and receives a loan, the debt obligations will be repaid from oversize and overweight transportation permit fee revenues, which the law dedicates to a segregated account in the special revenue fund. As of the date of this Official Statement, MnDOT is working through the application process with the federal government, and if approved anticipates receiving an estimated \$48,207,963 TIFIA loan in State Fiscal Year 2023.

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**APPENDIX D**

**PROJECT DESCRIPTION AND SCHEDULE OF BONDS  
BEING REFUNDED**

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## PROJECT DESCRIPTION

Set forth below are the titles or names of the projects or types of projects eligible to be financed in whole or in part from the proceeds of the Bonds, and the total amount appropriated by the State Legislature for this purpose. In the Order authorizing the issuance of the Bonds, the Commissioner has reserved the right for a specified period to reassign Bonds issued to legislative authorizations and purposes other than those listed in the section hereof entitled "General Obligation Bonds Authorized, Issued and Unissued" and on page C-2 of APPENDIX C.

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation (\$ in thousands)
2013, Chapter 136	Administration	Capitol Complex	Capitol Renovation & Restoration	109,000
2014, Chapter 294	DNR	Systemwide	State Parks and Trails Acquisition and Development	17,667
	DNR	St. Paul	Fort Snelling Upper Post Paths	500
	DNR	Sartell	Central Minnesota Regional Parks	500
	BWSR	Statewide	Reinvest in Minnesota Reserve Program	6,000
	MnDOT	Statewide	Local Road Improvement Fund Grants	24,356
	Metro Council	Hastings	Hastings Bridge Trail	1,600
	DHS	St. Peter	MSOP - Remodel, Construct	7,405
	DEED	Minneapolis	Park Board Brian Coyle Community Center	330
	DEED	Minneapolis	Hennepin Center for the Arts	550
	DEED	Virginia	PUC - Expand Utilities and Trails	19,500
	PFA	Big Lake	Sanitary Dist. - Wastewater Collection	4,500
	PFA	Rice Lake	East Calvary Water Main Replacement	1,168
	MMB	Statewide	Bond Sale Expenses	900
Special Session 2015, Chapter 5	Administration	St. Paul	Capitol Restoration - Out of Scope Items	26,724
	Administration	St. Paul	Capitol Restoration - Security Items	6,200
	MnDOT	Richfield	77th Street Underpass Grant	10,000
	Corrections	St. Louis County	Northeast Regional Corrections Center	1,200
	DNR	Statewide	Flood Hazard Mitigation Grants	2,515
Special Session 2017, Chapter 3	MnDOT	Statewide	Corridors of Commerce Trunk Highway	300,000
	MnDOT	Statewide	Trunk Highway Project	640,000
	MMB	Statewide	Bond Sale Expense	940

Agency	Location Or Program	Project/Program Description	Total Project Appropriation (\$ in thousands)
Administration	St. Paul	Centennial Parking Ramp Structural Repairs	10,878
Corrections	Systemwide	Asset Preservation	20,000
Corrections	Arrowhead	NERCC Vocational Programming Improvements	600
DEED	Statewide	Transportation Economic Development Program	3,500
DEED	Statewide	Business Development Public Infrastructure	12,000
DEED	Statewide	Innovative Business Development Public Infrastructure Grant Program	1,158
DEED	Virginia	Miners Memorial Community Center Upgrade and Expansion	12,000
DEED	Litchfield	Phase 2 Power Generation Improvements	4,000
DEED	St. Paul	Minnesota Museum of American Art	6,000
DEED	Bertha-Hewitt	Eagle Bend High School Demolition	1,500
DEED	Minneapolis	Norway House	5,000
DEED	Minneapolis	Pioneers and Soldiers Cemetery Fence Restoration Project	1,029
DHS	Systemwide	MN Security Hospital Phase 2	70,255
DHS	Anoka	RTC Safety and Security Renovations	2,250
Metro Council	St. Paul	Como Zoo Habitat Preservation Exhibit Renovation	15,000
Military Affairs	Systemwide	Asset Preservation	2,500
MMB	Statewide	Bond Sale Expense	1,039
MN State	Systemwide	HEAPR	25,000
DNR	Systemwide	Flood Hazard Mitigation Grant Assistance Program	7,305
DNR	Ortonville	Flood Hazard Mitigation Grant	1,800
DNR	Statewide	Emergency Dam Safety Repair, Reconstruction and Removal	4,400
DNR	Pelican Rapids	Pelican Rapids Dam	500
DNR	Pine River	Norway Lake	200
DNR	St. Louis County	Little Stone Lake	100
DNR	Dakota County	Byllesby Dam	6,000
DNR	Systemwide	Glacial Lakes Trail	2,590
DNR	Systemwide	Cuyuna State Recreation Area	3,600
DNR	Little Falls	Camp Ripley/Veterans State Trail	1,600
DNR	Systemwide	Mill Towns State Trail	328
DNR	Systemwide	Gitchi-Gami State Trail	3,130
DNR	Lake County	Prospectors ATV Trail System	1,000



Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation (\$ in thousands)
	PCA	St. Louis River	St. Louis River Area of Concern	25,410
	PFA	Big Lake	Sewer System and Force Main	1,200
	PFA	Clearbrook	Water Plant Curb and Gutter	850
	PFA	Dennison	Lift Station and Sewer Projects	726
	MnDOT	Red Wing	Rail Grade Separation on Crude Oil Rail Lines Program	14,762
	MnDOT	Statewide	Port Development Assistance Program	5,000
	MnDOT	Statewide	Safe Routes To School Infrastructure Program	1,000
	MnDOT	Statewide	Local Road Improvement Fund Grants	25,336
	MnDOT	Anoka County	35W and Lake Drive & W Freeway Drive	9,000
	MnDOT	Hennepin County	U.S. Highway 12 Interchange	11,300
	MnDOT	Ramsey County	Interstate Highway 694/Rice Street Interchange	20,500
	U of M Vets Affairs	Systemwide Minneapolis	HEAPR Veterans Home Truss Bridge Project	20,600 7,851
	BWSR	Statewide	Reinvest in Minnesota Reserve Program	10,000
	BWSR	Statewide	Local Government Roads Wetland Replacement Program	5,000
2018, Chapter 214	Administration	St. Paul	Capitol Complex Security Upgrades	10,000
	Administration	Systemwide	Asset Preservation and Replacement Account	5,000
	Corrections	Systemwide	Asset Preservation	20,000
	Corrections	Moose Lake	Control Room Renovation	1,950
	Education	Statewide	Library Construction Grants	1,000
	DEED	Statewide	Transportation Economic Development Infrastructure	1,000
	DEED	Wabasha	National Eagle Center & Wabasha Rivertown Resurgence	8,000
	DEED	Statewide	Business Development Public Infrastructure	5,000
	DEED	Statewide	Innovative Business Development Public Infrastructure	2,000
	DEED	Austin	Public Television	2,500
	DEED	Hennepin County	Children's Theatre	1,000
	DEED	Itasca County	KAXE Radio Infrastructure	514
	DEED	Minneapolis	Upper Harbor Terminal Redevelopment	15,000
	DEED	Pipestone County	Dental Center	500
	DEED	Polk County	North Country Food Bank	3,000
	DEED	St. Paul	Conway Center	4,500
	DEED	St. Paul	Humanities Center	1,000

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation (\$ in thousands)
	DEED	St. Paul	MN Museum of American Art	2,500
	DEED	Fergus Falls	Regional Treatment Center Demolition	3,500
	DEED	Perham	School Repurposing	6,000
	DEED	Ramsey County	SE Asian Language Job Training Facility	5,500
	Historical Soc.	St. Paul	Historic Fort Snelling Revitalization	15,000
	Historical Soc.	Systemwide	Asset Preservation	8,000
	MHFA	Statewide	Public Housing Rehabilitation	10,000
	DHS	St. Peter	Dietary Building HVAC and Electrical Replacement	2,200
	DHS	Anoka	Roof and HVAC Replacement	6,550
	DHS	Systemwide	Regional Mental Health Crisis Center Grants	28,100
	Metro Council	St. Paul	Visitor & Interpretive Center at Bruce Vento Nature Sanctuary	3,000
	Metro Council	Carver County	Lake Waconia Park	1,500
	Metro Council	Ramsey County	White Bear Lake Trail	2,600
	Metro Council	Mahtomedi	White Bear Lake Trail	1,400
	Military Affairs	Brainerd	Readiness Center Design and Renovation	4,143
	MMB	Statewide	Bond Sale Expense	892
	MN State	Systemwide	HEAPR	45,000
	MN State	Century College	Applied Technology Center, East Campus, Design and Renovation	6,362
	MN State	Inver Hills CC	Technology and Business Center Design	698
	MN State	Moorhead	Weld Hall Design	628
	MN State	Normandale CC	Classroom and Student Services Design and Renovation	12,636
	MN Zoo	Apple Valley	Asset Preservation	6,000
	DNR	Systemwide	Asset Preservation	26,581
	DNR	Systemwide	Flood Hazard Mitigation Grant Assistance	20,000
	DNR	Systemwide	Betterment of Buildings	6,000
	DNR	Systemwide	State Park and Recreation Area Accessibility	500
	DNR	Fillmore County	Extension of Blufflands State Trail	1,500
	DNR	Olmsted County	Chester Woods State Trail	2,500
	DNR	Aitkin County	Northwoods ATV Trail	1,500
	DNR	Battle Lake	Glendalough State Park	750
	DNR	Lake Vermillion-Soudan	Underground Mine State Park	4,000
	DNR	Systemwide	Mill Towns State Trail	500
	DNR	Babbitt	Babbitt Recreation Area	1,300
	DNR	Grand Marais	Lake Superior Water Access	2,000
	DNR	La Crescent	Wagon Wheel Trail	2,500
	DNR	Systemwide	Mesabi Trail	1,138
	DNR	Stillwater	St. Croix River Riverbank Restoration	1,650

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation (\$ in thousands)
	DNR	Systemwide	State Forest Reforestation and Stand Improvement	3,000
	Administration	Perpich Center for Arts	Asset Preservation	250
	PCA	Becker County	Solid Waste Facility	750
	PFA	Statewide	Water Infrastructure Funding Program	25,000
	PFA	Aurora	Multi-City Wastewater Infrastructure	2,500
	PFA	Cold Spring	Water Treatment Facility	4,000
	Public Safety	Dakota County	Regional Public Safety Center	6,200
	MN Academies	Systemwide	Asset Preservation	2,000
	MnDOT	Statewide	Local Road Improvement Program	35,000
	MnDOT	Anoka County	Thurston Blvd Interchange	15,000
	MnDOT	Dayton	Brockton Interchange	13,500
	MnDOT	Inver Grove Heights	Argenta Trail 70th Street Expansion	6,100
	MnDOT	Carver County	Highway 101	9,000
	MnDOT	Statewide	Local Bridge Replacement Program	5,000
	MnDOT	Statewide	Port Development Assistance Program	5,200
	MnDOT	Statewide	Safe Routes to School	1,000
	MnDOT	Minneapolis	Stone Arch Bridge	1,000
	MnDOT	Brooklyn Park	Highway 169/101st Ave	4,000
	MnDOT	Chisago County	Highway 8 Reconstruction	3,000
	MnDOT	Pope County	TH 29 & 55 Rail Grade Separation	10,500
	MnDOT	Foley	Highway 23 Safety Improvements	200
	MnDOT	Anoka County	Rail Grade Separation	2,000
	MnDOT	Mankato	Highway 169 Levee Reconstruction	830
	MnDOT	Wadena	Highway 10 Environmental Cleanup	5,000
	MnDOT	Hennepin County	Rail Crossing Safety Improvements	1,200
	MnDOT	Moorhead	21st Street South Rail Grade Separation	6,000
	MnDOT	Rosemount	Bonaire Path Railroad Quiet Zone	1,000
	U of M	Systemwide	HEAPR	45,000
	U of M	Crookston	Dowell and Owen Halls	3,200
	U of M	Morris	Humanities Building and Blakely Hall	3,200
	U of M	Duluth	Glensheen Capital Renewal	4,000
	Vets Affairs	Systemwide	Asset Preservation	9,000
	Vets Affairs	Bemidji	Veterans Home	12,400
	Vets Affairs	Montevideo	Veterans Home	9,400
	Vets Affairs	Preston	Veterans Home	10,200
	BWSR	Statewide	Local Government Roads Wetland Replacement	6,700

2019, Chapter 2

DNR	Statewide	Asset Preservation	3,419
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Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation (\$ in thousands)
	DNR	Lake Redwood	Lake Reclamation	7,300
	DNR	South St. Paul	Seidl's Lake Water Quality Improvement	781
	PCA	Anoka County	Waste Disposal	10,300
	BWSR	Statewide	RIM Conservation Reserve	10,000
	Metro Council	Systemwide	Metropolitan Regional Parks	10,000
	PFA	Statewide	Water Infrastructure Projects	14,652
	PFA	Statewide	Point Source Implementation	38,348
	MMB	Statewide	Bond Sale Expense	102
2020, Chapter 67	RFA	Statewide	Rural Finance Authority Loans	50,000
	MMB	Statewide	Bond Sale Expense	50
Special Session 2020, Chapter 3	Administration	St. Paul	Capital Asset Preservation	4,500
	Administration	St. Paul	Ford Building	170
	Administration	St. Paul	Capitol Tunnel ADA	100
	Agriculture	St. Paul	DOH Laboratory Building	20,000
	Amateur Sports	Blaine	National Sports Center	3,000
	Amateur Sports	Statewide	Mighty Ducks	2,000
	Amateur Sports	Statewide	Public Skate Parks	250
	BWSR	Statewide	Wetland Replacement	15,000
	BWSR	Statewide	RIM	1,000
	Corrections	Systemwide	Asset Preservation	25,000
	Corrections	Willow River	Correctional Facility	1,877
	Corrections	Faribault	Correctional Facility	954
	Corrections	St. Cloud	Correctional Facility	800
	Corrections	Stillwater	Correctional Facility	2,600
	Corrections	Togo	Correctional Facility	2,600
	Corrections	Duluth	Arrowhead Regional Corrections Facility	3,250
	Corrections	Carlton County	Carlton County Corrections Facility	2,000
	Corrections	Martin County	Martin County Justice Center	2,167
	Corrections	St. Louis County	Prairie Lake Rec Center	2,500
	Corrections	Winona County	County Jail	750
	DEED	Statewide	Greater MN Business Development	8,200
	DEED	Statewide	Business Development	1,900
	DEED	Statewide	Transportation Economic Development	2,900
	DEED	Minneapolis	Community and Technical College	450
	DEED	Minneapolis	Workforce Center	642
	DEED	Alexandria	Runestone Community Center	5,600
	DEED	Annandale	Infrastructure Improvements	4,090
	DEED	Becker	Business Park Infrastructure	20,500
	DEED	Becker	Museum	1,850
	DEED	Champlin	Mississippi Point Park	3,450
	DEED	Chatfield	Center for the Arts	8,700
	DEED	Cohasset	Mississippi Riverfront Development	1,200
	DEED	Crookston	Colborn Development	895
	DEED	Deephaven	Northome Ave Bridge	750
	DEED	Duluth	Seawall Improvements	13,500
	DEED	Duluth	Lake Superior Zoo	204

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation (\$ in thousands)
DEED		Ellsworth	City Hall	1,000
DEED		Eveleth	Buildings Renovation	1,000
DEED		Fergus Falls	Riverfront Corridor	1,750
DEED		Grand Rapids	IRA Civic Center	5,000
DEED		Hastings	City Hall	2,000
DEED		Hennepin County	Avivo Center	1,700
DEED		Hibbing	Windows World Facility	1,300
DEED		Litchfield	Wellness Center	5,000
DEED		Minneapolis	Central City Storm Tunnel	8,500
DEED		Minneapolis	Outdoor Performance Venue	12,500
DEED		New Ulm	German Park	300
DEED		North Mankato	Caswell Park	2,000
DEED		Pipestone County	Dental Facility	250
DEED		Plymouth	Plymouth Creek Center	5,000
DEED		Proctor	Salt Shed	500
DEED		Roseville	Guidant John Rose Oval	3,900
DEED		Steele County	Fairgrounds Improvements	750
DEED		St. Cloud	Municipal Athletic Complex	10,000
DEED		St. Joseph	Jacob Wetterling Recreation	4,000
DEED		St. Louis County	Heritage and Arts Center	1,500
DEED		St. Paul	Humanities Center	750
DEED		St. Paul	Museum American Art	2,000
DEED		St. Paul	Playwrights Center	850
DEED		St. Paul	Victoria Theater	1,000
DEED		St. Paul	Hmong Cultural Plaza	500
DEED		Wadena	Access Road	1,300
DEED		Wayzata	Lake Effect Boardwalk	4,000
DEED		Duluth	WLSSD Engine Generators	6,750
DEED		Willernie	Public Infrastructure	160
DEED		Wright County	Dental Care Facility	1,400
DHS		Systemwide	Asset Preservation	8,000
DHS		Willmar	Child Behavioral Facility	1,750
DHS		Systemwide	Regional Health Facilities	10,000
DHS		St. Louis Park	Perspectives Family Center	4,500
DHS		St. Louis County	Regional Behavioral Facility	1,365
DHS		St. Peter	Regional Treatment Center	1,794
DNR		Statewide	Asset Preservation	15,000
DNR		Soudan	Mine Shaft Rehab	5,000
DNR		Statewide	Flood Hazard Mitigation	17,000
DNR		Itasca County	Canisteo/Hill Mining	2,000
			Improvements	
DNR		Statewide	Dam Renovation	20,000
DNR		Marine on St. Croix	William O' Brian Park	3,000
			Accessibility Improvements	
DNR		Soudan	Lake Vermillion/Soudan Park	5,800
			Improvements	
DNR		Statewide	Shade Tree Program	1,000
DNR		Statewide	Forests for Future	1,000
DNR		Albert Lea	Blazing Star Trail	1,740
DNR		Little Falls	Camp Ripley/Veterans State	1,000
			Trail	
DNR		Becker County	Heartland Trail to Detroit Lake	2,000
DNR		Becker County	Heartland Trail; Itasca State	2,000
			Park	
DNR		Dakota County	Lake Byllesby Dam	6,000
DNR		Ely	Regional Trailhead	1,500
DNR		Hutchinson	Capital Improvements	3,100
DNR		Lake City	Water/Sewer Connection	587

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation (\$ in thousands)
	DNR	Lake City	Ohuta Beach Breakwater	1,058
	DNR	Lakeville	Orchard Lake Improvement	260
	DNR	Mankato	Riverbank Restoration	7,200
	DNR	Ottertail County	Regional Trail	375
	DNR	Pine County	Oberstar Trail	650
	DNR	Rochester	Cascade Park	2,500
	DNR	Scott County	McMahon Lake Flood	600
	DNR	Silver Bay	Trailhead Center	1,100
	DNR	St. Louis County	Voyageur Trail	950
	DNR	Winona	Mississippi Riverfront Trail	2,000
	Education	Statewide	Library Construction Grants	2,951
	Education	Dassel	Athletic Facility	1,000
	HFA	Statewide	Public Housing	16,000
	Historical Society	Statewide	Asset Preservation	2,350
	Historical Society	Statewide	County Preservation	750
	Met Council	Minneapolis/St. Paul	City Inflow Infiltration Grants	5,000
	Met Council	Statewide	Regional Parks/Trails	5,000
	Met Council	Minneapolis/St. Paul	Bus Rapid Transit	55,000
	Met Council	Anoka County	Rice Creek Trail	500
	Met Council	Carver County	Lake Waconia Pavilion	2,500
	Met Council	Dakota County	Veterans Memorial Greenway	5,000
	Met Council	Minneapolis	Mississippi River Trail Connection	3,000
	Met Council	Ramsey County	Battle Creek Winter Rec Area	1,800
	Met Council	St. Paul	Como Zoo	1,000
	Met Council	St. Paul	Wakan Tipi	1,000
	Met Council	Minneapolis	Three Rivers Park	5,000
	Met Council	Dellwood	Trail Improvements	2,600
	Met Council	White Bear Township	Trail Improvements	500
	Met Council	White Bear Lake	Trail Improvements	500
	Military Affairs	Rosemount	Readiness Center	1,000
	Military Affairs	Fergus Falls	Readiness Center	2,100
	Military Affairs	Moorhead	Readiness Center	5,345
	Military Affairs	Marshall	Readiness Center	3,100
	Military Affairs	Morrison County	Military Museum	13,000
	MN State	Statewide	HEAPR	46,347
	MN State	Anoka/Ramsey Counties	Community College	16,282
	MN State	Bloomington	Normandale College	26,634
	MN State	Pine	Pine College	635
	MN State Academies	Statewide	Asset Preservation	3,150
	MN State Academies	Faribault	Safety Corridor	5,830
	Perpich Ctr For Arts	Statewide	Asset Preservation	750
	PFA	Statewide	WIF Drinking Water Program	22,198
	PFA	Statewide	WIF Wastewater Program	33,296
	PFA	Statewide	PSIG Program	44,553
	PFA	Albertville	Wastewater Treatment	2,500
	PFA	Arden Hills	Water Main	500
	PFA	Aurora	Drinking Water System	5,000
	PFA	Austin	Wastewater Treatment Plant	7,450
	PFA	Bemidji	Water Treatment Plant	10,194
	PFA	Buhl	Water Infrastructure	1,500
	PFA	Caledonia	Wastewater Treatment Plant	7,000
	PFA	Deer River	Wastewater and Water Systems	4,000
	PFA	Nashwauk	Wastewater System	750
	PFA	Floodwood	Stabilization Pond	2,000
	PFA	Foley	Wastewater System	8,000

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation (\$ in thousands)
	PFA	Forest Lake	Wastewater System	1,700
	PFA	Lincoln-Pipestone	Water Improvements	5,750
		Rural Water System		
	PFA	Mahnomen	Water Infrastructure	650
	PFA	Mahnomen	Drinking Water Infrastructure	1,250
	PFA	Mendota	Water Infrastructure	650
	PFA	Newport	Wastewater Infrastructure	2,000
	PFA	Oronoco	Wastewater System	24,027
	PFA	Randolph	Wastewater System	13,000
	PFA	Red Rock	Water Treatment Plant	5,500
	PFA	South Haven	Wells	1,700
	PFA	South St. Paul	Concord Street Utilities	2,000
	PFA	Spring Park	City Utilities	1,500
	PFA	Two Harbors	Wastewater Treatment Plant	11,500
	PFA	Twin Lakes Township	Water Infrastructure	7,500
	PFA	Vernon City	Water Infrastructure	7,984
	PFA	Waldorf	Water Infrastructure	858
	PFA	West St. Paul	Lift Station	2,200
	PCA	Clay County	Solid Waste Transfer Facility	7,500
	PCA	Dakota/Scott Counties	Waste/Recycling Facility	2,000
	PCA	Pope/Douglas Counties	Waste Facility	5,000
	PCA	Brookston	Closed Landfill Cleanup	1,330
	PCA	Coon Rapids	Recycling Center Improvements	316
	PCA	Todd County	Waste Facility	4,000
	Public Safety	St Paul	State Emergency Center	29,545
	Public Safety	Mankato	BCA Office and Lab	100
	Public Safety	Chisholm	Public Safety Facility	1,910
	Public Safety	Crystal	Police Dept Expansion	4,000
	Public Safety	Edina	Training Facility	1,000
	Public Safety	Maple Grove	Training Facility	3,500
	Public Safety	Minneapolis	Training Facility	800
	Public Safety	Virginia	Public Safety Center	9,500
	MnDOT	Statewide	Local Road Improvements	75,000
	MnDOT	Statewide	MN Rail SIP	4,000
	MnDOT	Anoka County	East River Road	1,500
	MnDOT	Anoka County	US Hwy 10/169 Improvements	8,400
	MnDOT	Anoka County	Highway 65 Improvements	1,500
	MnDOT	Dakota County	Diffley Road Improvements	4,000
	MnDOT	Golden Valley	Hwy 55 Improvements	6,500
	MnDOT	Maple Grove	Hwy 610 Local Road Improvements	13,000
	MnDOT	Oak Park Heights	Realignment 60 <sup>th</sup> Street	790
	MnDOT	Ramsey County	I-35E/County Rd J	1,500
	MnDOT	Richfield	77 <sup>th</sup> Street Underpass	6,000
	MnDOT	Sartell	Local Road Improvements	5,500
	MnDOT	Sibley County	Scenic Byway6 Reconstruction	14,000
	MnDOT	Scott County	Hwy 13 and Yosemite	5,269
	MnDOT	Sherburne County	Zimmerman Interchange	2,000
	MnDOT	Zumbrota	Jefferson Drive	3,000
	MnDOT	Statewide	Local Bridge Replacement	30,000
	MnDOT	St. Paul	Third Street/Kellogg Blvd	52,000
	MnDOT	Statewide	Safe Routes to School	3,000
	MnDOT	Statewide	Port Development	14,000
	MnDOT	Duluth	Grassy Point Bridge	3,000

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation (\$ in thousands)
	MnDOT	Statewide	Transit Capital Program	2,000
	MnDOT	International Falls	Koochiching County Airport	1,800
	MnDOT	Rochester	International Airport	11,400
			Improvements	
	MnDOT	Thief River Falls	Airport	5,500
	MnDOT	Hastings	Bike Trail	1,500
	MnDOT	Rogers	Bike Trail	2,200
	MnDOT	Shakopee	Hwy 169 Bike Overpass	2,000
	MnDOT	Winthrop/Hanley Falls	MVRRRA Improvements	10,000
	MnDOT	Northfield	Transit Hub	1,750
	MnDOT	Albert Lea	Hwy 65 Flood Mitigation	2,682
	MnDOT	Chisago County	Hwy 8 Reconstruction	8,000
	MnDOT	Henderson	Hwy 93 Reconstruction	1,800
	MnDOT	Olmsted County	Hwy 14/104 Construction	6,000
	MnDOT	Washington County	Hwy 36/County Rd 15	3,000
			Construction	
	MnDOT	Koochiching County	CSAH 24 Rail Grade	3,000
			Separation	
	MnDOT	Red Wing	Rail Grade Separation	10,000
	Veterans Affairs	Statewide	Asset Preservation	6,300
	Veterans Affairs	Fergus Falls	Greenhouse	100
	Veterans Affairs	Martin County	Memorial	350
	MN Zoo	Apple Valley	Asset Preservation	13,000
	U of M	Statewide	HEAPR	38,495
	U of M	Minneapolis	Child Development Building	29,200
	U of M	Duluth	Anderson Hall Renovation	4,400
	MMB	Statewide	Bond Sale Expenses	1,393
Special Session 2020, Chapter 3				
	MnDOT	Statewide	State Road Construction	84,000
	MnDOT	Statewide	Rail Grade Separation	110,000
	MnDOT	Statewide	Project Development	25,000
	MnDOT	Statewide	Flood Mitigation	23,000
	MnDOT	Statewide	Facilities Capital Program	58,000
	MMB	Statewide	Bond Sale Expenses	300
Special Session 2021, Chapter 5				
	MnDOT	Statewide	State Road Construction	100,000
	MnDOT	Statewide	SRC Regional & Community	88,000
	MnDOT	Carver County	Highway Upgrade	25,000
	MMB	Statewide	Bond Sale Expenses	213

### DESCRIPTION OF RURAL FINANCE AUTHORITY PROGRAMS

The Rural Finance Authority (RFA) currently administers thirteen loan programs to provide affordable credit to eligible farmers, and one program to provide financial assistance to proposed methane digester projects.

Five programs are funded from the sale of general obligation bonds. They include: the Beginning Farmer Loan Program, the Seller-Sponsored Loan Program, the Agricultural Improvement Program, the Livestock Expansion and Modernization Loan Program and the Restructure II Loan Program.



Each of these five programs are participation programs whereby the RFA joins in partnership with local lending institutions to provide credit based upon certain pre-established rules. Over 450 financial facilities are included in master participation agreements.

General eligibility requirements for each of these five programs are: (1) a borrower must be a resident of Minnesota or a domestic family farm corporation or family farm partnership, as defined in Minnesota Statutes, Section 500.24, subdivision 2; and (2) the borrower or one of the borrowers must be the principal operator of the farm with respect to which the loan is made.

Security for the bond funded loans must be a first mortgage on agricultural real estate. The interest rate for the RFA portion of a loan is set to meet the debt service requirements of the bonds sold to finance it. The maximum term for loan participations is ten (10) years unless otherwise stated by the RFA.

As of the date of this Official Statement, the Commissioner of Management and Budget has been authorized to issue up to \$356.5 million in State general obligation bonds to finance certain programs of the RFA and has issued, including bonds from this sale, \$341.6 million of these bonds for this purpose.

The following is a more extensive description of each of the five loan participation programs:

### **Beginning Farmer Loan Program**

This program is aimed at younger, lower equity individuals who intend, over time, to become full time farmers. The purpose is to enable the beginning farmer to purchase farm real estate. The RFA participation is limited to 45 percent of the loan principal up to a maximum of \$400,000. Each loan requires a minimum down payment of 10 percent of the purchase price. Loan amortization may be scheduled on a term of 15, 20, 25 or 30 years as negotiated among the lender, the borrower and the RFA. RFA participation is for a maximum of 10 years unless otherwise stated by the RFA. A Borrower must (1) have sufficient education, training or experience to succeed in the type of farming that they intend to pursue; (2) have a total net worth not exceeding \$903,000, indexed yearly for inflation; (3) agree to enroll in a farm business management program approved by the Commissioner of Agriculture; and (4) agree to obtain credit life insurance for the amount of the debt incurred unless a waiver is given.

### **Seller-Sponsored Loan Program**

This program is very similar to the Beginning Farmer program with one exception. This program is designed to permit the sellers of a farm to fund a portion of the financing essential to the completion of the sale. The seller agrees to subordinate its financing to the lender/RFA. The lender and the RFA provide the balance of the funds with a first mortgage. The down payment is negotiable. The program rules do not, however, require one to be made. Each lender determines its own requirements based on the buyer's ability to repay the needed financing.

### **Agricultural Improvement Program**

This program creates affordable financing for new, state-of-the-art improvements for agriculture production, including the purchase and construction or installation of improvements to land, buildings and other permanent structures, and equipment incorporated in or permanently affixed to the land, buildings or structures, which are useful for and intended for the purpose of improving a farm. The improvements can be for any farm related purpose including livestock facilities, grain handling facilities, machine storage, erosion control, wells and manure systems. The RFA participation is 45 percent of the loan principal to a maximum of \$400,000. The RFA is restricted to participation in loans that do not exceed 80 percent of the appraised value of the real estate comprising collateral for the loan. A borrower must have a total net worth not exceeding \$903,000, indexed for inflation.

### **Restructured II Loan Program**

Under this program, the RFA works with local lenders to help farmers reorganize their debt. This program is for farmers who remain in good credit standing with their local lender, but who are having trouble with cash flow. Only debt of an agricultural nature is eligible. The RFA will participate on 45 percent of the loan principal up to \$525,000. The loans may be amortized over a period of up to 25 years. Participation is

restricted to loans that do not exceed 80 percent of the appraised value of real estate comprising collateral for the loan. A borrower must (1) have received at least 50 percent of average annual gross income from farming for the past three years; (2) have a net worth not exceeding \$1,919,000, indexed for inflation; and (3) have projected annual expenses not exceeding 95 percent of projected annual income.

#### **Livestock Expansion and Modernization Loan Program**

This program is similar to the Agricultural Improvement program, but only for livestock related needs. It creates affordable financing for new, state-of-the-art improvements to land, buildings and other permanent structures, and equipment incorporated in or permanently affixed to the land, buildings or structures, which are useful for and intended for the purpose of raising livestock. The RFA may participate on a loan up to 45 percent of the loan principal to a maximum of \$525,000. The RFA is restricted to participation in loans that do not exceed 80 percent of the appraised value of the real estate comprising collateral for the loan. A borrower must (1) be actively engaged in a livestock operation; (2) have the ability to repay the loan; and (3) have a total net worth not exceeding \$1,919,000, indexed for inflation.

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## SCHEDULE OF BONDS BEING REFUNDED

### Various Purpose Refunding Bonds:

Proceeds of the Series 2022D Bonds will be used to refund the following bonds.

General Obligation State Various Purpose Bonds, Series 2012A dated August 16, 2012, maturing in the years and amounts and bearing interest at the annual rates set forth below. Bonds maturing on or after August 1, 2022, will be called for redemption and prepayment on September 12, 2022\*, at par plus accrued interest.

<b>Maturing</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP**</b>
8/1/2023	\$12,185,000	5.00%	6041297D2
8/1/2024	\$12,185,000	5.00%	6041297E0
8/1/2025	\$12,185,000	2.50%	6041297F7
8/1/2026	\$12,185,000	2.50%	6041297G5
8/1/2027	\$12,185,000	4.00%	6041297H3
8/1/2028	\$12,185,000	2.75%	6041297J9
8/1/2029	\$12,185,000	4.00%	6041297K6
8/1/2030	\$12,180,000	4.00%	6041297L4
8/1/2031	\$12,180,000	3.00%	6041297M2
8/1/2032	\$12,180,000	3.00%	6041297N0
<b>Total</b>	<b>\$121,835,000</b>		

\* Preliminary, subject to change.

\*\* 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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**APPENDIX E**

**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
<b>Decennial Census 2020</b>					
2010	308,746	5,304	1.75%	-	-
2020	331,449	5,706	1.72	7.4%	7.6%
<b>Intercensal Population Estimates Vintage 2020</b>					
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%
<b>Intercensal Population Estimates Vintage 2021</b>					
2020	331,501	5,707	1.72		
2021	331,894	5,707	1.72	0.1%	0.0%

\*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](https://www.census.gov/data/tables/2020/dec/2020-apportionment-data.html), [www.census.gov/data/tables/time-series/demo/popest/intercensal-2000-2010-state](https://www.census.gov/data/tables/time-series/demo/popest/intercensal-2000-2010-state)  
Data extracted by MMB staff in June 2022.

**NON-FARM EMPLOYMENT-MIX OF MINNESOTA AND UNITED STATES FOR 2021**  
**(Thousands of Jobs)**

<b>Industry</b>	<b>Minnesota</b>	<b>% of Total</b>	<b>U.S.</b>	<b>% of Total</b>
Total Private	2,438.8	85.8	124,354	85.1
Goods-Producing	449.3	15.8	20,461	14.0
Mining and Logging	6.5	0.2	629	0.4
Construction	129.9	4.6	7,447	5.1
Manufacturing Durables	200.2	7.0	7,695	5.3
Manufacturing Non-Durables	112.7	4.0	4,690	3.2
Private Service Providing	1,989.6	70.0	103,893	71.1
Wholesale Trade	125.3	4.4	5,701	3.9
Retail Trade	281.5	9.9	15,330	10.5
Transportation, Warehousing, Utilities	105.1	3.7	6,362	4.4
Information	42.3	1.5	2,737	1.9
Financial Activities	190.7	6.7	8,837	6.0
Professional and Business Services	372.3	13.1	21,008	14.4
Education and Health Services	540.7	19.0	23,553	16.1
Leisure and Hospitality	226.7	8.0	14,705	10.1
Other Services	105.1	3.7	5,661	3.9
Government	403.1	14.2	21,769	14.9
<b>Total (Non-Farm)</b>	<b>2,841.9</b>	<b>100.0</b>	<b>146,122</b>	<b>100.0</b>

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 2022.

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**EMPLOYMENT-MIX IN DURABLE GOODS INDUSTRIES OF  
UNITED STATES AND MINNESOTA FOR 2021  
(Thousands of Jobs)**

<b>Industry</b>	<b>Minnesota</b>	<b>% of Total</b>	<b>U.S.</b>	<b>% of Total</b>
Wood Products	12.0	6.0	407	5.3
Fabricated Metal Products	43.5	21.7	1,410	18.3
Machinery	33.6	16.8	1,072	13.9
Computers and Electronic Products	42.4	21.2	1,086	14.1
Transportation Equipment	11.2	5.6	1,607	20.9
Medical Equipment and Supplies	17.4	8.7	327	4.2
Other Durables	40.1	20.0	1,786	23.2
Total Durable Goods Manufacturing	200.2	100.0	7,695	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 2022.

**EMPLOYMENT-MIX IN NON-DURABLE GOODS INDUSTRIES OF  
UNITED STATES AND MINNESOTA FOR 2021  
(Thousands of Jobs)**

<b>Industry</b>	<b>Minnesota</b>	<b>% of Total</b>	<b>U.S.</b>	<b>% of Total</b>
Food Manufacturing	46.1	40.9	1,643	35.0
Other Non-Durables	66.6	59.1	3,047	65.0
Total Non-Durable Goods	112.7	100.0	4,690	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 2022.

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

Category	Minnesota					United States				
	2000	2010	2020	%Change		2000	2010	2020	% Change	
				00-10	10-20				00-10	10-20
Total Private	2,275.5	2,221.3	2,378.2	(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	599	705	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	1,938.8	4.8	5.7	86,585	90,104	100,209	4.1	11.2
Wholesale Trade	126.6	119.1	124.9	(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	43.1	(23.2)	(18.9)	3,630	2,707	2,694	(25.4)	(0.5)
Financial Activities	160.8	163.2	192.3	1.4	17.9	7,783	7,695	8,724	(1.1)	13.4
Professional and Business Services	323.7	325.5	361.3	0.6	11.0	16,666	16,783	20,246	0.7	20.6
Education and Health Services	324.5	457.8	534.1	41.1	16.7	15,252	19,975	23,235	31.0	16.3
Leisure and Hospitality	221.7	235.2	204.6	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)	5,331	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)
<b>Total (Non-Farm)</b>	<b>2,683.1</b>	<b>2,637.9</b>	<b>2,784.1</b>	<b>(1.7)</b>	<b>5.5</b>	<b>132,024</b>	<b>130,345</b>	<b>142,185</b>	<b>(1.3)</b>	<b>9.1</b>

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 2022.

## MINNESOTA AND UNITED STATES PER CAPITA PERSONAL INCOME

<b>Year</b>	<b>Minnesota</b>	<b>U.S.</b>	<b>Minnesota as % of U.S.</b>
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	\$54,317	\$51,573	105.3
2018	\$56,568	\$53,817	105.1
2019	\$57,946	\$55,724	104.0
2020	\$61,464	\$59,147	103.9
2021	\$65,486	\$63,444	103.2

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](http://www.census.gov/popest).  
Data extracted by MMB staff June 2022.

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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	\$792,136	3.8	8	12,846	\$42,278	3	12,785	\$61,957	1
Indiana	\$171,502	\$231,707	3.1	9	\$350,760	4.2	4	6,491	\$35,695	12	6,786	\$51,691	11
Iowa	\$80,229	\$116,906	3.8	5	\$169,182	3.8	10	3,051	\$38,312	8	3,189	\$53,057	9
Kansas	\$76,105	\$114,240	4.1	4	\$163,462	3.6	11	2,859	\$39,960	6	2,936	\$55,677	6
Michigan	\$302,001	\$353,316	1.6	12	\$530,809	4.2	5	9,880	\$35,760	11	10,068	\$52,724	10
Minnesota	\$160,089	\$226,957	3.6	7	\$350,785	4.5	3	5,312	\$42,724	2	5,707	\$61,464	2
Missouri	\$156,676	\$222,564	3.6	6	\$318,019	3.6	12	5,996	\$37,118	9	6,154	\$51,673	12
Nebraska	\$49,768	\$75,490	4.3	3	\$111,545	4.0	6	1,830	\$41,248	5	1,961	\$56,868	5
North Dakota	\$16,623	\$29,881	6.0	1	\$47,089	4.7	1	675	\$44,264	1	779	\$60,451	3
Ohio	\$324,978	\$425,362	2.7	11	\$627,231	4.0	7	11,542	\$36,854	10	11,791	\$53,198	8
South Dakota	\$20,276	\$33,804	5.2	2	\$52,921	4.6	2	816	\$41,423	4	887	\$59,656	4
Wisconsin	\$158,832	\$222,983	3.5	8	\$324,252	3.8	9	5,692	\$39,175	7	5,892	\$55,030	7
<b>Region</b>	<b>\$1,930,042</b>	<b>\$2,596,294</b>	<b>3.0</b>		<b>\$3,838,190</b>	<b>4.0</b>		<b>66,991</b>	<b>\$38,756</b>		<b>68,935</b>	<b>\$55,678</b>	
<b>United States</b>	<b>\$8,654,561</b>	<b>\$12,586,509</b>	<b>3.8</b>		<b>\$19,607,447</b>	<b>4.5</b>		<b>309,378</b>	<b>\$40,683</b>		<b>331,501</b>	<b>\$59,147</b>	

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](http://www.bea.gov/regional/index.htm).

U.S. Department of Commerce, U.S. Census Bureau, [www.census.gov/popest](http://www.census.gov/popest).

Data extracted by MMB staff June 2022.

**PERSONAL INCOME GROWTH IN TWELVE STATE NORTH CENTRAL REGION: 2020-2021**  
**(\$'s in Millions)**

<b>Growth Rank</b>	<b>State</b>	<b>2020 Personal Income</b>	<b>2021 Personal Income</b>	<b>Percent Growth</b>
1	South Dakota	\$52,921	\$57,949	9.5
2	Nebraska	\$111,545	\$121,935	9.3
3	Indiana	\$350,760	\$382,178	9.0
4	North Dakota	\$47,089	\$50,793	7.9
5	Iowa	\$169,182	\$181,919	7.5
6	Illinois	\$792,136	\$850,197	7.3
7	Missouri	\$318,019	\$340,232	7.0
8	Minnesota	\$350,785	\$373,754	6.5
9	Kansas	\$163,462	\$174,090	6.5
10	Wisconsin	\$324,252	\$345,287	6.5
11	Ohio	\$627,231	\$665,374	6.1
12	Michigan	\$530,809	\$558,330	5.2
<b>Region</b>		<b>\$3,838,190</b>	<b>\$4,102,038</b>	<b>6.9</b>
<b>United States</b>		<b>\$19,607,447</b>	<b>\$21,056,622</b>	<b>7.4</b>

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](http://www.bea.gov/regional/index.htm)  
Data extracted by MMB staff June 2022.

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

<b>State</b>	<b>2000 Non-Farm Employment</b>	<b>2010 Non-Farm Employment</b>	<b>2000-2010 Percent Increase (Decrease)</b>	<b>Regional Growth Rank 2000-2010</b>	<b>2020 Non-Farm Employment</b>	<b>2010-2020 Percent Increase (Decrease)</b>	<b>Regional Growth Rank 2010-2020</b>
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
<b>Region</b>	<b>32,063</b>	<b>29,869</b>	<b>(6.8)</b>		<b>31,073</b>	<b>4.0</b>	
<b>U.S.</b>	<b>132,011</b>	<b>130,345</b>	<b>(1.3)</b>		<b>142,186</b>	<b>9.1</b>	

Source: U.S. Department of Labor, Bureau of Labor Statistics, <http://data.bls.gov/ces>.  
Data extracted by MMB staff June 2022.

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**NON-FARM EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION:  
2019-2020 AND 2020-2021  
(Thousands of Jobs)**

<b>State</b>	<b>2019 Non-Farm Employment</b>	<b>2020 Non-Farm Employment</b>	<b>2019-2020 Percent Increase</b>	<b>Regional Growth Rank 2019-2020</b>	<b>2021 Non-Farm Employment</b>	<b>2021-2020 Percent Increase</b>	<b>Regional Growth Rank 2020-2019</b>
Illinois	6,125	5,699	(7.0)	11	5,813	2.0	3
Indiana	3,160	2,993	(5.3)	6	3,089	3.2	7
Iowa	1,587	1,509	(5.0)	5	1,536	1.8	1
Kansas	1,424	1,359	(4.6)	3	1,373	1.1	9
Michigan	4,443	4,039	(9.1)	12	4,194	3.8	5
Minnesota	2,983	2,784	(6.7)	10	2,842	2.1	6
Missouri	2,915	2,777	(4.7)	4	2,843	2.4	11
Nebraska	1,027	989	(3.7)	2	1,007	1.8	2
North Dakota	441	412	(6.5)	9	417	1.0	12
Ohio	5,595	5,263	(5.9)	8	5,373	2.1	10
South Dakota	441	426	(3.2)	1	440	3.1	8
Wisconsin	2,988	2,823	(5.5)	7	2,883	2.1	4
<b>Region</b>	<b>33,127</b>	<b>31,073</b>	<b>-6.2</b>		<b>31,807</b>	<b>2.4</b>	
<b>U.S.</b>	<b>148,908</b>	<b>150,905</b>	<b>1.3</b>		<b>142,186</b>	<b>(5.8)</b>	

Source: U.S. Department of Labor, Bureau of Labor Statistics, <http://data.bls.gov/ces>.  
Data extracted by MMB staff June 2022.

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# MINNESOTA & UNITED STATES UNEMPLOYMENT RATES (Percent)

Year	Annual Average	
	Minnesota %	U.S. %
2012	5.7	8.1
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	3.1	3.9
2019	3.4	3.7
2020	6.4	8.1
2021	3.4	5.4

Month	Monthly Figures (Seasonally Adjusted)	
	Minnesota %	U.S. %
2021		
January	4.2	6.3
February	3.9	6.2
March	3.7	6
April	3.5	6.1
May	3.4	5.8
June	3.4	5.9
July	3.3	5.4
August	3.3	5.2
September	3.2	4.8
October	3.1	4.6
November	3.1	4.2
December	3.0	3.9
2022		
January	2.9	4
February	2.7	3.8
March	2.5	3.6
April	2.2	3.6
May	2.0	3.6

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 June 2022.



# MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500

(\$ in millions)

<u>Rank</u>		<u>Company</u>	<u>Revenues</u>	<u>Assets</u>	<u>Profits</u>	<u>Industry Category</u>	<u>Industry</u>
<u>2021</u>	<u>2020</u>						<u>Rank</u>
5	5	UnitedHealth Group	\$ 287,597	\$ 212,206	\$ 17,285	Health Care: Insurance and Managed Care	1
32	30	Target	\$ 106,005	\$ 53,811	\$ 6,946	General Merchandisers	3
68	66	Best Buy	\$ 51,761	\$ 17,504	\$ 2,454	Specialty Retailers: Other	3
95	103	CenexHarvest States (CHS)	\$ 38,448	\$ 17,576	\$ 554	Food Production	3
102	96	Minnesota Mining & Manufacturing (3M)	\$ 35,355	\$ 47,072	\$ 5,921	Chemicals	2
150	113	U.S. Bancorp	\$ 23,714	\$ 573,284	\$ 7,963	Commercial Banks	8
154	191	C.H. Robinson Worldwide	\$ 23,102	\$ 7,028	\$ 844	Transportation and Logistics	1
201	169	General Mills	\$ 18,127	\$ 31,842	\$ 2,340	Food Consumer Products	4
232	219	Land O'Lakes	\$ 15,916	\$ 9,560	\$ 287	Food Consumer Products	5
277	253	Ameriprise Financial	\$ 13,443	\$ 175,979	\$ 2,760	Diversified Financials	8
278	272	Xcel Energy	\$ 13,431	\$ 57,851	\$ 1,597	Utilities: Gas and Electric	11
293	237	Ecolab	\$ 12,733	\$ 21,206	\$ 1,130	Chemicals	6
327	317	Hormel Foods	\$ 11,386	\$ 12,696	\$ 909	Food Consumer Products	7
351	369	Thrivent Financial for Lutherans	\$ 10,313	\$ 116,525	\$ 2,530	Insurance: Life, Health (Mutual)	6
419	407	Polaris Industries	\$ 8,252	\$ 5,048	\$ 494	Transportation Equipment	1
464	421	Securian Financial Group	\$ 7,317	\$ 75,169	\$ 312	Insurance: Life, Health (Stock)	13

Source: Fortune Magazine, <http://fortune.com/fortune500/>  
Data extracted by MMB staff June 2022.

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**APPENDIX F**  
**SELECTED STATE FINANCIAL STATEMENTS**  
**For the Fiscal Year**  
**Ended June 30, 2021**

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**APPENDIX F**  
**SELECTED STATE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
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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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### Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Walz, Governor

Mr. Jim Schowalter, Commissioner, Minnesota Management and Budget

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2021, which collectively comprise the state's basic financial statements as listed in the Table of Contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund, and the Minnesota State Lottery, which is a nonmajor proprietary fund, and which cumulatively represent 69 percent, 142 percent, and 54 percent, respectively, of the total assets, total net position, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, Office of Higher Education, Public Facilities Authority, Minnesota Sports Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, total net position, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely

Members of the Minnesota State Legislature  
The Honorable Tim Walz, Governor  
Mr. Jim Schowalter, Commissioner, Minnesota Management and Budget  
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presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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

#### Opinions

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2021, 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.

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The Honorable Tim Walz, Governor  
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#### **Other Matters**

##### *Required Supplementary Information*

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

##### *Other Information*

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

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The Honorable Tim Walz, Governor  
Mr. Jim Schowalter, Commissioner, Minnesota Management and Budget  
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#### **Other Reporting Required by Government Auditing Standards**

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



Lori Leysen, CPA  
Deputy Legislative Auditor

December 17, 2021



Scott Tjomsland, CPA  
Audit Director





## 2021 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, 2021 and identifies changes in the financial position of the state that occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

### Overview of the Financial Statements

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

The financial section of this annual report has four parts:

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

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

The Basic Financial Statements include Government-wide Financial Statements, Fund Financial Statements, and Notes to the Financial Statements that provide more detailed information.

### Government-wide Financial Statements

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

The Government-wide Financial Statements are located immediately following this discussion and analysis.

The Statement of Net Position presents all of the state's financial resources along with capital assets and long-term obligations. The statement includes all assets, deferred outflows of resources, liabilities, and

deferred inflows of resources of the state. Net position is the difference between assets and liabilities and is one method to measure the state's financial condition.

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

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

The Statement of Net Position and the Statement of Activities segregate the activities of the state into three types:

### Governmental Activities

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

### Business-type Activities

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

### Discretely Presented Component Units

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

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

The state's three major component units are:

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

The state's eight nonmajor component units are combined into a single column for reporting in the Fund Financial Statements. These nonmajor component units are:

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

### State Fund and Component Unit Financial Statements

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

The Fund Financial Statements focus on individual parts of the state, reporting the state's operations in more detail than in the Government-wide Statements. Fund Financial Statements focus on the most significant funds within the state.

The state's funds are divided into three categories:

#### Governmental Funds

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

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

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

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

The state maintains 22 individual state governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund 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 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 included in this report.

Component Units

Component units are legally separate organizations for which the state is financially accountable. The Government-wide Financial Statements present information for the discretely presented component units in a single column on the Statement of Net Position. Also, some information on the Statement of Changes in Net Position is aggregated for component units. The discretely presented component units' statements of net position and statements of changes in net position provide detail for each major discretely presented component unit and aggregate the detail for nonmajor discretely presented component units. Individual nonmajor discretely presented component unit detail can be found in the Combining and Individual Fund Financial Statements included in this report.

Notes to the Financial Statements

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the Government-wide Financial Statements and the Fund Financial Statements. The notes to the financial statements are located immediately following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This section includes maintenance data regarding certain portions of the state's infrastructure, actuarial measures of pension and other postemployment benefits, and public employees insurance program development information.

Other Supplementary Information

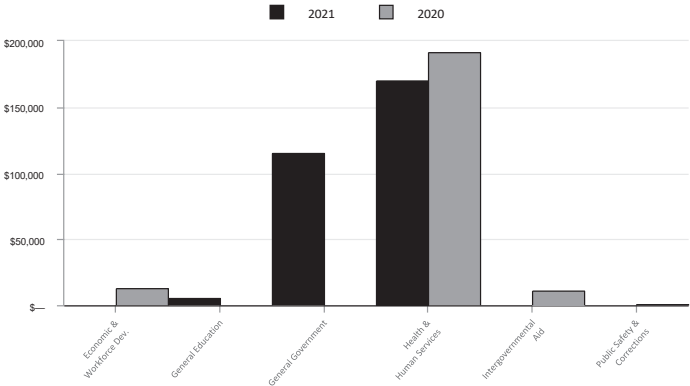
Other supplementary information includes Combining and Individual Fund Financial Statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial 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 was 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 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.

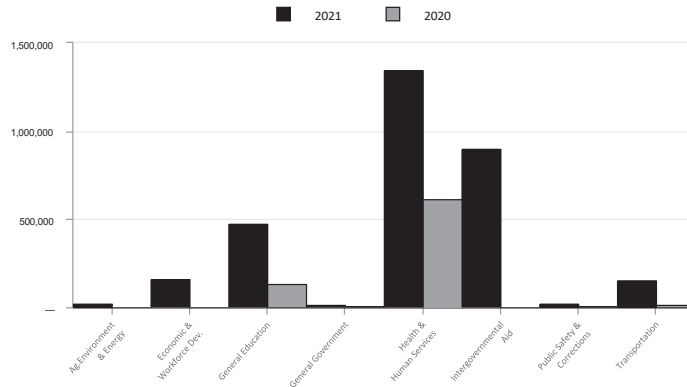
Functional Expenditures by Fund Related to COVID-19  
Governmental Funds - General Fund  
Fiscal Years Ended June 30, 2021 and 2020<sup>(1)</sup>  
(In Thousands)



<sup>(1)</sup> 2020 has been restated to be consistent with the 2021 presentation.

General Fund expenditures related to COVID-19 increased over the prior year. The majority of this increase is related to general government grants to counties for support to small businesses. This was offset by a decrease in economic and workforce development grants to small businesses and health and human services grants to cities and counties to respond to the pandemic as well as a reduction in costs associated with laboratories, testing, supplies, and vaccinations. In fiscal year 2020, intergovernmental aid grants were issued to tribal nations to respond to the pandemic.

**Functional Expenditures by Fund Related to COVID-19**  
**Governmental Funds - Federal Fund**  
**Fiscal Years Ended June 30 2021 and 2020<sup>(1)</sup>**  
**(In Thousands)**



<sup>(1)</sup> 2020 has been restated to be consistent with the 2021 presentation.

The Federal Fund expenditures related to COVID-19 increased for all functions. During the current 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 and an additional \$155 million in transportation grants to airports and other non-governmental entities. The state also issued economic and workforce development grants to provide additional support for small businesses and family housing. General education grants to school districts increased significantly over the prior year to help with family support and other services for pupils. Health and human services increased significantly over the prior year for several reasons. The largest portion is related to the increase in the federal participation rate which was in effect for the entire year in 2021, but only part of the year in 2020. In addition, the case load increased during the current year as healthcare facilities opened to treat non-emergency healthcare patients. Health and human services grants to provide relief to childcare providers increased to help ensure these providers remained open. Finally, costs associated with immunizations, laboratories, testing and supplies, emergency childcare, and other services, as well as additional housing support, related to the impacts of COVID-19 also increased significantly. General education grants to school districts also increased significantly to provide pupil and family support.

For the COVID-19 impacts on business-type activities, see the Government-wide Financial Analysis section.

## Government-wide Financial Analysis

Net position serves as a useful indicator of a government's financial position over time. The state's combined net position (governmental and business-type activities) totaled \$24.6 billion at the end of fiscal year 2021, compared to \$21.3 billion at the beginning of the year.

**Net Position**  
**June 30, 2021 and 2020**  
**(In Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current Assets	\$ 27,127,009	\$ 22,643,499	\$ 2,615,279	\$ 3,614,231	\$ 29,742,288	\$ 26,257,730
Noncurrent Assets:						
Capital Assets	19,310,546	18,631,498	2,097,869	2,172,853	21,408,415	20,804,351
Other Assets	1,051,352	1,054,257	70,237	88,588	1,121,589	1,142,845
Total Assets	\$ 47,488,907	\$ 42,329,254	\$ 4,783,385	\$ 5,875,672	\$ 52,272,292	\$ 48,204,926
Deferred Outflows of Resources	\$ 1,017,004	\$ 2,571,372	\$ 175,507	\$ 435,379	\$ 1,192,511	\$ 3,006,751
Current Liabilities <sup>(1)</sup>	\$ 9,421,923	\$ 8,755,185	\$ 1,107,246	\$ 2,072,520	\$ 10,529,169	\$ 10,827,705
Noncurrent Liabilities	12,115,751	11,955,025	2,129,988	1,056,875	14,245,739	13,011,900
Total Liabilities <sup>(1)</sup>	\$ 21,537,674	\$ 20,710,210	\$ 3,237,234	\$ 3,129,395	\$ 24,774,908	\$ 23,839,605
Deferred Inflows of Resources	\$ 3,545,077	\$ 5,233,770	\$ 566,011	\$ 830,299	\$ 4,111,088	\$ 6,064,069
Net Position:						
Net Investment in Capital Assets	\$ 15,704,737	\$ 14,765,807	\$ 1,671,095	\$ 1,694,373	\$ 17,375,832	\$ 16,460,180
Restricted	8,015,585	7,187,903	329,437	761,014	8,345,022	7,948,917
Unrestricted <sup>(1)</sup>	(297,162)	(2,997,064)	(844,885)	(104,030)	(1,142,047)	(3,101,094)
Total Net Position <sup>(1)</sup>	\$ 23,423,160	\$ 18,956,646	\$ 1,155,647	\$ 2,351,357	\$ 24,578,807	\$ 21,308,003

<sup>(1)</sup> 2020 has been restated to be consistent with the 2021 presentation.

The largest portion, \$17.4 billion of \$24.6 billion, of the state's net position reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets) less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to Minnesotans. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately \$8.3 billion of the state's net position represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used. Additional information on the state's net position restrictions is located in Note 16 – Equity in the notes to the financial statements.

The remaining net position balance represents a deficit in unrestricted net position of \$1.1 billion. This deficit does not mean that the state lacks resources to pay its bills in the near future. Rather, this deficit primarily reflects three significant factors. First, the state, similar to other states, issues general obligation

bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net position; however, the state is responsible for the repayment of the debt. This practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the noncapital portion of net position for most of its governmental activities' special revenue, debt service, and permanent funds as restricted. Third, the state recognized a net pension liability for defined benefit plans to which the state contributes either on behalf of state employees or for employees of other entities. This liability is long-term in nature and is being managed by the retirement systems and the state Legislature.

The state's combined net position for governmental and business-type activities increased \$3.3 billion (15.4 percent) over the course of this fiscal year. This resulted from a \$4.5 billion (23.6 percent) increase in net position of governmental activities, and a \$1.2 billion (50.9 percent) decrease in net position of business-type activities.

**Changes in Net Position  
For Fiscal Years Ended June 30, 2021 and 2020  
(In Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 1,687,307	\$ 1,642,634	\$ 2,872,605	\$ 3,005,326	\$ 4,559,912	\$ 4,647,960
Operating Grants and Contributions <sup>(1)</sup>	18,039,863	13,263,467	6,518,820	4,436,859	24,558,683	17,700,326
Capital Grants	222,208	238,623	—	14	222,208	238,637
General Revenues:						
Individual Income Taxes	14,199,891	12,754,820	—	—	14,199,891	12,754,820
Corporate Income Taxes	2,402,120	1,638,366	—	—	2,402,120	1,638,366
Sales Taxes	6,736,757	6,408,680	—	—	6,736,757	6,408,680
Property Taxes	788,623	781,471	—	—	788,623	781,471
Motor Vehicle Taxes	1,836,728	1,622,413	—	—	1,836,728	1,622,413
Fuel Taxes	855,981	882,917	—	—	855,981	882,917
Other Taxes	3,315,179	3,019,463	—	—	3,315,179	3,019,463
Tobacco Settlement	259,124	150,729	—	—	259,124	150,729
Investment/Interest Income	97,485	127,253	7,923	53,677	105,408	180,930
Other Revenues	155,267	51,292	918	30	156,185	51,322
<b>Total Revenues</b>	<b>\$ 50,596,533</b>	<b>\$ 42,582,128</b>	<b>\$ 9,400,266</b>	<b>\$ 7,495,906</b>	<b>\$ 59,996,799</b>	<b>\$ 50,078,034</b>
<b>Expenses</b>						
Agricultural, Environmental and Energy Resources	\$ 1,363,384	\$ 1,254,084	\$ —	\$ —	\$ 1,363,384	\$ 1,254,084
Economic and Workforce Development	942,801	787,975	—	—	942,801	787,975
General Education	11,785,920	10,900,070	—	—	11,785,920	10,900,070
General Government	1,461,124	1,443,784	—	—	1,461,124	1,443,784
Health and Human Services	21,194,790	18,485,278	—	—	21,194,790	18,485,278
Higher Education	1,038,674	1,009,104	—	—	1,038,674	1,009,104
Intergovernmental Aid	2,860,441	1,780,630	—	—	2,860,441	1,780,630
Public Safety and Corrections	1,359,127	1,191,908	—	—	1,359,127	1,191,908
Transportation	3,462,174	3,441,636	—	—	3,462,174	3,441,636
Interest	41,328	239,792	—	—	41,328	239,792
State Colleges and Universities	—	—	2,076,496	2,088,956	2,076,496	2,088,956
Unemployment Insurance	—	—	7,884,357	6,298,163	7,884,357	6,298,163
Lottery	—	—	615,118	513,558	615,118	513,558
Other Expenses	—	—	640,261	569,862	640,261	569,862
<b>Total Expenses</b>	<b>\$ 45,509,763</b>	<b>\$ 40,534,261</b>	<b>\$ 11,216,232</b>	<b>\$ 9,470,539</b>	<b>\$ 56,725,995</b>	<b>\$ 50,004,800</b>
<b>Excess (Deficiency) Before Transfers</b>	<b>\$ 5,086,770</b>	<b>\$ 2,047,867</b>	<b>\$ (1,815,966)</b>	<b>\$ (1,974,633)</b>	<b>\$ 3,270,804</b>	<b>\$ 73,234</b>
<b>Transfers</b>	<b>(620,256)</b>	<b>(696,757)</b>	<b>620,256</b>	<b>696,757</b>	<b>—</b>	<b>—</b>
<b>Changes in Net Position</b>	<b>\$ 4,466,514</b>	<b>\$ 1,351,110</b>	<b>\$ (1,195,710)</b>	<b>\$ (1,277,876)</b>	<b>\$ 3,270,804</b>	<b>\$ 73,234</b>
<b>Net Position, Beginning</b>	<b>\$ 18,956,646</b>	<b>\$ 17,605,536</b>	<b>\$ 2,351,357</b>	<b>\$ 3,629,233</b>	<b>\$ 21,308,003</b>	<b>\$ 21,234,769</b>
<b>Net Position, Ending</b>	<b>\$ 23,423,160</b>	<b>\$ 18,956,646</b>	<b>\$ 1,155,647</b>	<b>\$ 2,351,357</b>	<b>\$ 24,578,807</b>	<b>\$ 21,308,003</b>

<sup>(1)</sup> 2020 has been restated to be consistent with the 2021 presentation.

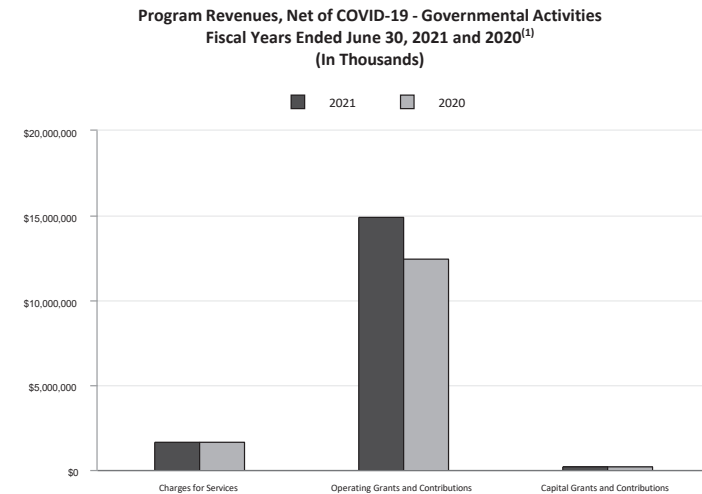
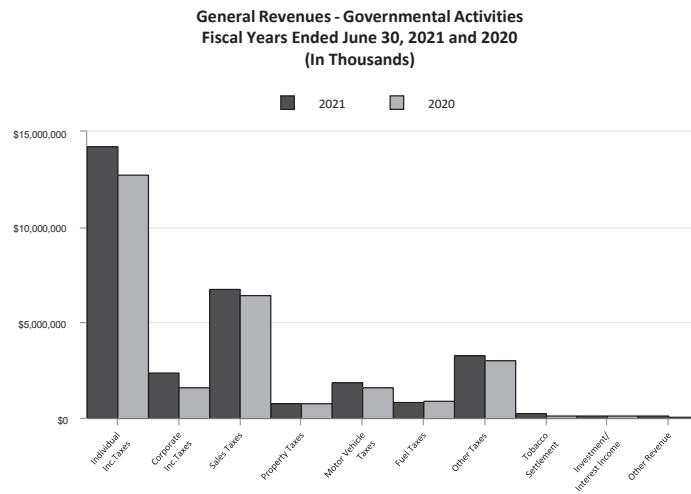
Approximately 50 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 41 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 8 percent of the total revenues. The remaining 1 percent came 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 \$4.5 billion in the current year compared to an increase of \$1.4 billion in the prior year.

Revenues increased, \$8.0 billion (18.8 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.



<sup>(1)</sup> 2020 has been restated to be consistent with the 2021 presentation.

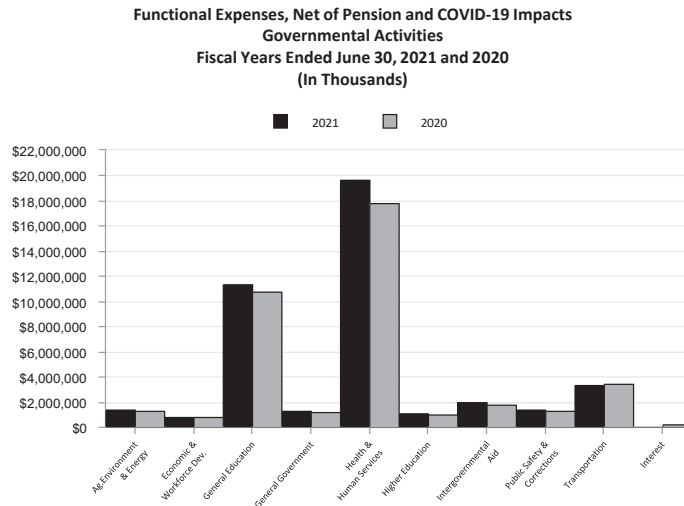
The state's largest general revenues, sales and income taxes, increased significantly during the current year even though the pandemic continues and unemployment remains high. Most of the higher wage earners continued to remain employed and taxable capital gains increased significantly over the prior year contributing to the increase in income taxes. In addition, corporate profits were significantly higher over the prior year. During this pandemic, unemployed individuals received extended benefits plus additional federal unemployment benefits above the state unemployment benefits which increased consumer's disposable cash. This contributed to increased consumer spending on home improvements and other goods including vehicles, as many individuals remained home during the pandemic. This contributed to increased sales and motor vehicle taxes during the current year. The state received a court settlement from J.J. Reynolds Tobacco Company and ITG Brands, LLC to pay the unpaid tobacco settlement. The increase in other taxes resulted from an increase in lawful gambling, mortgage, and deed transfer taxes as well as an increase in hospital surcharge taxes as a result of an increase in patients receiving healthcare services after the slowdown in the prior year due to the pandemic. The majority of the increase in other revenue related to a receipt of the excess surplus from the Workers' Compensation Assigned Risk Plan (component unit) during the current year.

The operating grants and contributions, net of the COVID-19 revenue, increased over prior year. This was primarily due to an increase in the federal government's share of medical assistance resulting from an increase in caseloads and the supplemental nutrition assistance program that allowed the state to obtain a waiver from the federal government and allow recipients to receive the maximum monthly benefit. In addition, the federal government increased grants to school districts for nutritional support for families.

There was a \$5.0 billion (12.3 percent) increase in governmental activities expenses compared to the prior year. This included an increase in expenses of \$25.8 million related to the impacts of pension reporting and an increase in expenses of \$2.4 billion related to COVID-19 offset by an increase in non-pension related

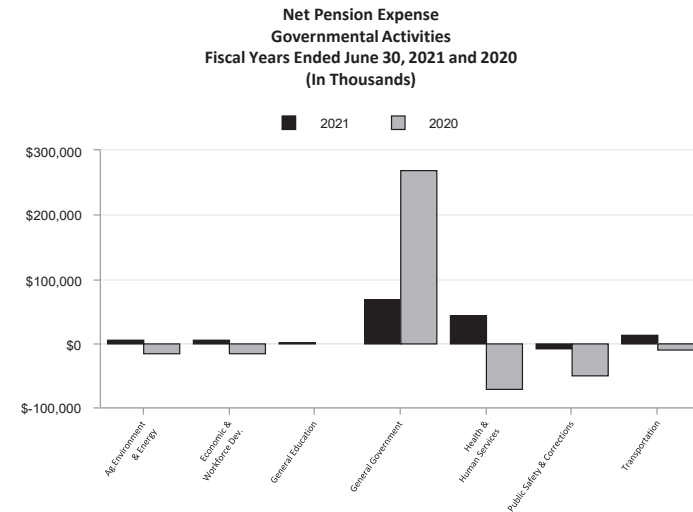
expenses of \$2.6 billion. Pension reporting impacted all functional expenses except higher education and intergovernmental aid. See the chart on the Changes in Net Pension Liability and Related Deferred Inflows and Outflows for the impact by functional expenses. COVID-19 impacted primarily health and 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.



Several functional expenses, net of the impacts of pension and COVID-19, increased during the current fiscal year. The general education expense increase is due to an increase in grants to school districts for family nutritional support and a two percent per pupil formula increase. The formula increase was partially 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 increase in medical assistance caseloads and the supplemental nutrition assistance program that allowed the state to obtain a waiver from the federal government and allow recipients to receive the maximum monthly benefit. The intergovernmental aid expense increase was the result of an increase in grants to local governments. Higher education grants to the University of Minnesota (component unit) for capital projects also increased during the current fiscal year. The public safety expenses increase was the result of the planning and response to the potential civil unrest from a high profile trial that was nationally televised and related protests. These net increases were slightly offset by a decrease in transportation expense as a result of decreases in grants to local units of governments for transportation projects and an increase in costs spent on transportation projects that were capitalized during the current year instead of expensed. This decrease in transportation expense was also partially offset by an increase in transportation grants to Metropolitan Council (component unit).

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



#### Business-type Activities

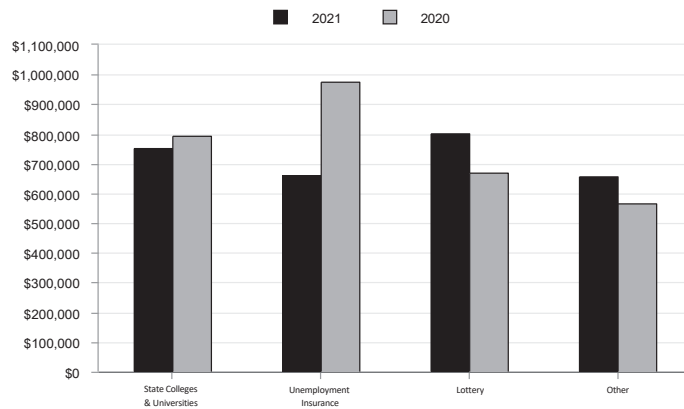
Net position for the state's business-type activities decreased by \$1.2 billion during the current year compared to a decrease of \$1.3 billion in the prior year. The impacts of pension related reporting on business-type activities resulted in a decrease in expenses of \$6.4 million during the current year. See chart on expenses net of pension impact - business-type activities for changes in expenses net of these pension reporting impacts.

The decrease in the net position of the state's business-type activities primarily resulted from a \$10.5 million increase in net position in the State Colleges and Universities Fund and a \$1.2 billion decrease in net position in the Unemployment Insurance Fund.

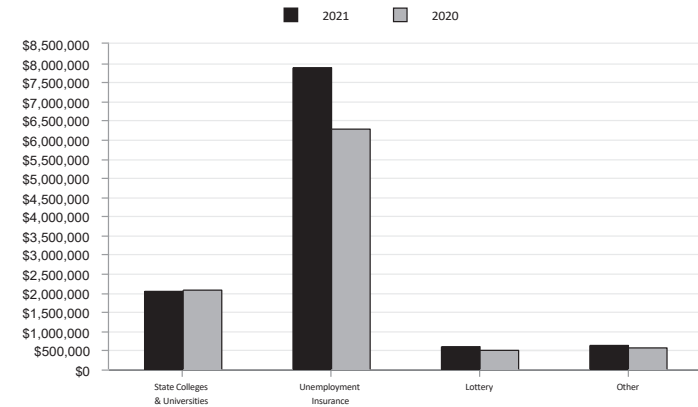
The State Colleges and Universities Fund's net position increased \$10.5 million during the current year compared to an increase of \$25.8 million in the prior year. The federal grant revenue increase was the result of an increase in the Higher Education Emergency Relief funds, which was partially offset by a decrease in federal grants associated with PELL grants. This increase was also partially offset by a decrease in tuition and fees due to decreased enrollment. In addition, net pension expense decreased \$3.3 million. The Unemployment Insurance Fund's net position decreased \$1.2 billion during the current year compared to an increase of \$1.3 billion in the prior year. COVID-19 has had significant impacts to the Unemployment Insurance Fund. The impact of the closure of restaurants, bars, and many other places of public accommodations and amusement businesses in March 2020 caused a momentous increase in unemployment that continued to impact the fund activity through fiscal year 2021. The federal government extended the federally paid unemployment benefit that started in March 2020 through September 2021. This caused significant increases in both unemployment benefits and grants from the federal government as

it was paid for the entire year. Employer premiums also decreased as employers only pay premiums on state paid unemployment benefits and a significant portion of the unemployment benefits were paid by the federal government as noted above. In addition, the federal government also paid for a portion of the employer premiums; thus, reducing the premiums billed to employers even further.

**Charges for Services - Business-Type Activities**  
Fiscal Years Ended June 30, 2021 and 2020  
(In Thousands)



**Expenses Net of Pension Impact - Business-Type Activities**  
Fiscal Years Ended June 30, 2021, and 2020  
(In Thousands)



#### Long-Term Liabilities

The state's total long-term liabilities increased by \$1.2 billion (8.9 percent) during the current fiscal year. This increase is attributable to a Title X11 advance from the federal government to cover the Unemployment Insurance Fund (enterprise fund) deficit and an increase in Net Pension Liability of \$131.7 million. 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 \$16.8 billion, an increase of \$3.9 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 \$8.9 billion, an increase of \$3.3 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 earner's taxable income including capital gains increased during the current year and corporate profits were significantly higher. In addition, disposable cash increased as a result of the increase in wages and the additional federal unemployment benefits resulting in increased consumer spending, which contributed to the increase in sales taxes. Tobacco settlement increased as a



result of the court settlement on past unpaid tobacco settlements. The increase in other taxes resulted from an increase in lawful gambling, mortgage, and deed transfer taxes as well as an increase in hospital surcharge taxes as a result of patients receiving healthcare services after the slowdown in the prior year due to the pandemic. The majority of the increase in other revenue related to a receipt of the excess surplus from the Workers' Compensation Assigned Risk Plan (component unit) during the current year.

The General Fund expenditures, net of expenditures related to COVID-19, increased slightly over the prior year. General education expenditures increased as a result of the two percent per pupil formula increase, which was partially offset by a decrease in the number of pupils. Human services expenditures increased due to an increase in caseloads in the state welfare program for low income families with children. Even though the caseload for medical assistance increased during the current year, this increase was shifted from the General Fund to the Federal Fund due to the increase in the federal participation rate due to the COVID-19 pandemic that was in place for two additional quarters during the current year. The intergovernmental aid expenditure increase was the result of an increase in grants to local governments. Public safety expenditures increase during the current year as a result of 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.

During the current year, motor vehicle taxes increased in the Trunk Highway Fund (special revenue fund) as a result of an increase in new and used motor vehicles sales.

The decrease in transportation expenditures resulted from a decrease in grants to local units of government in the Municipal State-aid Street Fund (special revenue fund) and an increase in capitalized projects in the Trunk Highway Fund (special revenue fund). 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 decreased by \$1.2 billion during the current year. This primarily resulted from a \$10.5 million increase in net position of the State Colleges and Universities Fund and a \$1.2 billion decrease in net position of the Unemployment Insurance Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

#### Internal Service Funds

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

The implementation of GASB 68, "Accounting and Financial Reporting for Pensions," which required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions, has caused many of the nonmajor enterprise and internal services funds to end the fiscal year in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and state Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include the pension-related liabilities or deferred inflow and outflows of resources in the

rate-setting process for managing these funds as long as the funds are contributing the statutory required contributions. The amounts will continue to be monitored by the retirement systems administering these plans and the state Legislature.

### General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2021. These are material to understanding changes in General Fund balances that occurred in fiscal year 2021. 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 2021.

#### Actions Establishing the Fiscal Year 2021 Budget

The budget for state fiscal year 2021 was adopted in May and June 2019. The February 2019 Budget and Economic Forecast projected a budgetary balance of \$1.052 billion for the 2020-21 biennium. General Fund revenues for the biennium were forecast to be \$47.941 billion, \$2.728 billion (6.0 percent) higher than the previous biennium. General Fund expenditures for the biennium were expected to be \$47.403 billion, \$1.895 billion (4.2 percent) higher than the previous biennium. The 2019 Legislative Sessions concluded on May 25, 2019, with a balanced budget for the 2020-21 biennium. The enacted budget increased net General Fund revenues by \$214 million and appropriated an additional \$1.067 billion over the February 2019 Forecast base spending amount; changes were not made to the reserves. After accounting for all revenue and expenditure changes enacted for the current biennium, the General Fund balance at the end of the 2020-21 biennium was estimated to be \$242 million.

Investments over base spending in the General Fund included \$569 million in new spending in E-12 education, largely due to 2 percent annual increase to the basic education formula, \$150 million increase in higher education spending, \$132 million higher spending for the courts and public safety, \$84 million higher appropriations for transportation spending, a \$64 million increase in property tax aids and credits and \$184 million in other areas of the budget. The spending increases were offset by a \$101 million spending decrease in health and human services due to \$270 million in costs transferred to the Health Care Access Fund (special revenue fund), which was partially offset by other investments in health and human services. Revenue changes included conformity to federal tax law for individual income taxes, pass-through income, and corporate income taxes, which generated additional General Fund revenue. The net tax income increase was then partially offset by a reduction to income tax rates, expansion of the working family credit, and a reduction to the statewide property tax. Transfers from other funds also added resources to the General Fund.

After the 2019 legislative sessions, the enacted budget for fiscal year 2021 included \$3.080 billion in carry forward from fiscal year 2019, \$48.155 billion in General Fund revenues, \$48.470 billion in General Fund spending, \$2.425 billion in cash flow and budgetary reserves, \$98 million in a stadium reserve account, and a \$242 million ending budgetary balance.

#### Budget and Forecast Actions Impacting Fiscal Year 2021

The November 2019 Budget and Economic Forecast increased the projected balance for the 2020-21 biennium to \$1.616 billion. However, under statutory requirements, a portion of any November forecast balance is allocated to the Budget Reserve Account until the statutorily defined target is met. With the November 2019 forecast, \$284 million was allocated to the Budget Reserve Account, bringing it to the target level of \$2.359 billion. After the reserve allocation, the available General Fund balance was \$1.332 billion. The overall forecast gain was driven by a favorable close to fiscal year 2019 which increased

resources carried into fiscal year 2020 by \$815 million and the General Fund revenue forecast was increased \$501 million. Spending estimates were largely unchanged, down \$7 million.

With the February 2020 forecast, an improved revenue forecast and lower spending estimates resulted in a \$181 million increase in the projected balance compared to the November 2019 forecast. Given this, the 2020-21 biennium was projected to conclude with a budgetary balance of \$1.513 billion.

In May 2020, Minnesota Management and Budget released a limited interim budget projection in order to give policy makers updated budget information after the onset of the COVID-19 pandemic and resulting economic changes. The projection was more limited than the regular November and February budget and economic forecasts. For revenues, only the largest General Fund revenue sources – income, sales, corporate, and select excise taxes – were re-estimated. For expenditures, only Medicaid, including increased federal participation, and other public programs administered by the Department of Human Services were re-estimated. Legislative action taken prior to the release of the May 2020 Interim Budget Projection was also included.

The COVID-19 pandemic and resulting economic crisis was estimated to have had direct and immediate impact on the 2020-21 biennium General Fund budget. With the May 2020 Interim Budget Projection, General Fund revenue was projected to be \$3.611 billion (7.4 percent) lower than the February 2020 forecast and state spending, including enacted appropriations, was expected to be \$391 million higher than the February 2020 forecast. These changes, partially offset by a \$63 million lower forecast balance in the Stadium Reserve Account, resulted in a projected deficit of \$2.426 billion for the biennium. By law, the \$2.359 billion Budget Reserve Account and \$350 million Cash Flow Account remained intact with this projection. Legislative changes in the 2020 regular session and multiple special sessions reduced the projected deficit in the 2020-21 biennium to \$2.314 billion.

Eight months into the pandemic, the impact on state revenues and spending was not as expected in May 2020. The November 2020 forecast showed significant improvement to the state's financial position for the 2020-21 biennium. A surplus of \$636 million was projected for the 2020-21 biennium. A favorable closing variance to fiscal year 2020 added \$187 million to the ending balance and \$1.912 billion (4.2 percent) was added to the revenue forecast for fiscal year 2021. Additionally, spending was down \$1.053 billion (2.2 percent) largely due to higher federal participation in Medical Assistance (MA) combined with lower health care consumption. The stadium reserve was increased by \$15 million.

Given the newly projected surplus in fiscal year 2021, the legislature convened in December 2020 to establish one-time state aid programs for pandemic business relief and unemployment insurance. In total, \$242 million was appropriated for business relief to small businesses, bars, restaurants, movie theaters, and bowling alleys in addition to a contingent appropriation for unemployment insurance. At the conclusion for the December 2020 special session, \$384 million remained in the ending balance.

The February 2021 forecast increased the General Fund revenue projection for fiscal year 2021 and adjusted down spending estimates relative to prior estimates. The revenue forecast added \$544 million (1.1 percent) while spending estimates were reduced \$83 million (0.2 percent) compared to the November 2020 forecast, adjusted for actions in the December special session. The \$2.377 budget reserve balance, \$350 million cash flow account, and \$81 million stadium reserve were unchanged from prior estimates.

The 2021 regular and special legislative session made minimal changes to the 2020-21 biennial budget. Changes including recognizing \$30 million in cancellations from unspent appropriations and \$60 million in allocating prior General Fund spending to the federal coronavirus relief funds resulted in adding \$90 million to the projected ending balance for the biennium. As of the end of the 2021 special legislative session in June, the 2020-21 biennium was projected to end with a balance of \$1.112 billion.

The biennium ended with a positive General Fund balance of \$4.052 billion, \$2.940 billion higher than estimated at the end of the 2021 legislative sessions. At close, the 2020-21 biennial total resources – including tax and non-tax revenues, transfers-in, and prior year adjustments were \$2.775 billion (5.8 percent) higher than prior estimates. Tax revenues were \$2.616 billion (5.8 percent) while non-tax revenue was \$69 million (4.1 percent) higher than projected. Transfers from other funds and other resources were \$91 million (9.9 percent) higher primarily due to reallocating prior year spending from the COVID-19 response account to federal sources, resulting in remaining funds transferring back to the General Fund.

Actual spending for the 2020-21 biennium was \$331 million (0.7 percent) below the end of session estimates, however, a significant portion of that total, \$111 million, is attributed to unspent appropriations that carried forward into the current biennium and are available to be spent. Health and human services spending was \$102 million lower, which was driven by lower spending in operating and grant programs; \$19 million of the savings carries forward and is appropriated for spending in the 2022-23 biennium. E-12 education spending was \$84 million (0.4 percent) below the end of session estimates primarily due to fewer-than-expected students. Property tax aids and credits expenditures were \$80 million (2.0 percent) lower than end of session estimates mainly due to refinancing COVID-19 small business relief payments for restaurants, bars, gyms, and bowling centers with federal Coronavirus Relief funds.

The 2020-21 biennium concluded with a budget reserve balance of \$2.406 billion, \$29 million higher than expected due to a statutory allocation of surplus assigned risk insurance funds. The stadium reserve ended the biennium with a balance of \$107 million, \$26 million higher than projected due to higher lawful gambling receipts. The cash flow account was unchanged from prior estimates, ending with a balance of \$350 million.

#### **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 2021 with a balance of \$4.669 billion. On a GAAP basis, the General Fund reported a balance of \$8.908 billion for fiscal year 2021, a difference of \$4.239 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 \$2.679 billion. The difference between the GAAP basis and budgetary basis fund balance of the General Fund, excluding these additional funds not reported in the budgetary fund balance, was \$1.560 billion. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 18 – Budgetary Basis vs. GAAP of the notes to the financial statements.

When the May 2020 Interim budget projection was released, a deficit of \$2.426 billion was projected for the biennium. Subsequent legislative changes in the 2020 regular session and multiple special sessions reduced the projected deficit in the 2020-21 biennium to \$2.314 billion. Eight months into the pandemic, the impact on state revenues and spending was not the same as expected in May. The November 2020 forecast showed significant improvement to the state's financial position. A surplus of \$636 million was projected

for the 2020-21 biennium, an improvement of \$2.950 billion compared to estimates published at the end of the October special session.

Revenue in the 2020-21 biennium was projected to reach \$47.100 billion, an increase of \$1.912 billion (4.2 percent) over end of session estimates. Forecast increases in all major taxes contributed to the overall change.

Reduced spending in fiscal year 2020 combined with reduced estimated spending in fiscal year 2021 resulted in a total of \$1.053 billion (2.2 percent) in lower spending projected for the current biennium compared to May estimates, adjusted for legislative changes in the summer and fall. Lower health and human services spending accounted for the majority of change in the spending estimates. Higher federal participation in Medical Assistance combined with lower health care consumption drives the downward forecast adjustment in health and human services. E-12 education spending and debt service spending were also projected to be lower than prior estimates. After adjusting for forecast changes, total spending for the 2020-21 biennium was projected to be \$47.627 billion.

Minnesota Statutes 16A.152 directs MMB to allocate funds to the budget reserve account up to the recommended budget reserve level when there is a projected surplus in the current biennium in the November Budget and Economic Forecast. The 2020-21 biennial budget reserve balance of \$2.377 billion exceeded this target level so there was no additional allocation to the budget reserve with the November 2020 Budget and Economic Forecast. The 2020-21 biennium projected balance of the stadium reserve account was \$81 million, \$15 million higher than prior estimates. The Cash Flow account balance was unchanged at \$350 million.

The May 2020 interim budget projection, adjusted for legislative changes in the summer and fall, estimated that spending would exceed revenue in the 2022-23 biennium by almost \$5 billion. Current law reduces the balance of the budget reserve by \$491 million in fiscal year 2022 and the stadium reserve growth impacts the General Fund bottom line. After accounting for reserve changes and excluding the impact of the budgetary balance in the current biennium, prior projections estimate a \$4.539 billion budgetary shortfall in 2022-23 biennium. With the updated November 2020 Budget and Economic Forecast, the improved revenue outlook and lower spending estimates in the 2020-21 biennium carry through the budget horizon into the 2022-23 biennium, resulting in a projected budgetary shortfall of \$1.273 billion for the next biennium. This projected shortfall excludes any balance from the current biennium.

## Capital Asset and Debt Administration

### Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2021, was \$26.6 billion, less accumulated depreciation of \$5.2 billion, resulting in a net book value of \$21.4 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures, internally generated computer software, and equipment. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

### Capital Assets June 30, 2021 and 2020 (In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Capital Assets not Depreciated:						
Land	\$ 2,844,724	\$ 2,788,654	\$ 93,934	\$ 94,996	\$ 2,938,658	\$ 2,883,650
Buildings, Structures, Improvements	342,252	333,834	—	—	342,252	333,834
Construction in Progress	217,477	316,029	73,166	114,572	290,643	430,601
Development in Progress	244,144	231,748	—	—	244,144	231,748
Infrastructure	12,278,516	11,725,576	—	—	12,278,516	11,725,576
Easements	516,407	466,507	—	—	516,407	466,507
Art and Historical Treasures	9,071	7,724	—	—	9,071	7,724
Total Capital Assets not Depreciated	\$ 16,452,591	\$ 15,870,072	\$ 167,696	\$ 209,568	\$ 16,620,287	\$ 16,079,640
Capital Assets Depreciated:						
Buildings, Structures, Improvements	\$ 3,686,627	\$ 3,481,419	\$ 3,967,581	\$ 3,895,565	\$ 7,654,208	\$ 7,376,984
Infrastructure	452,059	423,225	30,251	28,153	482,310	451,378
Library Collections	—	—	34,686	35,784	34,686	35,784
Internally Generated Computer Software	402,586	434,146	64,877	65,047	467,463	499,193
Easements	4,028	3,897	—	—	4,028	3,897
Equipment, Furniture, Fixtures	967,963	928,644	350,705	347,171	1,318,668	1,275,815
Total Capital Assets Depreciated	\$ 5,513,263	\$ 5,271,331	\$ 4,448,100	\$ 4,371,720	\$ 9,961,363	\$ 9,643,051
Less: Accumulated Depreciation	(2,655,308)	(2,509,905)	(2,517,927)	(2,408,435)	(5,173,235)	(4,918,340)
Capital Assets Net of Depreciation	\$ 2,857,955	\$ 2,761,426	\$ 1,930,173	\$ 1,963,285	\$ 4,788,128	\$ 4,724,711
Total	\$ 19,310,546	\$ 18,631,498	\$ 2,097,869	\$ 2,172,853	\$ 21,408,415	\$ 20,804,351

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 2020, indicated that the average PQI for principal arterial pavement was 3.6 and 3.4 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 2020, indicated that 94.6 percent of principal arterial system bridges and 94.0 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

During the current year, expenditures were fairly consistent with budget. The increase in capitalized pavement expenditures compared to budget is primarily related to additional costs on projects associated with a change in scope.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 – Capital Assets of the notes to the financial statements and in the required supplementary information, respectively.

### Debt Administration

The authority of the state to incur general obligation debt is described in Article XI, Sections 5 and 7, of the state's constitution. General obligation bonds, issued by the state, are backed by the full faith, credit, and taxing powers of the state.

The state's general obligation bonds were rated on June 30, 2021, as follows:

- AAA by Fitch Ratings
- AAA by Standard & Poor's
- Aa1 by Moody's Investors Service

The Legislature also statutorily authorizes other types of debt.

The state issues revenue bonds, which are payable solely from rentals, revenues, and other income, and charges and monies that were pledged for repayment.

The state issued state General Fund appropriation refunding bonds to refund bonds issued by a blended component unit, Tobacco Securitization Authority, which no longer exists. The state also issued state General Fund appropriation bonds to finance the state and City of Minneapolis shares of the costs of a professional football stadium project and the state financed the Lewis and Clark Regional Water System project.

The Certificates of Participation were issued by the state to finance the statewide systems, integrated tax system, and the legislative office facility.

### Outstanding Bonded Debt and Unamortized Premium June 30, 2021 and 2020 (In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
General Obligation	\$ 6,915,311	\$ 7,025,411	\$ 199,199	\$ 214,906	\$ 7,114,510	\$ 7,240,317
Revenue	28,580	31,410	232,993	266,519	261,573	297,929
State Appropriation Bonds	956,012	944,767	—	—	956,012	944,767
Certificate of Participation	76,257	79,038	—	—	76,257	79,038
Total	\$ 7,976,160	\$ 8,080,626	\$ 432,192	\$ 481,425	\$ 8,408,352	\$ 8,562,051

During fiscal year 2021, the state issued the following bonds:

- \$330.4 million in general obligation state various purpose bonds
- \$152.0 million in general obligation state trunk highway bonds
- \$20.5 million in taxable state bonds
- \$128.1 million in state various purpose refunding bonds
- \$163.4 million in state trunk highway refunding bonds
- \$224.0 million in taxable state various purpose bonds
- \$180.2 million in taxable state trunk highway refunding bonds
- \$66.3 million in state appropriation bonds for the Duluth Regional Exchange District

Additional information on the state's long-term debt obligations is located in Note 12 – General Long-Term Liabilities – Primary Government in the notes to the financial statements.

### Requests for Information

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

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

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

**STATE OF MINNESOTA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**  
**(IN THOUSANDS)**

	PRIMARY GOVERNMENT				COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 17,241,355	\$ 1,884,371	\$ 19,125,726	\$ 1,667,600	
Investments	4,013,460	24,813	4,038,273	1,351,386	
Accounts Receivable	3,268,782	511,931	3,780,713	562,140	
Due from Component Units	21,167	—	21,167	—	
Due from Primary Government	—	—	—	292,674	
Accrued Investment/Interest Income	27,803	—	27,803	28,699	
Federal Aid Receivable	2,462,068	167,719	2,629,787	180,606	
Inventories	52,622	23,138	75,760	62,989	
Loans and Notes Receivable	22,180	3,439	25,619	303,321	
Internal Balances	4,427	(4,427)	—	—	
Other Assets	13,145	4,295	17,440	47,942	
Total Current Assets	\$ 27,127,009	\$ 2,615,279	\$ 29,742,288	\$ 4,497,357	
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	\$ —	\$ 56,607	\$ 56,607	\$ 2,132,730	
Investments-Restricted	—	303	303	3,188,868	
Accounts Receivable-Restricted	—	—	—	101,316	
Due from Primary Government-Restricted	—	—	—	2,857	
Due from Primary Government	—	—	—	2,231	
Due from Component Units	96,494	—	96,494	—	
Investments	—	—	—	6,993,749	
Accounts Receivable	743,269	2,376	745,645	493,089	
Loans and Notes Receivable	209,616	10,951	220,567	3,076,547	
Depreciable Capital Assets (Net)	2,857,955	1,930,173	4,788,128	7,042,544	
Nondepreciable Capital Assets	4,174,075	167,696	4,341,771	2,418,060	
Infrastructure (Not depreciated)	12,278,516	—	12,278,516	—	
Other Assets	1,973	—	1,973	18,313	
Total Noncurrent Assets	\$ 20,361,898	\$ 2,168,106	\$ 22,530,004	\$ 25,470,304	
Total Assets	\$ 47,488,907	\$ 4,783,385	\$ 52,272,292	\$ 29,967,661	
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated Decrease in Fair Value of Hedging Derivative Instruments	\$ —	\$ —	\$ —	\$ 13,932	
Bond Refunding	98,421	1,823	100,244	5,470	
Deferred Pension Outflows	817,343	151,243	968,586	80,815	
Deferred Other Postemployment Benefits Outflows	101,240	22,441	123,681	73,511	
Deferred Derivative Instrument Outflows	—	—	—	1,495	
Total Deferred Outflows of Resources	\$ 1,017,004	\$ 175,507	\$ 1,192,511	\$ 175,223	
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 6,701,710	\$ 451,921	\$ 7,153,631	\$ 476,213	
Due to Component Units	239,945	—	239,945	—	
Due to Primary Government	—	—	—	52,322	
Unearned Revenue	1,548,094	499,708	2,047,802	154,775	
Accrued Interest Payable	108,109	—	108,109	55,038	
Bonds and Notes Payable	575,845	87,388	663,233	961,065	
Capital Leases Payable	11,171	1,699	12,870	5,492	
Certificates of Participation Payable	2,405	—	2,405	—	
Claims Payable	181,883	33,508	215,391	271,627	
Compensated Absences Payable	52,761	19,212	71,973	273,721	
Other Liabilities	—	13,810	13,810	4,169	
Total Current Liabilities	\$ 9,421,923	\$ 1,107,246	\$ 10,529,169	\$ 2,254,422	

**STATE OF MINNESOTA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**  
**(IN THOUSANDS)**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Noncurrent Liabilities:				
Accounts Payable-Restricted	\$ —	\$ —	\$ —	\$ 164,162
Unearned Revenue-Restricted	—	—	—	185,152
Accrued Interest Payable-Restricted	—	—	—	13,390
Accounts Payable	—	—	—	66,251
Due to Primary Government	—	—	—	96,494
Unearned Revenue	143,394	281	143,675	12,576
Interest Rate Swap Agreements	—	—	—	13,932
Bonds and Notes Payable	7,372,764	1,495,423	8,868,187	7,073,134
Due to Component Units	2,231	—	2,231	—
Capital Leases Payable	29,876	2,665	32,541	24,460
Certificates of Participation Payable	73,852	—	73,852	—
Claims Payable	693,849	1,505	695,354	588,075
Compensated Absences Payable	342,034	147,793	489,827	40,428
Other Postemployment Benefits	600,933	86,968	687,901	417,382
Net Pension Liability	2,856,818	382,578	3,239,396	345,873
Funds Held in Trust	—	—	—	562,873
Other Liabilities	—	12,775	12,775	50,594
Total Noncurrent Liabilities	\$ 12,115,751	\$ 2,129,988	\$ 14,245,739	\$ 9,654,776
Total Liabilities	\$ 21,537,674	\$ 3,237,234	\$ 24,774,908	\$ 11,909,198
DEFERRED INFLOWS OF RESOURCES				
Bond Refunding	\$ 23,794	\$ 3,190	\$ 26,984	\$ 5,263
Capital Lease Restructuring	8,082	—	8,082	—
Deferred Revenue	445,189	—	445,189	36,854
Deferred Pension Inflows	2,970,597	539,075	3,509,672	778,262
Deferred Other Postemployment Benefits Inflows	97,415	23,746	121,161	13,347
Total Deferred Inflows of Resources	\$ 3,545,077	\$ 566,011	\$ 4,111,088	\$ 833,726
NET POSITION				
Net Investment in Capital Assets	\$ 15,704,737	\$ 1,671,095	\$ 17,375,832	\$ 6,273,615
Restricted to:				
Improve Agricultural, Environmental and Energy Resources	\$ 3,443,981	\$ —	\$ 3,443,981	\$ —
Enhance Arts and Culture	44,861	—	44,861	—
Acquire, Maintain, and Improve Land and Buildings	—	288	288	—
Retire Indebtedness	410,138	118,635	528,773	—
Develop Economy and Workforce	200,111	3,696	203,807	—
Enhance E-12 Education	16,778	—	16,778	—
Enhance State Government	63,258	—	63,258	—
Enhance Health and Human Services	81,916	—	81,916	—
Enhance Higher Education	388	24,190	24,578	—
Enhance 911 Services and Increase Safety	7,595	97,792	105,387	—
School Aid-Expendable	9,242	—	9,242	—
School Aid-Nonexpendable	1,958,436	—	1,958,436	—
Construct Highways and Improve Infrastructure	1,778,881	—	1,778,881	—
Other Purposes	—	84,836	84,836	—
Component Units	—	—	—	10,013,254
Total Restricted	\$ 8,015,585	\$ 329,437	\$ 8,345,022	\$ 10,013,254
Unrestricted	\$ (297,162)	\$ (844,885)	\$ (1,142,047)	\$ 1,113,091
Total Net Position	\$ 23,423,160	\$ 1,155,647	\$ 24,578,807	\$ 17,399,960

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**  
**(IN THOUSANDS)**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources .....	\$ 1,363,384	\$ 501,373	\$ 736,155	\$ 14,143
Economic and Workforce Development .....	942,801	69,751	360,998	—
General Education .....	11,785,920	12,564	1,877,679	—
General Government .....	1,461,124	350,360	49,384	36
Health and Human Services .....	21,194,790	493,839	13,141,618	—
Higher Education .....	1,038,674	—	193	—
Intergovernmental Aid .....	2,860,441	—	902,676	—
Public Safety and Corrections .....	1,359,127	205,024	197,383	—
Transportation .....	3,462,174	54,396	773,777	208,029
Interest .....	41,328	—	—	—
Total Governmental Activities .....	<u>\$ 45,509,763</u>	<u>\$ 1,687,307</u>	<u>\$ 18,039,863</u>	<u>\$ 222,208</u>
Business-type Activities:				
State Colleges and Universities .....	\$ 2,076,496	\$ 751,197	\$ 531,160	\$ —
Unemployment Insurance .....	7,884,357	661,954	5,987,660	—
Lottery .....	615,118	803,641	—	—
Others .....	640,261	655,813	—	—
Total Business-type Activities .....	<u>\$ 11,216,232</u>	<u>\$ 2,872,605</u>	<u>\$ 6,518,820</u>	<u>\$ —</u>
Total Primary Government .....	<u>\$ 56,725,995</u>	<u>\$ 4,559,912</u>	<u>\$ 24,558,683</u>	<u>\$ 222,208</u>
Component Units:				
Housing Finance .....	\$ 663,798	\$ 118,063	\$ 743,989	\$ —
Metropolitan Council .....	1,218,241	350,568	769,592	552,055
University of Minnesota .....	4,124,286	1,265,801	1,946,761	75,659
Others .....	667,744	123,151	201,357	4,572
Total Component Units .....	<u>\$ 6,674,069</u>	<u>\$ 1,857,583</u>	<u>\$ 3,661,699</u>	<u>\$ 632,286</u>
General Revenues:				
Taxes:				
Individual Income Taxes .....	\$ 14,199,891	\$ —	\$ 14,199,891	\$ —
Corporate Income Taxes .....	2,402,120	—	2,402,120	—
Sales Taxes .....	6,736,757	—	6,736,757	—
Property Taxes .....	788,623	—	788,623	—
Motor Vehicle Taxes .....	1,836,728	—	1,836,728	—
Fuel Taxes .....	855,981	—	855,981	—
Other Taxes .....	3,315,179	—	3,315,179	88,027
Tobacco Settlement .....	259,124	—	259,124	—
Unallocated Investment/Interest Income .....	97,485	7,923	105,408	1,772,328
Other Revenues .....	155,267	918	156,185	258,587
State Grants Not Restricted .....	—	—	—	1,091,081
Transfers .....	(620,256)	620,256	—	—
Total General Revenues and Transfers .....	<u>\$ 30,026,899</u>	<u>\$ 629,097</u>	<u>\$ 30,655,996</u>	<u>\$ 3,210,023</u>
Change in Net Position .....	<u>\$ 4,466,514</u>	<u>\$ (1,195,710)</u>	<u>\$ 3,270,804</u>	<u>\$ 2,687,522</u>
Net Position, Beginning, as Reported .....	\$ 18,863,481	\$ 2,351,357	\$ 21,214,838	\$ 14,706,845
Prior Period Adjustments .....	87,719	—	87,719	—
Change in Accounting Principle .....	5,446	—	5,446	5,593
Net Position, Beginning, as Restated .....	<u>\$ 18,956,646</u>	<u>\$ 2,351,357</u>	<u>\$ 21,308,003</u>	<u>\$ 14,712,438</u>
Net Position, Ending .....	<u>\$ 23,423,160</u>	<u>\$ 1,155,647</u>	<u>\$ 24,578,807</u>	<u>\$ 17,399,960</u>

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
\$ (111,713)		\$ (111,713)	
(512,052)		(512,052)	
(9,895,677)		(9,895,677)	
(1,061,344)		(1,061,344)	
(7,559,333)		(7,559,333)	
(1,038,481)		(1,038,481)	
(1,957,765)		(1,957,765)	
(956,720)		(956,720)	
(2,425,972)		(2,425,972)	
<u>(41,328)</u>		<u>(41,328)</u>	
<u>\$ (25,560,385)</u>		<u>\$ (25,560,385)</u>	
	\$ (794,139)	\$ (794,139)	
	(1,234,743)	(1,234,743)	
	188,523	188,523	
	<u>15,552</u>	<u>15,552</u>	
	<u>\$ (1,824,807)</u>	<u>\$ (1,824,807)</u>	
<u>\$ (25,560,385)</u>	<u>\$ (1,824,807)</u>	<u>\$ (27,385,192)</u>	
			\$ 198,254
			453,974
			(836,065)
			<u>(338,664)</u>
			<u>\$ (522,501)</u>

**STATE OF MINNESOTA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2021**  
**(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,337,281	\$ 1,596,685	\$ 5,685,325	\$ 16,619,291
Investments	1,651,652	—	2,361,808	4,013,460
Accounts Receivable	3,191,029	515,355	300,082	4,006,466
Interfund Receivables	226,223	49	425,918	652,190
Due from Component Units	5,467	—	112,194	117,661
Accrued Investment/Interest Income	21,702	—	6,101	27,803
Federal Aid Receivable	—	2,400,967	61,101	2,462,068
Inventories	—	5,763	46,447	52,210
Loans and Notes Receivable	96,388	4,767	130,641	231,796
Other Assets	—	—	19	19
Investment in Land	—	—	15,956	15,956
Total Assets	<u>\$ 14,529,742</u>	<u>\$ 4,523,586</u>	<u>\$ 9,145,592</u>	<u>\$ 28,198,920</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,259,496	\$ 2,754,808	\$ 722,476	\$ 6,736,780
Interfund Payables	46,567	104,396	444,332	595,295
Due to Component Units	111,429	115,777	12,068	239,274
Unearned Revenue	149,027	1,531,019	—	1,680,046
Total Liabilities	<u>\$ 3,566,519</u>	<u>\$ 4,506,000</u>	<u>\$ 1,178,876</u>	<u>\$ 9,251,395</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Revenue	\$ 2,055,349	—	\$ 107,164	\$ 2,162,513
Total Deferred Inflows of Resources	<u>\$ 2,055,349</u>	<u>—</u>	<u>\$ 107,164</u>	<u>\$ 2,162,513</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 1,656,575	—	\$ 2,004,883	\$ 3,661,458
Restricted	91,030	12,803	4,925,392	5,029,225
Committed	69,968	—	879,424	949,392
Assigned	1,885,096	—	49,853	1,934,949
Unassigned	5,205,205	4,783	—	5,209,988
Total Fund Balances	<u>\$ 8,907,874</u>	<u>\$ 17,586</u>	<u>\$ 7,859,552</u>	<u>\$ 16,785,012</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 14,529,742</u>	<u>\$ 4,523,586</u>	<u>\$ 9,145,592</u>	<u>\$ 28,198,920</u>

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, 2021**  
**(IN THOUSANDS)**

<b>Total Fund Balance for Governmental Funds</b>	\$ 16,785,012
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Infrastructure	\$ 12,278,516
Nondepreciable Capital Assets	4,157,858
Depreciable Capital Assets	5,296,147
Accumulated Depreciation	(2,505,848)
	19,226,673
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.	1,717,324
Net Deferred Outflows (Inflows) resulting from the refunding of debt and restructuring of capital leases included in the Statement of Net Position.	66,545
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.	399,254
Deferred pension outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.	(2,077,961)
Deferred other postemployment benefits outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.	3,775
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	\$ (108,061)
General Obligation Bonds Payable	(6,080,064)
State Appropriation Bonds Payable	(873,525)
Revenue Bonds Payable	(28,580)
Loans and Notes Payable	(694)
Bond Premium Payable	(917,734)
Due to Component Units	(2,902)
Capital Leases Payable	(41,047)
Certificate of Participation Payable	(67,675)
Certificate of Participation Premium Payable	(8,582)
Claims Payable	(776,204)
Compensated Absences Payable	(379,833)
Other Postemployment Benefits	(593,129)
Net Pension Liability	(2,819,432)
	(12,697,462)
<b>Net Position of Governmental Activities</b>	<u>\$ 23,423,160</u>

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, 2021  
(IN THOUSANDS)**

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes .....	\$ 14,369,219	\$ —	\$ —	\$ 14,369,219
Corporate Income Taxes .....	2,404,057	—	—	2,404,057
Sales Taxes .....	6,150,751	—	604,416	6,755,167
Property Taxes .....	789,888	—	—	789,888
Motor Vehicle Taxes .....	392,255	—	1,444,012	1,836,267
Fuel Taxes .....	—	—	854,215	854,215
Other Taxes .....	3,074,525	—	238,582	3,313,107
Tobacco Settlement .....	254,190	—	—	254,190
Federal Revenues .....	51,409	16,695,134	583,814	17,330,357
Licenses and Fees .....	260,722	5,109	440,430	706,261
Departmental Services .....	215,104	4,761	195,935	415,800
Investment/Interest Income .....	413,345	3,331	435,761	852,437
Other Revenues .....	481,261	54,998	272,559	808,818
Net Revenues .....	<u>\$ 28,856,726</u>	<u>\$ 16,763,333</u>	<u>\$ 5,069,724</u>	<u>\$ 50,689,783</u>
Expenditures:				
Agricultural, Environmental and Energy Resources .....	\$ 360,345	\$ 270,092	\$ 692,185	\$ 1,322,622
Economic and Workforce Development .....	241,243	387,325	307,671	936,239
General Education .....	10,019,769	1,677,366	81,884	11,779,019
General Government .....	1,041,012	32,431	107,739	1,181,182
Health and Human Services .....	8,198,224	12,760,770	154,021	21,113,015
Higher Education .....	974,767	300	63,590	1,038,657
Intergovernmental Aid .....	1,957,585	902,676	180	2,860,441
Public Safety and Corrections .....	854,501	201,456	258,269	1,314,226
Transportation .....	536,619	429,934	2,443,046	3,409,599
Total Current Expenditures .....	\$ 24,184,065	\$ 16,662,350	\$ 4,108,585	\$ 44,955,000
Capital Outlay .....	67,393	63,079	798,984	929,456
Debt Service .....	33,425	—	932,716	966,141
Total Expenditures .....	<u>\$ 24,284,883</u>	<u>\$ 16,725,429</u>	<u>\$ 5,840,285</u>	<u>\$ 46,850,597</u>
Excess of Revenues Over (Under) Expenditures .....	\$ 4,571,843	\$ 37,904	\$ (770,561)	\$ 3,839,186
Other Financing Sources (Uses):				
Bond Issuance .....	\$ —	\$ —	\$ 563,000	\$ 563,000
Issuance of Refunding Bonds .....	—	—	695,655	695,655
Payment to Refunded Bonds Escrow Agent .....	—	—	(695,655)	(695,655)
Bond Issuance Premium .....	—	—	146,688	146,688
Transfers-In .....	274,195	1,032	1,019,240	1,294,467
Transfers-Out .....	(1,582,685)	(43,174)	(341,540)	(1,967,399)
Net Other Financing Sources (Uses) .....	\$ (1,308,490)	\$ (42,142)	\$ 1,387,388	\$ 36,756
Net Change in Fund Balances .....	\$ 3,263,353	\$ (4,238)	\$ 616,827	\$ 3,875,942
Fund Balances, Beginning, as Reported .....	\$ 5,554,701	\$ 17,963	\$ 7,243,241	\$ 12,815,905
Prior Period Adjustments .....	87,719	—	—	87,719
Change in Accounting Principle .....	2,101	3,861	(516)	5,446
Fund Balances, Beginning, as Restated .....	\$ 5,644,521	\$ 21,824	\$ 7,242,725	\$ 12,909,070
Fund Balances, Ending .....	<u>\$ 8,907,874</u>	<u>\$ 17,586</u>	<u>\$ 7,859,552</u>	<u>\$ 16,785,012</u>

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, 2021  
(IN THOUSANDS)**

<b>Net Change in Fund Balances for Governmental Funds</b>	<b>\$ 3,875,942</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded the depreciation in the current period.	
Capital Outlay	\$ 929,456
Depreciation	(238,713)
	690,743
Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported.	(5,697)
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.	55,143
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	(186,176)
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.	(1,405,343)
Net changes due to the additions and amortization of deferred inflows and outflows related to the refunding of debt and restructuring of capital leases is reported in the Statement of Activities but not included in governmental funds.	92,231
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.	(108,341)
Net changes in the other postemployment benefits liability and the additions and amortization of deferred inflows and outflows related to other postemployment benefits is reported in the Statement of Activities but not included in governmental funds.	(19,178)
Repayment of bonds, loans, and capital leases are reported as expenditures in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.	1,521,159
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.	(43,969)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 4,466,514</u></b>

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, 2021  
(IN THOUSANDS)**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes .....	\$ 12,051,200	\$ 12,569,700	\$ 14,103,661
Corporate Income Taxes .....	1,154,679	1,731,340	2,387,370
Sales Taxes .....	4,993,622	5,805,452	6,141,166
Property Taxes .....	823,446	805,026	803,134
Other Taxes .....	2,617,752	2,890,801	2,968,586
Tobacco Settlement .....	154,241	239,062	254,190
Licenses and Fees .....	234,371	236,149	256,380
Departmental Services .....	126,914	121,321	118,615
Investment/Interest Income .....	21,352	26,955	24,950
Other Revenues .....	345,377	381,246	425,371
Net Revenues .....	\$ 22,522,954	\$ 24,807,052	\$ 27,483,423
Expenditures:			
Agricultural, Environmental and Energy Resources .....	\$ 236,145	\$ 231,997	\$ 225,385
Economic and Workforce Development .....	198,280	199,771	196,842
General Education .....	10,041,887	9,990,614	9,962,951
General Government .....	1,035,685	1,141,905	1,125,395
Health and Human Services .....	8,808,561	8,057,183	7,378,969
Higher Education .....	943,619	947,470	942,949
Intergovernmental Aid .....	1,945,357	1,966,997	1,945,462
Public Safety and Corrections .....	847,612	873,729	859,307
Transportation .....	127,044	127,306	127,145
Total Expenditures .....	\$ 24,184,190	\$ 23,536,972	\$ 22,764,405
Excess of Revenues Over (Under) Expenditures .....	\$ (1,661,236)	\$ 1,270,080	\$ 4,719,018
Other Financing Sources (Uses):			
Transfers-In .....	\$ 177,973	\$ 301,915	\$ 333,695
Transfers-Out .....	(1,899,043)	(1,899,043)	(1,899,043)
Net Other Financing Sources (Uses) .....	\$ (1,721,070)	\$ (1,597,128)	\$ (1,565,348)
Net Change in Fund Balances .....	\$ (3,382,306)	\$ (327,048)	\$ 3,153,670
Fund Balances, Beginning, as Reported .....	\$ 4,227,466	\$ 4,227,466	\$ 4,227,466
Prior Period Adjustments .....	—	—	312,364
Fund Balances, Beginning, as Restated .....	\$ 4,227,466	\$ 4,227,466	\$ 4,539,830
Budgetary Fund Balances, Ending .....	\$ 845,160	\$ 3,900,418	\$ 7,693,500
Less: Appropriation Carryover .....	—	—	116,747
Less: Reserved for Long-Term Receivables .....	—	—	44,951
Less: Budgetary Reserve .....	—	—	2,863,061
Unassigned Fund Balance, Ending .....	\$ 845,160	\$ 3,900,418	\$ 4,668,741

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**
**PROPRIETARY FUNDS**
**STATEMENT OF NET POSITION  
JUNE 30, 2021  
(IN THOUSANDS)**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
ASSETS					
Current Assets:					
Cash and Cash Equivalents .....	\$ 1,062,418	\$ 482,263	\$ 339,690	\$ 1,884,371	\$ 622,064
Investments .....	24,813	—	—	24,813	—
Accounts Receivable .....	62,053	408,352	41,526	511,931	92,027
Interfund Receivables .....	29,150	5,598	6,000	40,748	325
Federal Aid Receivable .....	69,979	97,740	—	167,719	—
Inventories .....	14,178	—	8,960	23,138	412
Loans and Notes Receivable .....	3,439	—	—	3,439	—
Prepaid Expenses .....	3,788	—	507	4,295	13,126
Total Current Assets .....	\$ 1,269,818	\$ 993,953	\$ 396,683	\$ 2,660,454	\$ 727,954
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted .....	\$ 56,607	\$ —	\$ —	\$ 56,607	\$ —
Investments-Restricted .....	303	—	—	303	—
Accounts Receivable .....	—	—	2,376	2,376	—
Loans and Notes Receivable .....	10,951	—	—	10,951	—
Depreciable Capital Assets (Net) .....	1,790,687	—	139,486	1,930,173	67,656
Nondepreciable Capital Assets .....	149,886	—	17,810	167,696	261
Prepaid Expenses .....	—	—	—	—	1,973
Total Noncurrent Assets .....	\$ 2,008,434	\$ —	\$ 159,672	\$ 2,168,106	\$ 69,890
Total Assets .....	\$ 3,278,252	\$ 993,953	\$ 556,355	\$ 4,828,560	\$ 797,844
DEFERRED OUTFLOWS OF RESOURCES					
Bond Refunding .....	\$ 1,823	\$ —	\$ —	\$ 1,823	\$ —
Deferred Pension Outflows .....	142,617	—	8,626	151,243	9,492
Deferred Other Postemployment Benefits Outflows .....	19,158	—	3,283	22,441	1,315
Total Deferred Outflows of Resources .....	\$ 163,598	\$ —	\$ 11,909	\$ 175,507	\$ 10,807
LIABILITIES					
Current Liabilities:					
Accounts Payable .....	\$ 194,275	\$ 182,905	\$ 74,741	\$ 451,921	\$ 51,847
Interfund Payables .....	—	19,636	25,539	45,175	52,318
Unearned Revenue .....	57,335	428,410	13,963	499,708	11,442
Accrued Interest Payable .....	—	—	—	—	48
Bonds and Notes Payable .....	42,481	44,907	—	87,388	19,058
Capital Leases Payable .....	1,699	—	—	1,699	—
Claims Payable .....	2,353	—	31,155	33,508	99,528
Compensated Absences Payable .....	16,879	—	2,333	19,212	1,641
Other Liabilities .....	13,810	—	—	13,810	—
Total Current Liabilities .....	\$ 328,832	\$ 675,858	\$ 147,731	\$ 1,152,421	\$ 235,882

**STATE OF MINNESOTA**
**PROPRIETARY FUNDS**
**STATEMENT OF NET POSITION**
**JUNE 30, 2021**
**(IN THOUSANDS)**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
Noncurrent Liabilities:					
Unearned Revenue	\$ —	\$ —	\$ 281	\$ 281	\$ —
Bonds and Notes Payable	402,149	1,093,274	—	1,495,423	28,954
Capital Leases Payable	2,665	—	—	2,665	—
Claims Payable	1,505	—	—	1,505	—
Compensated Absences Payable	136,564	—	11,229	147,793	13,321
Other Postemployment Benefits	67,263	—	19,705	86,968	7,804
Net Pension Liability	344,746	—	37,832	382,578	37,386
Other Liabilities	12,775	—	—	12,775	—
Total Noncurrent Liabilities	\$ 967,667	\$ 1,093,274	\$ 69,047	\$ 2,129,988	\$ 87,465
Total Liabilities	\$ 1,296,499	\$ 1,769,132	\$ 216,778	\$ 3,282,409	\$ 323,347
DEFERRED INFLOWS OF RESOURCES					
Bond Refunding	\$ 3,190	\$ —	\$ —	\$ 3,190	\$ —
Deferred Pension Inflows	469,088	—	69,987	539,075	84,785
Deferred Other Postemployment Benefits Inflows	20,550	—	3,196	23,746	1,265
Total Deferred Inflows of Resources	\$ 492,828	\$ —	\$ 73,183	\$ 566,011	\$ 86,050
NET POSITION					
Net Investment in Capital Assets	\$ 1,513,799	\$ —	\$ 157,296	\$ 1,671,095	\$ 22,786
Restricted for:					
Acquire, Maintain, and Improve Land and Buildings	\$ 288	\$ —	\$ —	\$ 288	\$ —
Retire Indebtedness	118,635	—	—	118,635	—
Develop Economy and Workforce	—	—	3,696	3,696	—
Enhance Higher Education	24,190	—	—	24,190	—
Enhance 911 Services and Increase Safety	—	—	97,792	97,792	—
Other Purposes	—	—	84,836	84,836	—
Total Restricted	\$ 143,113	\$ —	\$ 186,324	\$ 329,437	\$ —
Unrestricted	\$ (4,389)	\$ (775,179)	\$ (65,317)	\$ (844,885)	\$ 376,468
Total Net Position	\$ 1,652,523	\$ (775,179)	\$ 278,303	\$ 1,155,647	\$ 399,254

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**
**PROPRIETARY FUNDS**
**STATEMENT OF REVENUES, EXPENDITURES**
**AND CHANGES IN NET POSITION**
**YEAR ENDED JUNE 30, 2021**
**(IN THOUSANDS)**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	
Operating Revenues:					
Tuition and Fees	\$ 655,102	\$ —	\$ —	\$ 655,102	\$ —
Restricted Student Payments, Net	75,271	—	—	75,271	—
Net Sales	—	—	1,095,689	1,095,689	326,381
Insurance Premiums	—	649,417	330,560	979,977	1,124,803
Other Income	20,824	12,537	33,205	66,566	12,166
Total Operating Revenues	\$ 751,197	\$ 661,954	\$ 1,459,454	\$ 2,872,605	\$ 1,463,350
Less: Cost of Goods Sold	—	—	612,040	612,040	—
Gross Margin	\$ 751,197	\$ 661,954	\$ 847,414	\$ 2,260,565	\$ 1,463,350
Operating Expenses:					
Purchased Services	\$ 227,664	\$ —	\$ 90,521	\$ 318,185	\$ 212,025
Salaries and Fringe Benefits	1,411,613	—	183,178	1,594,791	150,747
Student Financial Aid	106,538	—	—	106,538	—
Unemployment Benefits	—	7,883,169	—	7,883,169	—
Claims	—	—	314,147	314,147	949,741
Depreciation and Amortization	137,279	—	15,685	152,964	21,110
Supplies and Materials	109,644	—	5,339	114,983	19,144
Repairs and Maintenance	19,796	—	860	20,656	19,810
Indirect Costs	—	—	3,154	3,154	3,269
Other Expenses	36,553	—	702	37,255	1,079
Total Operating Expenses	\$ 2,049,087	\$ 7,883,169	\$ 613,586	\$ 10,545,842	\$ 1,376,925
Operating Income (Loss)	\$ (1,297,890)	\$ (7,221,215)	\$ 233,828	\$ (8,285,277)	\$ 86,425
Nonoperating Revenues (Expenses):					
Investment Income	\$ 7,074	\$ 132	\$ 717	\$ 7,923	\$ 2,180
Federal Grants	407,998	5,987,660	—	6,395,658	—
Private Grants	25,312	—	—	25,312	—
Grants and Subsidies	97,850	—	—	97,850	—
Other Nonoperating Revenues	—	—	6	6	—
Interest and Financing Costs	(16,629)	—	1,226	(15,403)	(1,017)
Grants, Aids and Subsidies	(10,780)	(1,188)	(16,273)	(28,241)	—
Other Nonoperating Expenses	—	—	(14,706)	(14,706)	(693)
Gain (Loss) on Disposal of Capital Assets	849	—	63	912	927
Total Nonoperating Revenues (Expenses)	\$ 511,674	\$ 5,986,604	\$ (28,967)	\$ 6,469,311	\$ 1,397
Income (Loss) Before Transfers and Contributions	\$ (786,216)	\$ (1,234,611)	\$ 204,861	\$ (1,815,966)	\$ 87,822
Transfers-In	796,756	—	14,464	811,220	—
Transfers-Out	—	(1,565)	(189,399)	(190,964)	(32,679)
Change in Net Position	\$ 10,540	\$ (1,236,176)	\$ 29,926	\$ (1,195,710)	\$ 55,143
Net Position, Beginning, as Reported	\$ 1,641,983	\$ 460,997	\$ 248,377	\$ 2,351,357	\$ 344,111
Net Position, Ending	\$ 1,652,523	\$ (775,179)	\$ 278,303	\$ 1,155,647	\$ 399,254

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2021**  
**(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 754,052	\$ 743,856	\$ 1,415,144	\$ 2,913,052	\$ 1,447,642
Receipts from Other Revenues	—	—	38,093	38,093	12,166
Receipts from Repayment of Program Loans	3,730	—	—	3,730	—
Financial Aid Disbursements	(106,538)	—	—	(106,538)	—
Payments to Claimants	—	(8,151,104)	(817,251)	(8,968,355)	(939,379)
Payments to Suppliers	(395,198)	—	(141,883)	(537,081)	(231,385)
Payments to Employees	(1,395,701)	—	(177,800)	(1,573,501)	(127,392)
Payments to Others	—	—	(68,446)	(68,446)	(693)
Net Cash Flows from Operating Activities	<u>\$ (1,139,655)</u>	<u>\$ (7,407,248)</u>	<u>\$ 247,857</u>	<u>\$ (8,299,046)</u>	<u>\$ 160,959</u>
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	\$ 491,852	\$ 5,239,009	\$ —	\$ 5,730,861	\$ —
Grant Disbursements	(14,201)	(1,230)	(16,273)	(31,704)	—
Transfers-In	767,931	—	14,464	782,395	—
Transfers-Out	—	(3,932)	(192,514)	(196,446)	(32,679)
Proceeds from Loans	—	2,136,029	—	2,136,029	—
Repayment of Loan Principal	—	(997,848)	—	(997,848)	—
Net Cash Flows from Noncapital Financing Activities	<u>\$ 1,245,582</u>	<u>\$ 6,372,028</u>	<u>\$ (194,323)</u>	<u>\$ 7,423,287</u>	<u>\$ (32,679)</u>
Cash Flows from Capital and Related Financing Activities:					
Transfers-In	\$ 26,872	\$ —	\$ —	\$ 26,872	\$ —
Investment in Capital Assets	(76,043)	—	(4,361)	(80,404)	(18,721)
Proceeds from Disposal of Capital Assets	—	—	89	89	4,535
Proceeds from Capital Bonds	8,120	—	—	8,120	—
Proceeds from Loans	—	—	—	—	17,911
Capital Lease Payments	(2,134)	—	—	(2,134)	—
Repayment of Loan Principal	(960)	—	—	(960)	(21,003)
Repayment of Bond Principal	(41,260)	—	(10,145)	(51,405)	—
Interest Paid	(22,104)	—	(508)	(22,612)	(974)
Net Cash Flows from Capital and Related Financing Activities	<u>\$ (107,509)</u>	<u>\$ —</u>	<u>\$ (14,925)</u>	<u>\$ (122,434)</u>	<u>\$ (18,252)</u>
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	\$ 556	\$ —	\$ —	\$ 556	\$ —
Purchase of Investments	(2,384)	—	—	(2,384)	—
Investment Earnings	3,758	132	717	4,607	2,180
Net Cash Flows from Investing Activities	<u>\$ 1,930</u>	<u>\$ 132</u>	<u>\$ 717</u>	<u>\$ 2,779</u>	<u>\$ 2,180</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 348</u>	<u>\$ (1,035,088)</u>	<u>\$ 39,326</u>	<u>\$ (995,414)</u>	<u>\$ 112,208</u>
Cash and Cash Equivalents, Beginning, as Reported	<u>\$ 1,118,677</u>	<u>\$ 1,517,351</u>	<u>\$ 300,364</u>	<u>\$ 2,936,392</u>	<u>\$ 509,856</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,119,025</u>	<u>\$ 482,263</u>	<u>\$ 339,690</u>	<u>\$ 1,940,978</u>	<u>\$ 622,064</u>

**STATE OF MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2021**  
**(IN THOUSANDS)**

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>					
Operating Income (Loss)	<u>\$ (1,297,890)</u>	<u>\$ (7,221,215)</u>	<u>\$ 233,828</u>	<u>\$ (8,285,277)</u>	<u>\$ 86,425</u>
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization	\$ 137,279	\$ —	\$ 15,685	\$ 152,964	\$ 21,110
Miscellaneous Nonoperating Revenues	—	—	6	6	—
Miscellaneous Nonoperating Expenses	—	—	(14,706)	(14,706)	(693)
Loan Principal Repayments	3,730	—	—	3,730	—
Provision for Loan Defaults	(2,299)	—	—	(2,299)	—
Loans Forgiven	3,258	—	—	3,258	—
Change in Assets, Liabilities, Deferred Outflows and Inflows:					
Accounts Receivable	(1,952)	104,048	(5,112)	96,984	(263)
Inventories	1,039	—	92	1,131	53
Other Assets	—	—	(127)	(127)	3,075
Deferred Outflows	217,680	—	42,192	259,872	42,614
Accounts Payable	(1,745)	(291,102)	7,906	(284,941)	20,814
Salaries Payable	(437)	—	—	(437)	—
Claims Payable	—	—	6,275	6,275	10,362
Compensated Absences Payable	2,543	—	314	2,857	1,367
Unearned Revenues	4,806	1,012	(1,197)	4,621	(3,279)
Other Postemployment Benefits	(919)	—	6,183	5,264	514
Net Pension Liability	18,857	—	(1,624)	17,233	4,568
Other Liabilities	(1,175)	9	—	(1,166)	—
Deferred Inflows	<u>(222,430)</u>	<u>—</u>	<u>(41,858)</u>	<u>(264,288)</u>	<u>(25,708)</u>
Net Reconciling Items to be Added to (Deducted from) Operating Income	<u>\$ 158,235</u>	<u>\$ (186,033)</u>	<u>\$ 14,029</u>	<u>\$ (13,769)</u>	<u>\$ 74,534</u>
Net Cash Flows from Operating Activities	<u>\$ (1,139,655)</u>	<u>\$ (7,407,248)</u>	<u>\$ 247,857</u>	<u>\$ (8,299,046)</u>	<u>\$ 160,959</u>
<b>Noncash Investing, Capital and Financing Activities:</b>					
Capital Assets Acquired through Lease	\$ 1,147	\$ —	\$ —	\$ 1,147	\$ —
Capital Assets Transferred Out	\$ —	\$ —	\$ 567	\$ 567	\$ —
Bond Premium Amortization	\$ 4,257	\$ —	\$ 1,691	\$ 5,948	\$ —

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**
**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2021  
(IN THOUSANDS)**

	PENSION TRUST	INVESTMENT TRUST	CUSTODIAL FUND
<b>ASSETS</b>			
Cash and Cash Equivalent Investments .....	\$ 52,236	\$ —	\$ 340,143
Investment Pools, at fair value:			
Cash Equivalent Investments .....	\$ 5,549,780	\$ 46,298	\$ —
Investments .....	99,433,711	1,420,541	—
Accrued Interest and Dividends .....	154,643	2,146	—
Securities Trade Receivable (Payable) .....	(711,469)	(11,843)	—
Total Investment Pool Participation .....	\$ 104,426,665	\$ 1,457,142	\$ —
Receivables:			
Accounts Receivable .....	\$ —	\$ —	\$ 54,677
Interfund Receivables .....	12,746	—	—
Other Receivables .....	113,939	—	—
Total Receivables .....	\$ 126,685	\$ —	\$ 54,677
Securities Lending Collateral .....	\$ 5,707,863	\$ —	\$ —
Depreciable Capital Assets (Net) .....	33,374	—	—
Nondepreciable Capital Assets .....	611	—	—
Total Assets .....	\$ 110,347,434	\$ 1,457,142	\$ 394,820
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 32,887	\$ —	\$ 272,362
Interfund Payables .....	13,221	—	—
Accrued Expense .....	33	—	—
Revenue Bonds Payable .....	6,961	—	—
Bond Interest .....	3	—	—
Compensated Absences Payable .....	3,623	—	—
Securities Lending Liabilities .....	5,707,863	—	—
Other Liabilities .....	2,193	—	—
Total Liabilities .....	\$ 5,766,784	\$ —	\$ 272,362
<b>NET POSITION</b>			
Net Position Restricted for Pensions and Pooled Investments, Individuals, Organizations, and Other Governments .....	\$ 104,580,650	\$ 1,457,142	\$ 122,458

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, 2021  
(IN THOUSANDS)**

	PENSION TRUST	INVESTMENT TRUST	CUSTODIAL FUND
Additions:			
Contributions:			
Employer .....	\$ 1,542,067	\$ —	\$ —
Member .....	1,804,557	—	—
Contributions From Other Sources .....	12,829	—	—
Participating Plans .....	—	15,336	—
Total Contributions .....	\$ 3,359,453	\$ 15,336	\$ —
Net Investment Income (Loss):			
Investment Income (Loss) .....	\$ 24,180,361	\$ 372,628	\$ —
Less: Investment Expenses .....	(88,952)	(796)	—
Net Investment Income (Loss) .....	\$ 24,091,409	\$ 371,832	\$ —
Securities Lending Revenues (Expenses):			
Securities Lending Income .....	\$ 29,848	\$ —	\$ —
Securities Lending Rebates and Fees .....	(10,812)	—	—
Net Securities Lending Revenue .....	\$ 19,036	\$ —	\$ —
Total Investment Income (Loss) .....	\$ 24,110,445	\$ 371,832	\$ —
Employee Insurance Trust .....	\$ —	\$ —	\$ 38,141
Tax Collections for Other Governments .....	—	—	655,375
Legal Settlements for External Parties .....	—	—	7,218
Courts Interest Held for Other Governments and Individuals .....	—	—	18,530
Federal Revenue .....	—	—	188,466
Beneficiary Deposits - Child Support .....	—	—	547,999
Beneficiary Deposits - Regional Treatment Centers .....	—	—	5,853
Beneficiary Deposits - Corrections .....	—	—	34,421
Beneficiary Deposits - Veterans Homes .....	—	—	1,871
Miscellaneous .....	—	—	7,786
Transfers-In .....	115,510	—	—
Other Additions .....	15,727	—	—
Total Additions .....	\$ 27,601,135	\$ 387,168	\$ 1,505,660

**STATE OF MINNESOTA**
**FIDUCIARY FUNDS  
STATEMENT OF CHANGES  
IN NET POSITION  
YEAR ENDED JUNE 30, 2021  
(IN THOUSANDS)**

	PENSION TRUST	INVESTMENT TRUST	CUSTODIAL FUND
Deductions:			
Benefits .....	\$ 5,604,645	\$ —	\$ —
Refunds and Withdrawals .....	479,832	67,525	—
Administrative Expenses .....	68,514	85	—
Employee Insurance Trust .....	—	—	37,862
Tax Payments to Other Governments .....	—	—	655,311
Legal Settlements Paid to External Parties .....	—	—	1,881
Court Payments to Other Governments and Individuals .....	—	—	33,987
Federal Revenue Pass through .....	—	—	108,241
Beneficiary Payments - Child Support .....	—	—	548,002
Beneficiary Payments - Regional Treatment Centers .....	—	—	5,113
Beneficiary Payments - Corrections .....	—	—	31,229
Beneficiary Payments - Veterans Homes .....	—	—	1,518
Miscellaneous .....	—	—	1,570
Transfers-Out .....	30,722	—	—
Total Deductions .....	\$ 6,183,713	\$ 67,610	\$ 1,424,714
Net Increase (Decrease) .....	\$ 21,417,422	\$ 319,558	\$ 80,946
Net Position Restricted for Pensions and Pooled Investments, Beginning, as Reported .....	\$ 83,161,547	\$ 1,137,577	\$ —
Change in Accounting Principle .....	—	—	41,512
Change in Reporting Entity .....	1,681	7	—
Net Position Restricted for Pensions and Pooled Investments, Beginning, as Restated .....	\$ 83,163,228	\$ 1,137,584	\$ 41,512
Net Position Restricted for Pensions and Pooled Investments, Ending .....	\$ 104,580,650	\$ 1,457,142	\$ 122,458

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**
**COMPONENT UNIT FUNDS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020 and JUNE 30, 2021  
(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents .....	\$ 109,720	\$ 67,607	\$ 804,670	\$ 685,603	\$ 1,667,600
Investments .....	—	221,915	831,875	297,596	1,351,386
Accounts Receivable .....	489	21,154	482,013	58,484	562,140
Due from Primary Government .....	75	94,056	37,546	160,997	292,674
Accrued Investment/Interest Income .....	13,153	1,474	777	13,295	28,699
Federal Aid Receivable .....	4,127	176,360	—	119	180,606
Inventories .....	—	43,312	19,646	31	62,989
Loans and Notes Receivable .....	41,976	—	9,464	251,881	303,321
Other Assets .....	617	1,676	41,426	4,223	47,942
Total Current Assets .....	\$ 170,157	\$ 627,554	\$ 2,227,417	\$ 1,472,229	\$ 4,497,357
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted .....	\$ 1,207,712	\$ 525,350	\$ 24,562	\$ 375,106	\$ 2,132,730
Investments-Restricted .....	3,003,385	—	162,253	23,230	3,188,868
Accounts Receivable-Restricted .....	—	101,316	—	—	101,316
Due from Primary Government-Restricted .....	—	2,857	—	—	2,857
Due from Primary Government .....	—	—	—	2,231	2,231
Investments .....	—	743,591	6,250,158	—	6,993,749
Accounts Receivable .....	—	—	133,663	359,426	493,089
Loans and Notes Receivable .....	887,136	44,700	57,727	2,086,984	3,076,547
Depreciable Capital Assets (Net) .....	2,132	3,416,492	2,739,825	884,095	7,042,544
Nondepreciable Capital Assets .....	—	1,830,958	551,153	35,949	2,418,060
Other Assets .....	630	—	16,360	1,323	18,313
Total Noncurrent Assets .....	\$ 5,100,995	\$ 6,665,264	\$ 9,935,701	\$ 3,768,344	\$ 25,470,304
Total Assets .....	\$ 5,271,152	\$ 7,292,818	\$ 12,163,118	\$ 5,240,573	\$ 29,967,661
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated Decrease in Fair Value of Hedging Derivative Instruments .....	\$ 13,932	\$ —	\$ —	\$ —	\$ 13,932
Bond Refunding .....	6	—	505	4,959	5,470
Deferred Pension Outflows .....	2,132	26,240	51,635	808	80,815
Deferred Other Postemployment Benefits Outflows .....	302	62,482	10,724	3	73,511
Deferred Derivative Instrument Outflows .....	—	1,495	—	—	1,495
Total Deferred Outflows of Resources .....	\$ 16,372	\$ 90,217	\$ 62,864	\$ 5,770	\$ 175,223

**STATE OF MINNESOTA**
**COMPONENT UNIT FUNDS**
**STATEMENT OF NET POSITION**
**DECEMBER 31, 2020 and JUNE 30, 2021**
**(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable .....	\$ 30,115	\$ 92,163	\$ 327,735	\$ 26,200	\$ 476,213
Due to Primary Government .....	—	—	1,105	51,217	52,322
Unearned Revenue .....	—	25,284	86,431	43,060	154,775
Accrued Interest Payable .....	26,198	3,560	16,026	9,254	55,038
Bonds and Notes Payable .....	318,634	304,273	239,970	98,188	961,065
Capital Leases Payable .....	—	930	4,562	—	5,492
Claims Payable .....	—	11,234	39,708	220,685	271,627
Compensated Absences Payable .....	378	30,947	242,210	186	273,721
Other Liabilities .....	—	—	3,856	313	4,169
Total Current Liabilities .....	<u>\$ 375,325</u>	<u>\$ 468,391</u>	<u>\$ 961,603</u>	<u>\$ 449,103</u>	<u>\$ 2,254,422</u>
Noncurrent Liabilities:					
Accounts Payable-Restricted .....	\$ —	\$ 122,610	\$ 41,552	\$ —	\$ 164,162
Unearned Revenue-Restricted .....	—	185,152	—	—	185,152
Accrued Interest Payable-Restricted .....	—	13,390	—	—	13,390
Accounts Payable .....	66,251	—	—	—	66,251
Due to Primary Government .....	—	—	1,220	95,274	96,494
Unearned Revenue .....	—	—	7,346	5,230	12,576
Interest Rate Swap Agreements .....	13,932	—	—	—	13,932
Bonds and Notes Payable .....	3,322,509	1,492,738	1,301,336	956,551	7,073,134
Capital Leases Payable .....	—	2,705	21,755	—	24,460
Claims Payable .....	—	18,121	13,529	556,425	588,075
Compensated Absences Payable .....	3,051	8,458	27,742	1,177	40,428
Other Postemployment Benefits .....	1,793	361,459	54,111	19	417,382
Net Pension Liability .....	8,396	140,749	193,914	2,814	345,873
Funds Held in Trust .....	173,668	—	389,077	128	562,873
Other Liabilities .....	—	—	50,344	250	50,594
Total Noncurrent Liabilities .....	<u>\$ 3,589,600</u>	<u>\$ 2,345,382</u>	<u>\$ 2,101,926</u>	<u>\$ 1,617,868</u>	<u>\$ 9,654,776</u>
Total Liabilities .....	<u>\$ 3,964,925</u>	<u>\$ 2,813,773</u>	<u>\$ 3,063,529</u>	<u>\$ 2,066,971</u>	<u>\$ 11,909,198</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Bond Refunding .....	\$ —	\$ —	\$ 5,263	\$ —	\$ 5,263
Deferred Revenue .....	20,226	—	—	16,628	36,854
Deferred Pension Inflows .....	19,039	291,652	460,940	6,631	778,262
Deferred Other Postemployment Benefits Inflows .....	290	12,795	258	4	13,347
Total Deferred Inflows of Resources .....	<u>\$ 39,555</u>	<u>\$ 304,447</u>	<u>\$ 466,461</u>	<u>\$ 23,263</u>	<u>\$ 833,726</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets .....	\$ 2,132	\$ 3,623,594	\$ 1,735,357	\$ 912,532	\$ 6,273,615
Restricted-Expendable .....	1,561,672	643,247	3,954,832	2,146,411	8,306,162
Restricted-Nonexpendable .....	—	—	1,707,092	—	1,707,092
Unrestricted .....	(280,760)	(2,026)	1,298,711	97,166	1,113,091
Total Net Position .....	<u>\$ 1,283,044</u>	<u>\$ 4,264,815</u>	<u>\$ 8,695,992</u>	<u>\$ 3,156,109</u>	<u>\$ 17,399,960</u>

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**
**COMPONENT UNIT FUNDS**
**STATEMENT OF ACTIVITIES**
**YEARS ENDED DECEMBER 31, 2020 and JUNE 30, 2021**
**(IN THOUSANDS)**

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses .....	\$ 663,798	\$ 1,218,241	\$ 4,124,286	\$ 667,744	\$ 6,674,069
Program Revenues:					
Charges for Services .....	\$ 118,063	\$ 350,568	\$ 1,265,801	\$ 123,151	\$ 1,857,583
Operating Grants and Contributions .....	743,989	769,592	1,946,761	201,357	3,661,699
Capital Grants and Contributions .....	—	552,055	75,659	4,572	632,286
Net (Expense) Revenue .....	<u>\$ 198,254</u>	<u>\$ 453,974</u>	<u>\$ (836,065)</u>	<u>\$ (338,664)</u>	<u>\$ (522,501)</u>
General Revenues:					
Taxes .....	\$ —	\$ 88,027	\$ —	\$ —	\$ 88,027
Investment Income (Loss) .....	—	51,178	1,706,851	14,299	1,772,328
Other Revenues .....	763	639	255,175	2,010	258,587
Total General Revenues before Grants .....	<u>\$ 763</u>	<u>\$ 139,844</u>	<u>\$ 1,962,026</u>	<u>\$ 16,309</u>	<u>\$ 2,118,942</u>
State Grants Not Restricted .....	57,445	—	696,935	336,701	1,091,081
Total General Revenues .....	<u>\$ 58,208</u>	<u>\$ 139,844</u>	<u>\$ 2,658,961</u>	<u>\$ 353,010</u>	<u>\$ 3,210,023</u>
Change in Net Position .....	<u>\$ 256,462</u>	<u>\$ 593,818</u>	<u>\$ 1,822,896</u>	<u>\$ 14,346</u>	<u>\$ 2,687,522</u>
Net Position, Beginning, as Reported .....	<u>\$ 1,026,582</u>	<u>\$ 3,670,997</u>	<u>\$ 6,867,503</u>	<u>\$ 3,141,763</u>	<u>\$ 14,706,845</u>
Change in Accounting Principle .....	—	—	5,593	—	5,593
Net Position, Beginning, as Restated .....	<u>\$ 1,026,582</u>	<u>\$ 3,670,997</u>	<u>\$ 6,873,096</u>	<u>\$ 3,141,763</u>	<u>\$ 14,712,438</u>
Net Position, Ending .....	<u>\$ 1,283,044</u>	<u>\$ 4,264,815</u>	<u>\$ 8,695,992</u>	<u>\$ 3,156,109</u>	<u>\$ 17,399,960</u>

The notes are an integral part of the financial statements.

## 2021 Annual Comprehensive Financial Report

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## 2021 Annual Comprehensive Financial Report

### Notes to the Financial Statements

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

#### Note 1 – Summary of Significant Accounting and Reporting Policies

##### Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statements for the fiscal year ended June 30, 2021:

- GASB Statement No. 84 "Fiduciary Activities" was issued January 2017. This statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria should present a statement of fiduciary net position. See Note 21 - Prior Period Adjustment, Change in Accounting Principle, and Change in Reporting Entity for further discussion on the impacts of implementing this statement.
- GASB Statement No. 90 "Major Equity Interests" was issued August 2018. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This statement has no material impact on the state.
- 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). This statement has no material impact on the state.
- Implementations Guide No. 2019-1 "Implementation Guidance Update - 2019". This guide provides guidance to clarify, explain, or elaborate on GASB statements previously implemented. This guide has no material impact on the state.
- Implementation Guide No. 2019-2 "Fiduciary Activities". This guide provides guidance to clarify, explain, or elaborate on the requirements of GASB Statement No. 84, Fiduciary Activities. See Note 21 - Prior Period Adjustment, Change in Accounting Principle, and Change in Reporting Entity for further discussion on the impacts of implementing this statement.

##### 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 resource 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](http://www.mnhousing.gov)
- Metropolitan Council, 390 Robert Street North, St. Paul, Minnesota 55101-1805, [www.metrocouncil.org](http://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](http://www.twin-cities.umn.edu)
- Minnesota Comprehensive Health Assoc., 1650 West End Boulevard, Suite 100, St. Louis Park, Minnesota 55416, [www.mchamn.com](http://www.mchamn.com)
- Minnesota Sports Facilities Authority, 1005 4th Street South, Minneapolis, Minnesota 55415-1752, [www.msfa.com](http://www.msfa.com)
- National Sports Center Foundation, National Sports Center, 1700 105th Avenue Northeast, Blaine, Minnesota 55449-4500, [www.nscsports.org](http://www.nscsports.org)
- Office of Higher Education, 1450 Energy Park Drive, Suite 350, St. Paul, Minnesota 55108-5227, [www.ohs.state.mn.us](http://www.ohs.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](http://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](http://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](http://www.mnlottery.com)

- Minnesota State Retirement System, 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103-3000, [www.msrs.state.mn.us](http://www.msrs.state.mn.us)
- State Board of Investment, 60 Empire Drive, Suite 355, St. Paul, Minnesota 55103-3555, [www.msbi.us](http://www.msbi.us)
- Teachers Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-1889, [www.minnesotatra.org](http://www.minnesotatra.org)
- Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088, [www.mnpera.org](http://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](http://www.minnstate.edu)

The financial reports, available from the State Board of Investment, report on investments in investment pools, which include the majority of the state's Fiduciary Funds.

### Financial Reporting Structure of the State of Minnesota

The basic financial statements include government-wide and fund financial statements. The government-wide financial statements report on the state as a whole, while the fund financial statements emphasize major individual funds and fund types. Both types of statements categorize activities as either governmental or business-type. Governmental expenditures are classified by function. Each of the state's departments and agencies is included in a functional classification based on its primary mission and objectives.

### Government-wide Financial Statements

The Government-wide Financial Statements (Statement of Net Position and Statement of Activities) display information about the state as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and it's discretely presented component units. Eliminations have been made in the statement of activities so that certain allocated expenses are recorded only once in the function for which the expenses were made. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the general government function.

The focus of the Government-wide 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 accrual basis of accounting. Under the economic resource 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 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, capital leases, pension and other postemployment benefits, and claims and judgments, which are recorded when due and expected to be liquidated with available financial resources. The following provides further detail on specific items regarding the modified accrual basis of accounting.

**Tax Revenues** – Tax revenues, excluding property taxes, are recognized in the period they become both measurable and available to finance expenditures of the current period. Measurable means that taxpayer liability is supported by sufficient documentation and can be reasonably estimated. The state's liability for anticipated refunds of such taxes is estimated and recorded as reductions in revenue in the period when the related tax is recognized.

**Property Tax Revenues** – Minnesota Statutes 275.025 establishes a state general tax (property tax) against commercial/industrial and seasonal residential recreational properties. Counties, as agents for the state, assess the state general tax. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. Levies are determined based on the formula contained in the laws. The state preliminarily certifies the state general levy rate to each county no later than November 1 of each year for taxes payable in the following calendar year. The state certifies the final state general tax levy on January 1 of each year to each county. Property taxes are due to counties in two installments for each year – May 15 and October 15. The counties pay the state general tax to the state on three dates – June 30, December 1, and a final date of January 25 for any adjustments or changes. Property tax is recognized, net of uncollectible amounts, in the period for which the taxes are levied and the taxes are available.

**Federal Revenues** – Federal revenues, earned by incurring allowable obligations, are recognized at the same time the related obligation is recognized, with one exception. Trunk Highway Fund (special revenue fund) expenditures incurred by June 30, but not converted to Federal funding by the close of the federal fiscal year, are not recognized as federal revenues until the year they are converted.

Proprietary, pension trust, 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

Capital assets, which include land, buildings, equipment, infrastructure, intangible assets, and art and historical treasures, are reported in the Government-wide Financial Statements and the Fund Financial Statements for proprietary and fiduciary funds. Capital assets are generally defined by the state as assets with an initial, individual cost of more than \$300,000 for buildings and depreciable infrastructure, \$30,000 for equipment, \$300,000 for non-depreciable infrastructure, \$30,000 to \$2,000,000 for internally generated computer software depending on the fund and fund type, and \$30,000 for art and historical treasures. All land and easement assets are capitalized, regardless of cost. Capital assets must also have an estimated useful life of two or more years.

Capital assets are recorded at cost or, for donated assets, at acquisition value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are

incomplete or not available; therefore, estimated historical costs have been used in these situations. Permanent School Fund (permanent fund) land is reported at estimated 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.

GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" allows an alternative (modified) approach to the recording of infrastructure assets in which costs to maintain and preserve these assets are expensed in lieu of depreciation. The transportation infrastructure capital assets of pavement and bridges are reported using the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state's pavement and bridges are included in Required Supplementary Information Modified Approach for Infrastructure. See Note 6 – Capital Assets for further information on capital assets.

## Current and Noncurrent Assets

At the government-wide level, assets are classified as either current or noncurrent. Governmental activity current assets are those considered available for appropriation and expenditure and include cash, various receivables, and short-term investments. Current assets in business-type activities are those that are available or can readily be made available to meet the cost of operating or to pay current liabilities. All other assets are considered noncurrent. Assets are classified as current or noncurrent in proprietary funds, but assets are not classified at the fund level for governmental funds.

## Deferred Outflows of Resources

In the Government-wide Financial Statements, the differences between the net carrying amounts and the reacquisition price on refunding bonds are reported as a deferred outflow of resources when the net carrying amount exceeds the reacquisition price. These amounts are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In addition, contributions to pension plans and transactions to other postemployment benefit (OPEB) plans subsequent to the measurement date of the net pension liability and the total OPEB liability before the fiscal year end are reported as deferred outflows of resources. In addition, amounts related to the increases in the net pension liability and the total OPEB liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and net differences between projected and actual investment earnings for pensions are reported as deferred outflows of resources. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable plan, with the exception of the difference between projected and actual earnings, which is amortized over five years.

## Current and Noncurrent Liabilities

In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Long-

term liabilities are the amount of liabilities not due and payable during the fiscal year resulting from debt issuances, compensated absences, closure and post closure care for landfills, workers' compensation claims, supplementary and second injury benefit claims, pollution remediation obligations, capital leases, net pension, other postemployment benefits, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts during the current period. The face 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 12 – Long-Term Liabilities - Primary Government for further information.

### Deferred Inflows of Resources

In the governmental funds, when an asset is recorded but the revenue is not available, the amount is reported as a deferred inflow of resources until the revenue becomes available. Amounts that are not permitted to be used until the next fiscal year remain as deferred inflows of resources in the Government-wide 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 as well as the adjustments to the lease obligations on a capital lease restructuring due to the refunding of the debt by the lessor are reported as a deferred inflow of resources on the Government-wide Financial Statements. These amounts are amortized as interest expense over the shorter of the remaining life of the old debt or the life of the new debt. Amounts related to the decreases in the net pension liability and total other postemployment benefits (OPEB) liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and net differences between projected and actual investment earnings for pensions are reported as deferred inflows of resources. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable plan, with the exception of the difference between projected and actual earnings, which is amortized over five years.

### Deferred Compensation Plan

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The Minnesota Deferred Compensation Fund (pension trust fund) represents the value of all assets of the plan. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement System. Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with state statute, effective July 1, 1997, contributions are held for the exclusive benefit of the participants and their beneficiaries. These amounts are held in trust, in custodial accounts, or in qualifying contracts, as required by federal law. The State Board of Investment determines the investment options available to plan participants and oversees the activities of the investment managers. The majority of the assets of the plan are invested in various mutual funds. The state is not liable for any investment losses under the plan.

### Net Position/Fund Balances and Fund Balance Classification Policies and Procedures

The difference between fund assets and liabilities is "Net Position" on the Government-wide, Proprietary, and Fiduciary fund statements and "Fund Balances" on Governmental Fund statements.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets as well as deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of these assets or related debt. Significant unspent related debt proceeds are included in Restricted for Capital Projects.

Restricted Net Position represents the portion of net position that is constrained either externally by parties such as creditors or grantors, or legally through constitutional provisions or enabling legislation. Restricted net position is determined at the fund level. For a fund with more than one revenue stream, restricted net position is determined by the materiality of any restricted 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, 2021 fair value of investment derivative instruments is reported as investments.

*Synthetic Guaranteed Investment Contract (SGIC):* SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Pool - Fixed Interest Account of the pension and investment trust funds' portfolio. The investment objective of the Fixed Interest Account is to protect investors in defined contribution and deferred compensation plans from loss of their original investment and to provide a competitive interest rate. On June 30, 2021, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of \$1,738,134,000 that is \$62,736,000 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool with a fair value of \$28,806,000.

The following table summarizes, by derivative instrument type, the investment derivative instrument activity, and June 30 positions for fiscal year 2021.

**Primary Government  
Derivative Instrument Activity for the Year Ended June 30, 2021  
By Derivative Instrument Type  
(In Thousands)**

Derivative Instrument Type	Change in Fair Value	Year End Fair Value	Year End Notional Amount
<b>Governmental Activities:</b>			
Futures	\$ 13,556	\$ —	\$ 60,440
Warrants / Stocks Rights	(1)	—	—
<b>Total Governmental Activities</b>	<b>\$ 13,555</b>	<b>\$ —</b>	<b>\$ 60,440</b>
<b>Fiduciary Activities:</b>			
Futures	\$ 486,826	\$ —	\$ 184,179
Futures Options Bought	(5,090)	311	371
Futures Options Written	4,020	(553)	(2,821)
FX Forwards	5,010	9,935	17,087,756
Warrants/Stock Rights	(917)	397	454
Credit Default Swaps Written	2,088	3,492	66,292
Pay Fixed Interest Rate Swaps	13,152	13,561	280,786
Receive Fixed Interest Rate Swaps	(879)	(551)	133,610
Total Return Swaps Equity	(20)	(20)	(5,022)
<b>Total Fiduciary Activities</b>	<b>\$ 504,190</b>	<b>\$ 26,572</b>	<b>\$ 17,745,605</b>

**Credit Risk:** Minnesota is exposed to credit risk through nineteen 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 \$233,423,000 should these counterparties fail to perform. These counterparties have Standard & Poor's (S&P) credit ratings of BBB+ or better. The primary government, excluding pension and investment trust funds, had no exposure to counterparty risk.

**Foreign Currency Risk:** Currency futures and foreign stock index futures are exposed to foreign currency risk. Their currency risks are included in the Foreign Currency Risk schedule of this note.

**Component Unit Derivative Instrument Activity:** Derivative instrument activity of the state's component units is disclosed in the last section of this note.

#### Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holders of the investment. Minnesota Statutes limit investments in debt securities to the top four quality rating categories by a nationally recognized rating agency. SBI may also invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories provided that:

#### Unrated Corporate Obligations

- Aggregate value may not exceed 5 percent of the fair value of the fund for which the state board is investing.
- SBI's participation is limited to 50 percent of a single offering.
- 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 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, 2021  
(In Thousands)**

Quality Rating	Fair Value
AAA	\$ 2,256,072
AA	4,922,787
A	1,655,281
BBB	6,790,010
BB	125,060
Unrated	5,353,404
Agencies	3,317
Total Debt Securities	<u>\$ 21,105,931</u>

**Primary Government  
Pension and Investment Trust Funds  
Investments and Cash Equivalent Investments  
Credit Risk Exposure  
As of June 30, 2021  
(In Thousands)**

Quality Rating	Fair Value
AAA	\$ 770,001
AA	12,707,137
A	619,093
BBB	2,115,392
BB	1,279,496
B	1,245,836
CCC	538,094
CC	36,650
C	1,685
D	2,401
Unrated	5,400,239
Total Debt Securities	<u>\$ 24,716,024</u>

**Interest Rate Risk – Investments**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The state does not have a policy on interest rate risk. The contracts between SBI and investment managers contain the guidelines and limitations regarding interest rate risk. Debt securities are constrained around the quality rating, sector mix, and duration of the Barclays Capital U.S. Aggregate Bond index. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

**Primary Government  
Governmental, Proprietary, and Custodial Funds  
Investments and Cash Equivalent Investments  
Interest Rate Risk  
As of June 30, 2021  
(In Thousands)**

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
Asset-Backed Securities	\$ 2,200,444	0.82
Collateralized Mortgage Obligations	319,822	6.53
Corporate Debt	3,413,374	2.99
Mortgage-Backed Securities	238,062	4.71
Short-Term Investment Securities	10,074,455	0.13
State or Local Government Bonds	81,646	10.10
U.S. Agencies	3,066,708	1.00
U.S. Treasury	1,064,183	4.15
Yankee Bonds	647,237	2.17
Total Debt Securities	<u>\$ 21,105,931</u>	



**Primary Government  
Pension and Investment Trust Funds  
Investments and Cash Equivalent Investments  
Interest Rate Risk  
As of June 30, 2021  
(In Thousands)**

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
Asset-Backed Securities	\$ 701,097	4.40
Bank Loans	245,026	5.38
Collateralized Mortgage Obligations	783,985	6.38
Corporate Debt	3,533,420	7.82
Foreign Country Bonds	275,659	8.85
Mortgage-backed Securities	1,555,161	4.95
Short-Term Investment Securities	4,954,123	0.00
State or Local Government Bonds	139,201	8.20
U.S. Agencies	491,435	8.89
U.S. Treasury	10,539,944	13.64
Yankee Bonds	1,496,973	8.76
Total Debt Securities	<u>\$ 24,716,024</u>	

## 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, 2021 values, adjusted for cash flows. The investments measured at the NAV are typically not eligible for redemption. Distributions received as underlying investments within the funds are liquidated over the life of the investment. Cash and a portion of the short-term investments are not leveled under GASB Statement No. 72 "Fair Value Measurement and Application".

SBI has 60 investments that are valued at the NAV that are currently in the liquidation mode, totaling two percent of the NAV. The majority of the remaining value of investments in the liquidation mode will be returned to SBI within a time period of three to five years. SBI has a total of \$11,476,849,000 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, 2021  
(In Thousands)**

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	\$ 2,392,413	\$ 2,389,543	\$ 2,870	\$ —
Real Estate Investment Trust	61,166	61,166	—	—
Equity Total	<u>\$ 2,453,579</u>	<u>\$ 2,450,709</u>	<u>\$ 2,870</u>	<u>\$ —</u>
Fixed Income:				
Asset-backed Securities	\$ 2,239,372	\$ —	\$ 1,525,356	\$ 714,016
Mortgage-backed Securities	518,551	—	518,551	—
Corporate Bonds	3,857,101	—	3,857,101	—
Government Issues	5,955,721	3,522	5,952,199	—
Fixed Income Total	<u>\$ 12,570,745</u>	<u>\$ 3,522</u>	<u>\$ 11,853,207</u>	<u>\$ 714,016</u>
Total Investments by Fair Value	<u>\$ 15,024,324</u> <sup>(1)</sup>	<u>\$ 2,454,231</u>	<u>\$ 11,856,077</u>	<u>\$ 714,016</u>

<sup>(1)</sup> 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, 2021  
(In Thousands)**

Investments	Fair Value	Level 1	Level 2	Level 3
Equity:				
Common Stock	\$ 48,152,001	\$ 48,122,100	\$ 29,704	\$ 197
Real Estate Investment Trust	1,188,861	1,188,860	1	—
Other Equity	2,003,605	1,127,514	14,037	862,054
Equity Total	<u>\$ 51,344,467</u>	<u>\$ 50,438,474</u>	<u>\$ 43,742</u>	<u>\$ 862,251</u>
Fixed Income:				
Asset-backed Securities	\$ 1,043,340	\$ —	\$ 922,717	\$ 120,623
Mortgage-backed Securities	2,629,295	—	2,622,149	7,146
Corporate Bonds	5,509,470	—	5,508,139	1,331
Government Issues	14,604,588	—	14,604,588	—
Other Debt Instruments	647,283	—	647,283	—
Fixed Income Total	<u>\$ 24,433,976</u>	<u>\$ —</u>	<u>\$24,304,876</u>	<u>\$ 129,100</u>
Investment Derivatives:				
SWAPS	\$ 16,482	\$ —	\$ 16,482	\$ —
Options, Rights, Warrants	155	—	155	—
Investment Derivatives Total	<u>\$ 16,637</u>	<u>\$ —</u>	<u>\$ 16,637</u>	<u>\$ —</u>
Total Investments by Fair Value	<u>\$ 75,795,080</u>	<u>\$ 50,438,474</u>	<u>\$24,365,255</u>	<u>\$ 991,351</u>
Investments Measured at Net Asset Value (NAV):	NAV	Number of Investments	Percent of NAV Value	Unfunded Commitments
Private Equity	\$ 10,893,979	170	70 %	\$ 7,941,503
Real Estate	1,243,515	28	8	1,470,868
Real Assets	1,896,614	32	12	689,065
Private Credit	1,454,608	41	10	1,375,413
Total Investments at NAV	<u>\$ 15,488,716</u>	<u>271</u>	<u>100 %</u>	<u>\$ 11,476,849</u>
Total Investments by Fair Value and NAV	<u>\$ 91,283,796</u> <sup>(1)</sup>			

<sup>(1)</sup> 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 have exposure to one single issuer that equaled or exceeded five percent of the overall portfolio as of June 30, 2021. Federal Farm Credit Banks Fund had an aggregate fair value of 6.1 percent of the total debt security total of the governmental, proprietary, and custodial funds.

### Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SBI has established guidelines to be used by investment managers. Managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts to avoid currency losses.

The primary government, excluding pension and investment trust funds, had no exposure to foreign currency risk as of June 30, 2021. 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, 2021 (In Thousands)			
Currency	Cash	Debt	Equity
Australian Dollar	\$ 1,581	\$ —	\$ 574,802
Brazilian Real	1,080	17,952	186,859
Canadian Dollar	4,167	26,990	909,267
Danish Krone	685	—	282,733
Euro Currency	9,419	93,723	4,779,060
Hong Kong Dollar	3,038	—	1,149,660
Japanese Yen	9,531	—	1,987,272
New Taiwan Dollar	744	—	526,572
Pound Sterling	3,948	27,779	1,272,330
Singapore Dollar	552	—	97,272
South African Rand	114	13,236	108,295
South Korean Won	331	—	549,643
Swedish Krona	678	—	344,206
Swiss Franc	474	—	840,522
Yuan Renminbi	2,255	—	180,706
Others	7,071	124,114	397,835
Total	<u>\$ 45,668</u>	<u>\$ 303,794</u>	<u>\$ 14,187,034</u>

### 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, 2021, the investment pool had an average duration of 1 day and an average weighted maturity of 107.98 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, 2021, 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, 2021, were \$7,712,727,000 and \$7,460,490,000, respectively. Securities received as collateral for which the state does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the statement of net position. Cash collateral of \$5,707,863,000 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, 2021  
(In Thousands)**

Investment Type	Fair Value
Domestic Equities	\$ 5,470,648
U.S. Government Bonds	742,618
International Equities	284,037
Domestic Corporate Bonds	963,050
International Corporate Bonds	137
Total	<u>\$ 7,460,490</u>

### Component Units

#### Housing Finance Agency

As of June 30, 2021, the Housing Finance Agency (HFA) had \$1,317,432,000 of cash and cash equivalents and \$3,003,385,000 of investments. As of June 30, 2021, \$1,317,102,000 of deposits and \$2,891,905,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 6.6 – 27.7 years.

HFA cash equivalents included \$330,000 of investment agreements, which are generally uncollateralized, interest-bearing contracts.

HFA investments had an estimated fair value of \$3,003,385,000 as of June 30, 2021. Included in these investments were \$4,755,000 in U.S. Treasuries (not rated), and \$2,879,245,000 in U.S. Agencies having an S&P rating of AA+ and Moody's Investors Services rating of Aaa. An additional \$7,575,000 in municipal debt investments 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 \$6,516,000 and \$2,885,059,000 using Level 1 and Level 2 inputs, respectively. The remaining investments of \$111,810,000 related to premiums/discounts and unrealized appreciation/depreciation.

HFA had investments in single issuers as of June 30, 2021, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of \$1,317,746,000 were issued by Federal National Mortgage Association.

HFA entered into interest rate swap agreements that were considered to be derivative instruments under GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." These interest rate swap agreements have been determined to be effective hedges and were reported at fair value as of June 30, 2021, as a liability called "Interest Rate Swap Agreements." The inception-to-date change in fair value as of June 30, 2021, was reported in "Accumulated Decrease in Fair Value of Hedging Derivative Instruments" deferred outflows of resources.

As of June 30, 2021, HFA had interest rate swap agreements with the following counterparties: the Bank of New York Mellon (two agreements), Royal Bank of Canada (five agreements) and Wells Fargo (two agreements) for total notional amounts of \$78,985,000, \$183,225,000, and \$80,000,000, and fair values of (\$3,383,000), (\$9,821,000), and (\$3,347,000), respectively. For these counterparties, the fair values for the

fiscal year ended June 30, 2021, increased \$2,370,000, increased \$4,671,000, and increased \$1,926,000, respectively.

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, the Bank of New York Mellon, Royal Bank of Canada, and Wells Fargo have been rated by Moody's as Aa2, Aa2, and Aa2 respectively, and by S&P as AA-, AA-, and A+ respectively.

All swaps are pay-fixed, receive-variable. The initial notional amounts matched the original principal amounts and have terms which reduce the notional amounts to approximately follow the anticipated reductions in outstanding principal. HFA has also purchased the rights on the underlying mortgage loans, generally based upon a 300 percent PSA prepayment rate (the standard prepayment model of the Security Industries and Financial Market Association). This has further reduced the notional balances of the swaps as needed to match outstanding principal amounts of the associated bonds. HFA also has the right to terminate outstanding swaps in whole or in part at any time if it is not in default. The swap contracts may also be terminated by the counterparties, but are generally limited to HFA payment default or other HFA defaults that remain uncured for 30 days.

The variable rate HFA pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one-month taxable London Inter-Bank Offered Rate (LIBOR) rate or the Securities Industry and Financial Markets Association (SIFMA) index rate. This exposes HFA to basis risk (the risk that the rates do not equal), and this risk will vary over time due to inter-market conditions.

HFA assumes the risk that changes in the tax code may vary from the historical long-term relationship between taxable and tax-exempt short-term interest rates for economic reasons.

#### Metropolitan Council

As of December 31, 2020, the Metropolitan Council (MC) had \$592,957,000 in cash and cash equivalents and \$965,506,000 in investments. Of this amount, \$1,546,751,000 was subject to rating. Using the Moody's Investors Services rating scale, \$1,217,380,000 of these investments were rated Aaa, while \$329,371,000 were not rated. The net outstanding checks of \$11,712,000 comprise the remaining cash and investment amount.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. MC has a custodial credit risk exposure of \$1,948,000 because the related securities are held by a custodial agent in the broker's name.

MC measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." MC measured investments of \$436,914,000 and \$460,108,000 using Level 1 and Level 2 inputs, respectively. MC measured another \$390,260,000 of investments at the net asset value, while the remaining \$11,712,000 was cash and cash equivalents. MC also held \$246,263,000 in the Internal Equity Pool and \$13,206,000 in a cash fund with the State Board of Investment (SBI) was a trust account for other post-employment benefits (OPEB).

MC has adopted a simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 100, 200, and 300 basis points with interest rate changes occurring on December 31, 2020. The investment portfolio excluding the cash and escrow accounts and the OPEB trust portfolio has an average yield of .22 percent, weighted average maturity of 1.25 years, effective duration of 0.56 years, and convexity of -0.46.

The following table presents the estimated fair value of MC investments subject to interest rate risk using the simulation model.

<b>Major Component Unit Metropolitan Council Fair Value of Investments As of December 31, 2020 (In Thousands)</b>	
Fair Value of Portfolio	Estimated Fair Value
Before Basis Point Increase	\$ 1,558,463
After Basis Point Increase of:	
100 Points	1,552,327
200 Points	1,538,878
300 Points	1,525,277

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 2020, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2020, MC had 286 New York Mercantile Exchange (NYMEX) heating oil futures contracts (12.01 million gallons) acquired from April 02, 2019, through December 22, 2020, to terminate on dates from January 29, 2021, through September 30, 2022. As of December 31, 2020, the heating oil futures contracts had a fair value of \$18,165,000.

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, 2021, the University of Minnesota (U of M), including its discretely presented component units, had \$829,232,000 of cash and cash equivalents and \$7,244,286,000 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 \$687,927,000 and investments of \$3,081,997,000.

As of June 30, 2021, U of M's bank balance of \$215,081,000 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, 2021, \$1,482,569,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- \$1,111,837,000 was rated AA or better
- \$30,133,000 was rated BBB to A
- \$11,300,000 was rated BB or lower
- \$329,299,000 was not rated

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

- \$612,476,000 in government agencies with weighted average maturities of 3.4 to 3.9 years
- \$50,502,000 in mortgage-backed securities with a weighted average maturity of 15.8 years
- \$236,872,000 in cash and cash equivalents with a weighted average maturity of 0.0 years
- \$188,330,000 in mutual funds with a weighted average maturity of 5.1 years
- \$40,108,000 in corporate bonds with a weighted average maturity of 1.9 years
- \$24,982,000 in commercial paper with a weighted average maturity of 2.4 years

As of June 30, 2021, U of M had \$83,081,000 of equity investments subject to foreign currency risk. The two components of this amount are \$57,645,000 in Euro Currency and \$25,436,000 in British Pound Sterling.

As of June 30, 2021, several U of M investment holdings are subject to custodial credit risk. The fair value of investments the U of M held in the custodial accounts was \$1,007,375,000 in Temporary Investment Pool (TIP); \$133,363,000 in Consolidated Endowment Fund (CEF); and \$27,185,000 in Group Income Pool (GIP), respectively.

U of M measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." U of M measured investments of \$389,387,000, \$792,839,000, and \$6,026,000 using Level 1, 2 and 3 inputs, respectively. U of M measured another \$1,893,745,000 of investments at the net asset value.

## Nonmajor Component Units

### Nonmajor Component Units Cash, Cash Equivalents, and Investments As of December 31, 2020 or June 30, 2021, as applicable (In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	\$ 974	\$ 23,230
Minnesota Comprehensive Health Association	293	—
Minnesota Sports Facilities Authority	49,523	—
National Sports Center Foundation	1,376	—
Office of Higher Education	635,529	—
Public Facilities Authority	325,381	2,102
Rural Finance Authority	36,087	—
Workers' Compensation Assigned Risk Plan	11,546	295,494
Total	<u>\$ 1,060,709</u>	<u>\$ 320,826</u>

## Note 3 – Disaggregation of Receivables

### Primary Government Components of Net Receivables Government-wide As of June 30, 2021 (In Thousands)

Description	Governmental Activities			
	General Fund <sup>(2)</sup>	Federal Fund	Nonmajor Governmental Funds <sup>(1)</sup>	Total
Taxes:				
Corporate and Individual	\$ 1,237,168	\$ —	\$ —	\$ 1,237,168
Sales and Use	463,117	—	36,455	499,572
Property	404,303	—	—	404,303
Health Care Provider	475,779	—	—	475,779
Motor Vehicle/Fuel	—	—	73,685	73,685
Others	60,004	—	35,526	95,530
Child Support	24,340	22,866	126	47,332
Workers' Compensation	—	—	27,185	27,185
Others	526,793	492,489	132,215	1,151,497
Net Receivables	<u>\$ 3,191,504</u>	<u>\$ 515,355</u>	<u>\$ 305,192</u>	<u>\$ 4,012,051</u>
Business-type Activities				
Description	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	\$ —	\$ 408,352	\$ —	\$ 408,352
Tuition and Fees <sup>(3)</sup>	62,053	—	—	62,053
Others	—	—	43,902	43,902
Net Receivables	<u>\$ 62,053</u>	<u>\$ 408,352</u>	<u>\$ 43,902</u>	<u>\$ 514,307</u>
Total Government-wide Net Receivables				<u>\$ 4,526,358</u>

<sup>(1)</sup> Includes \$92.027 million for Internal Service Funds, less Internal Service Fund eliminations of \$86.917 million among Governmental Activities.

<sup>(2)</sup> Includes \$475 thousand Interfund Receivables from Fiduciary Funds reclassified to Accounts Receivable on the Government-wide Statement of Net Position.

<sup>(3)</sup> The revenue associated with tuition and fees is reduced by a scholarship allowance of \$271.763 million.

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

- Corporate and Individual Taxes \$186,340,000
- Sales and Use Taxes \$41,874,000
- Child Support \$105,204,000

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

- Corporate and Individual Taxes \$272,403,000
- Sales and Use Taxes \$101,231,000
- Child Support \$45,487,000
- Health Care Provider \$109,077,000
- Other Receivables \$217,447,000

#### Note 4 – Loans and Notes Receivable

**Primary Government**  
**Loans and Notes Receivable, Net of Allowance**  
**As of June 30, 2021**  
**(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	\$ —	\$ —	\$ —	\$ 12,898	\$ 12,898
Economic Development	87,838	4,767	42,175	—	134,780
School Districts	1,965	—	—	—	1,965
Agricultural, Environmental and Energy Resources	—	—	85,679	—	85,679
Transportation	—	—	2,223	—	2,223
Others	6,585	—	564	1,492	8,641
Total	<u>\$ 96,388</u>	<u>\$ 4,767</u>	<u>\$ 130,641</u>	<u>\$ 14,390</u>	<u>\$ 246,186</u>

**Component Units**  
**Loans and Notes Receivable**  
**As of December 31, 2020 or June 30, 2021, as applicable**  
**(In Thousands)**

Component Unit	Loans and Notes Receivable
Housing Finance Agency	\$ 929,112
Metropolitan Council	44,700
University of Minnesota	67,191
National Sports Center Foundation	566
Office of Higher Education	442,083
Public Facilities Authority	1,797,880
Rural Finance Authority	98,336
Total	<u>\$ 3,379,868</u>

## 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, 2021 (In Thousands)

Description	Amount
Due to the General Fund From:	
Federal Fund	\$ 104,394
Nonmajor Governmental Funds	48,236
Nonmajor Enterprise Funds	22,625
Internal Service Funds	50,493
Fiduciary Funds	475
Total Due to General Fund From Other Funds	<u>\$ 226,223</u>
Due to the Federal Fund From:	
Unemployment Insurance Fund	\$ 49
Total Due to Federal Fund From Other Funds	<u>\$ 49</u>
Due to the State Colleges and Universities Fund From:	
Nonmajor Governmental Funds	\$ 29,150
Total Due to State Colleges and Universities Fund From Other Funds	<u>\$ 29,150</u>
Due to the Unemployment Insurance Fund From:	
General Fund	\$ 3,665
Federal Fund	2
Nonmajor Governmental Funds	1,898
Nonmajor Enterprise Funds	33
Total Due to Unemployment Insurance Fund From Other Funds	<u>\$ 5,598</u>
Due to Nonmajor Enterprise Funds From:	
General Fund	\$ 4,500
Internal Service Funds	1,500
Total Due to Nonmajor Enterprise Funds From Other Funds	<u>\$ 6,000</u>
Due to the Internal Service Funds From:	
Internal Service Funds	325
Total Due to Internal Service	<u>\$ 325</u>
Due to Fiduciary Funds From:	
Fiduciary Funds	\$ 12,746
Total Due to Fiduciary Funds From Other Funds	<u>\$ 12,746</u>

#### Primary Government Interfund Receivables and Payables As of June 30, 2021 (In Thousands) (Continued)

Description	Amount
Due to Nonmajor Governmental Funds From:	
General Fund	\$ 38,402
Unemployment Insurance Fund	19,587
Nonmajor Governmental Funds	365,048
Nonmajor Enterprise Funds	2,881
Total Due to Nonmajor Governmental Funds From Other Funds	<u>\$ 425,918</u>



**Primary Government  
Interfund Transfers  
Year Ended June 30, 2021  
(In Thousands)**

Description	Amount
Transfers to the General Fund From:	
Federal Fund	\$ 43,031
Nonmajor Governmental Funds	54,577
Nonmajor Enterprise Funds	150,996
Internal Service Funds	25,591
Total Transfers to General Fund From Other Funds	<u>\$ 274,195</u>
Transfers to the Federal Fund From:	
Unemployment Insurance Fund	\$ 26
Nonmajor Governmental Funds	1,006
Total Transfers to Federal Fund From Other Funds	<u>\$ 1,032</u>
Transfers to the State Colleges and Universities Fund From:	
General Fund	\$ 775,244
Nonmajor Governmental Funds	21,512
Total Transfers to State Colleges and Universities Fund From Other Funds	<u>\$ 796,756</u>
Transfers to Fiduciary Funds From:	
General Fund	\$ 84,788
Fiduciary Funds	30,722
Total Transfers to Fiduciary Funds From Other Funds	<u>\$ 115,510</u>
Transfers to Nonmajor Governmental Funds From:	
General Fund	\$ 709,409
Federal Fund	143
Unemployment Insurance Fund	1,539
Nonmajor Governmental Funds	263,225
Nonmajor Enterprise Funds	37,836
Internal Service Funds	7,088
Total Transfers to Nonmajor Governmental Funds From Other Funds	<u>\$ 1,019,240</u>
Transfers to Nonmajor Enterprise Funds From:	
General Fund	\$ 13,244
Nonmajor Governmental Funds	1,220
Total Transfers to Nonmajor Enterprise Funds From Other Funds	<u>\$ 14,464</u>
Transfers to Government-wide Capital Assets From:	
Nonmajor Enterprise Funds	\$ 567
Total Transfers to Government-wide Capital Assets	<u>\$ 567</u>

**Component Units**

**Primary Government and Component Units  
Receivables and Payables  
As of December 31, 2020 or June 30, 2021, as applicable  
(In Thousands)**

Component Units	Due from Primary Government	Due to Primary Government
Major Component Units:		
Housing Finance Agency	\$ 75	\$ —
Metropolitan Council	96,913	—
University of Minnesota	37,546	2,325
Total Major Component Units	<u>\$ 134,534</u>	<u>\$ 2,325</u>
Nonmajor Component Units	163,228	146,491
Total Component Units	<u>\$ 297,762</u>	<u>\$ 148,816</u>
Primary Government	Due from Component Units	Due to Component Units
Major Governmental Funds:		
General Fund	\$ 5,467	\$ 111,429
Federal Fund	—	115,777
Total Major Governmental Funds	<u>\$ 5,467</u>	<u>\$ 227,206</u>
Nonmajor Governmental Funds	112,194	12,068
Total Primary Government	<u>\$ 117,661</u>	<u>\$ 239,274</u> <sup>(1)</sup>

<sup>(1)</sup> Due to Component Units on the Government-wide Statement of Net Position totals \$242.176 million and includes \$2.902 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 \$31,155,000 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 \$58,488,000 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 \$2,902,000 loans payable disclosed above.

## Note 6 – Capital Assets

### Primary Government

<b>Primary Government Capital Asset Activity Government-wide Governmental Activities Year Ended June 30, 2021 (In Thousands)</b>				
Asset Category	Beginning	Additions	Deductions	Ending
Governmental Activities:				
Capital Assets not Depreciated:				
Land	\$ 2,788,654	\$ 64,970	\$ (8,900)	\$ 2,844,724
Buildings, Structures, Improvements	333,834	8,418	—	342,252
Construction in Progress	316,029	144,573	(243,125)	217,477
Development in Progress	231,748	67,047	(54,651)	244,144
Infrastructure	11,725,576	556,377	(3,437)	12,278,516
Easements	466,507	49,986	(86)	516,407
Art and Historical Treasures	7,724	1,347	—	9,071
Total Capital Assets not Depreciated	<u>\$ 15,870,072</u>	<u>\$ 892,718</u>	<u>\$ (310,199)</u>	<u>\$ 16,452,591</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 3,481,419	\$ 206,398	\$ (1,190)	\$ 3,686,627
Infrastructure	423,225	29,417	(583)	452,059
Internally Generated Computer Software	434,146	52,268	(83,828)	402,586
Easements	3,897	143	(12)	4,028
Equipment, Furniture, Fixtures	928,644	76,149	(36,830)	967,963
Total Capital Assets Depreciated	<u>\$ 5,271,331</u>	<u>\$ 364,375</u>	<u>\$ (122,443)</u>	<u>\$ 5,513,263</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (1,593,039)	\$ (100,724)	\$ 1,074	\$ (1,692,689)
Infrastructure	(137,783)	(13,788)	67	(151,504)
Internally Generated Computer Software	(235,192)	(74,129)	83,811	(225,510)
Easements	(1,249)	(92)	12	(1,329)
Equipment, Furniture, Fixtures	(542,642)	(71,090)	29,456	(584,276)
Total Accumulated Depreciation	<u>\$ (2,509,905)</u>	<u>\$ (259,823)</u>	<u>\$ 114,420</u>	<u>\$ (2,655,308)</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,761,426</u>	<u>\$ 104,552</u>	<u>\$ (8,023)</u>	<u>\$ 2,857,955</u>
Governmental Act. Capital Assets, Net	<u>\$ 18,631,498</u>	<u>\$ 997,270</u>	<u>\$ (318,222)</u>	<u>\$ 19,310,546</u>

Capital outlay expenditures in the governmental funds totaled \$929,456,000 for fiscal year 2021. Donations of general capital assets received were valued at \$14,187,000. Transfers of \$294,729,000 were primarily from construction in progress for completed projects and a transfer-in from the business-type activities of \$567,000. Internal service funds had additions of \$18,721,000.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2021, consisted of buildings with a cost of \$180,005,000.

### Primary Government Capital Asset Activity Government-wide Business-type Activities and Fiduciary Funds Year Ended June 30, 2021 (In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Business-type Activities:				
Capital Assets not Depreciated:				
Land	\$ 94,996	\$ 6	\$ (1,068)	\$ 93,934
Intangible Capital Asset	—	596	—	596
Construction in Progress	114,572	61,203	(102,609)	73,166
Total Capital Assets not Depreciated	<u>\$ 209,568</u>	<u>\$ 61,805</u>	<u>\$ (103,677)</u>	<u>\$ 167,696</u>
Capital Assets Depreciated:				
Buildings, Structures, Improvements	\$ 3,895,565	\$ 104,327	\$ (32,311)	\$ 3,967,581
Infrastructure	28,153	2,098	—	30,251
Library Collections	35,784	4,766	(5,864)	34,686
Internally Generated Computer Software	65,047	716	(886)	64,877
Equipment, Furniture, Fixtures	347,171	9,881	(6,347)	350,705
Total Capital Assets Depreciated	<u>\$ 4,371,720</u>	<u>\$ 121,788</u>	<u>\$ (45,408)</u>	<u>\$ 4,448,100</u>
Accumulated Depreciation for:				
Buildings, Structures, Improvements	\$ (2,068,546)	\$ (123,056)	\$ 30,734	\$ (2,160,868)
Infrastructure	(18,043)	(1,213)	—	(19,256)
Library Collections	(21,480)	(4,955)	5,864	(20,571)
Internally Generated Computer Software	(29,237)	(6,718)	886	(35,069)
Equipment, Furniture, Fixtures	(271,129)	(17,022)	5,988	(282,163)
Total Accumulated Depreciation	<u>\$ (2,408,435)</u>	<u>\$ (152,964)</u>	<u>\$ 43,472</u>	<u>\$ (2,517,927)</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,963,285</u>	<u>\$ (31,176)</u>	<u>\$ (1,936)</u>	<u>\$ 1,930,173</u>
Business-type Act. Capital Assets, Net	<u>\$ 2,172,853</u>	<u>\$ 30,629</u>	<u>\$ (105,613)</u>	<u>\$ 2,097,869</u>
Fiduciary Funds:				
Capital Assets not Depreciated:				
Land	\$ 429	\$ —	\$ —	\$ 429
Construction in Progress	—	182	—	182
Total Capital Assets not Depreciated	<u>\$ 429</u>	<u>\$ 182</u>	<u>\$ —</u>	<u>\$ 611</u>
Capital Assets Depreciated:				
Buildings	\$ 29,763	\$ —	\$ —	\$ 29,763
Internally Generated Computer Software	36,020	—	—	36,020
Equipment, Furniture, Fixtures	7,586	517	(293)	7,810
Total Capital Assets Depreciated	<u>\$ 73,369</u>	<u>\$ 517</u>	<u>\$ (293)</u>	<u>\$ 73,593</u>
Accumulated Depreciation for:				
Buildings	\$ (14,172)	\$ (738)	\$ —	\$ (14,910)
Internally Generated Computer Software	(15,780)	(3,066)	—	(18,846)
Equipment, Furniture, Fixtures	(6,013)	(743)	293	(6,463)
Total Accumulated Depreciation	<u>\$ (35,965)</u>	<u>\$ (4,547)</u>	<u>\$ 293</u>	<u>\$ (40,219)</u>
Total Capital Assets Depreciated, Net	<u>\$ 37,404</u>	<u>\$ (4,030)</u>	<u>\$ —</u>	<u>\$ 33,374</u>
Fiduciary Funds, Capital Assets, Net	<u>\$ 37,833</u>	<u>\$ (3,848)</u>	<u>\$ —</u>	<u>\$ 33,985</u>

Transfers for Business-type Activities totaling \$102,042,000 primarily related to construction in progress for completed projects.

**Primary Government  
Depreciation Expense  
Government-wide  
Year Ended June 30, 2021  
(In Thousands)**

Function	Depreciation Expense
Governmental Activities:	
Agricultural, Environmental & Energy Resources	\$ 16,624
Economic and Workforce Development	1,328
General Education	5,233
General Government	74,735
Health and Human Services	42,904
Public Safety and Corrections	51,057
Transportation	46,832
Internal Service Funds	21,110
Total Governmental Activities	<u>\$ 259,823</u>
Business-type Activities:	
State Colleges and Universities	\$ 137,279
Lottery	539
Others	15,146
Total Business-type Activities	<u>\$ 152,964</u>

**Primary Government  
Significant Project Authorizations and Commitments  
As of June 30, 2021  
(In Thousands)**

Description	Administration	Transportation
Authorization	\$ 886,367	\$ 2,295,624
Less: Expended (through June 30)	(688,845)	(1,717,801)
Less: Unexpended Commitment	(39,273)	(510,430)
Remaining Available Authorization	<u>\$ 158,249</u>	<u>\$ 67,393</u>

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 2,512,754 total acres as of June 30, 2021.

**Component Units**

**Component Units  
Capital Assets  
As of December 31, 2020 or June 30, 2021, as applicable  
(In Thousands)**

Asset Category	Major Component Units				Total
	Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	
Capital Assets not Depreciated:					
Land	\$ —	\$ 257,053	\$ 237,543	\$ 35,547	\$ 530,143
Construction in Progress	—	1,573,905	63,708	402	1,638,015
Leased Buildings	—	—	149,176	—	149,176
Museums and Collections	—	—	100,721	—	100,721
Easements	—	—	5	—	5
Total Capital Assets not Depreciated	<u>\$ —</u>	<u>\$ 1,830,958</u>	<u>\$ 551,153</u>	<u>\$ 35,949</u>	<u>\$ 2,418,060</u>
Capital Assets Depreciated:					
Buildings, Structures, Improvements	\$ —	\$ 5,108,531	\$ 4,809,388	\$ 874,915	\$10,792,834
Infrastructure	—	—	470,407	32,917	503,324
Library	—	—	178,395	—	178,395
Internally Generated Computer Software	11,007	—	201,005	—	212,012
Equipment, Furniture, Fixtures	3,366	1,337,531	855,022	237,343	2,433,262
Other Intangibles	—	—	6,903	—	6,903
Total Capital Assets Depreciated	<u>\$ 14,373</u>	<u>\$ 6,446,062</u>	<u>\$ 6,521,120</u>	<u>\$ 1,145,175</u>	<u>\$14,126,730</u>
Total Accumulated Depreciation	<u>\$ (12,241)</u>	<u>\$ (3,029,570)</u>	<u>\$ (3,871,577)</u>	<u>\$ (261,080)</u>	<u>\$ (7,174,468)</u>
Total Capital Assets Depreciated, Net <sup>(1)</sup>	<u>\$ 2,132</u>	<u>\$ 3,416,492</u>	<u>\$ 2,649,543</u>	<u>\$ 884,095</u>	<u>\$ 6,952,262</u>
Component Units Capital Assets, Net	\$ 2,132	\$ 5,247,450	\$ 3,200,696	\$ 920,044	\$ 9,370,322

<sup>(1)</sup> In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of \$90.282 million as of June 30, 2021.

## Note 7 – Disaggregation of Payables

**Primary Government  
Components of Accounts Payable  
Government-wide  
As of June 30, 2021  
(In Thousands)**

Description	Governmental Activities			Total
	General Fund	Federal Fund	Nonmajor Governmental Funds <sup>(1)</sup>	
School Aid Programs	\$ 1,030,792	\$ 296,528	\$ 2,689	\$ 1,330,009
Tax Refunds	557,959	—	—	557,959
Medical Care Programs	916,911	1,818,374	10,545	2,745,830
Grants	410,164	431,277	318,159	1,159,600
Salaries and Benefits	162,638	25,772	63,254	251,664
Vendors/Service Providers	181,032	182,857	292,759	656,648
Net Payables	<u>\$ 3,259,496</u>	<u>\$ 2,754,808</u>	<u>\$ 687,406</u>	<u>\$ 6,701,710</u>

Description	Business-type Activities			Total
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	
Salaries and Benefits	\$ 145,816	\$ —	\$ 11,339	\$ 157,155
Vendors/Service Providers	48,459	182,905	63,402	294,766
Net Payables	<u>\$ 194,275</u>	<u>\$ 182,905</u>	<u>\$ 74,741</u>	<u>\$ 451,921</u>

Total Government-wide Net Payables				<u><u>\$ 7,153,631</u></u>
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<sup>(1)</sup> Includes \$51.847 million for Internal Service Funds, less Internal Service Fund eliminations of \$86.917 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, 2021, this presentation resulted in a negative asset within the total investment pool participation.

### Non-Primary Government Administered Plan

The state contributes as a non-employer contributing entity into the St. Paul Teachers’ Retirement Fund, but does not perform any other fiduciary responsibilities. Separately-issued financial statements for the St. Paul Teachers’ Retirement Fund Association may be obtained at St. Paul Teachers’ Retirement Association, 1619 Dayton Avenue, Room 309, St. Paul, MN 55104.

### Defined Benefit Plans

#### Primary Government Administered Multiple-Employer Cost Sharing Plans

The State Employees Retirement Fund (SERF) covers most state employees, the University of Minnesota (component unit) non-faculty employees, and selected metropolitan agency employees. 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 for all years.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state except those teachers employed by the City of St Paul and the University of Minnesota. Approximately 600 employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Membership Types	Basic membership: Participants who are not covered by the Social Security Act. Coordinated membership: Participants who are covered by the Social Security Act.
Benefit Formula	Members hired before July 1, 1989: Step or Level formula, whichever is greater. Members hired on or after July 1, 1989: Level formula.  Step Formula: Coordinated members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service prior to July 1, 2006, and 1.4 percent for any of the first 10 years after that date. For allowable years of service after the first ten years, Coordinated members receive 1.7 percent for each year prior to July 1, 2006 and 1.9 percent for years after that date.  Basic members receive 2.2 percent of the high-five average salary for each of the first 10 years of allowable service, and 2.7 percent for each year thereafter.  The Step formula also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater).  Level Formula: Coordinated members receive 1.7 percent of the high-five average salary for all years of allowable service prior to July 1, 2006 and 1.9 percent for years thereafter.  Basic members receive 2.7 percent of the high-five average salary for all years of allowable service.  The Level formula provides full benefits at normal retirement age. Not eligible for benefits under the Rule of 90.
Annual Benefit Increase	1.0 percent through December 31, 2023, then increase by 0.1 percent each year over five years, and 1.5 percent thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

#### Primary Government Administered Multiple-Employer Cost Sharing Plans

##### Statutory Contribution Rates

(In Thousands)

Description	SERF	CERF <sup>(1)</sup>	GERF	P&FF	TRF <sup>(2)</sup>
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%	17.35%	7.5-11.78%	17.7%	8.13-12.13%
Non-Employer Contributing Entity	\$ —	\$ —	\$ 16,000	\$ 9,000	\$ 31,087
Primary Government Contributions – Reporting Period	\$ 156,738	\$ 48,662	\$ 17,720	\$ 9,586	\$ 47,696

<sup>(1)</sup> Additional supplemental employer contributions increase from 2.95 percent to 4.45 percent of salary annually in fiscal year 2022. The 4.45 percent will remain in effect until the plan is 100 percent funded.

<sup>(2)</sup> An additional contribution of 3.64 percent of salary from Special School District No.1 brings the top of the Employer contribution range to 15.77 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2024. Employer contribution rate increases by 0.62 percent over the next three years.

#### Primary Government Administered Multiple-Employer Cost Sharing Plans

##### Summary of Pension Amounts

As of June 30, 2021

(In Thousands)

Description	SERF <sup>(1)</sup>	CERF <sup>(1)</sup>	GERF <sup>(1)</sup>	P&FF <sup>(1)</sup>	TRF <sup>(1)</sup>	Total
Primary Government's Proportionate Share of the Net Pension Liability as an:						
Employer	\$ 998,968	\$ 447,093	\$ 22,051	\$ 3,635	\$ 256,907	\$ 1,728,654
Non-Employer Contributing Entity	—	—	179,348	60,676	499,032	739,056
Total	\$ 998,968	\$ 447,093	\$ 201,399	\$ 64,311	\$ 755,939	\$ 2,467,710
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:						
Current Year Measurement Date	75.21%	99.95%	3.36%	4.88%	10.23%	
Prior Year Measurement Date	74.94%	99.87%	3.43%	5.40%	10.65%	
Deferred Outflows of Resources	\$ 253,696	\$ 68,515	\$ 53,417	\$ 85,782	\$ 345,792	\$ 807,202
Deferred Inflows of Resources	\$ 2,265,472	\$ 291,194	\$ 17,914	\$ 50,606	\$ 755,699	\$ 3,380,885
Net Pension Expense	\$ 252,702	\$ 26,112	\$ 30,127	\$ 22,574	\$ 87,954	\$ 419,469

<sup>(1)</sup> 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 <sup>(1)</sup>	CERF <sup>(2)(4)(5)</sup>	GERF <sup>(1)</sup>	P&FF <sup>(2)(4)(5)</sup>	TRF <sup>(2)</sup>
Actuarial Valuation/ Measurement Date	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
Long-Term Expected Rate	7.50%	7.50%	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate <sup>(3)</sup>	2.45%	2.45%	2.45%	2.45%	2.19%
Experience Study Dates	2014-2018	2011-2015	2014-2018	2011-2015	2014-2018
Inflation	2.25%	2.50%	2.25%	2.50%	2.50%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	Service Related Rates	2.85-9.25%
Payroll Growth	3.00%	3.25%	3.00%	3.25%	3.00%

- <sup>(1)</sup> For SERF and GERF, the Pub-2010 General Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2018 for SERF, and Scale MP-2019 for GERF. There are various adjustments in each plan to match experience. For the prior measurement period, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015 for SERF and Scale MP-2018 for GERF. In fiscal year 2022, GERF will adjust for mortality improvements based on Scale MP-2020.
- <sup>(2)</sup> For CERF, P&FF, and TRF mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015 for CERF and TRF, and Scale MP-2019 for P&FF. There are various adjustments in each plan to match experience. For the prior measurement period, P&FF was adjusted for mortality improvements based on Scale MP-2018. In fiscal year 2022, P&FF will use the Pub-2010 Public Safety Mortality table and will adjust for mortality improvements based on Scale MP-2020 and CERF will use the Pub-2010 General Mortality table and will adjust for mortality improvements based on Scale MP-2019.
- <sup>(3)</sup> Source: Fidelity Index for SERF, CERF, GERF, and P&FF and Bond Buyers for TRF.
- <sup>(4)</sup> The inflation assumption for fiscal year 2022 will change to 2.25 percent for CERF and P&FF.
- <sup>(5)</sup> The payroll growth assumption for fiscal year 2022 will change to 3.00 percent for CERF and P&FF.

**Primary Government Administered Multiple-Employer Cost Sharing Plans  
Deferred Outflows of Resources  
As of June 30, 2021  
(In Thousands)**

Description	SERF	CERF	GERF	P&FF	TRF	Total
Difference Between Expected and Actual Experience	\$ 17,930	\$ 12,256	\$ 1,836	\$ 2,842	\$ 15,160	\$ 50,024
Changes in Assumption	—	—	—	21,552	271,231	292,783
Net Difference Between Projected and Actual Earnings on Investment	47,645	7,120	3,479	1,953	11,705	71,902
Change in Proportionate Difference Between Actual Contributions and Proportionate Share of Contributions	31,383	477	30,382	49,849	—	112,091
Contributions Subsequent to the Measurement Date	156,738	48,662	17,720	9,586	47,696	280,402
Total	<u>\$ 253,696</u>	<u>\$ 68,515</u>	<u>\$ 53,417</u>	<u>\$ 85,782</u>	<u>\$ 345,792</u>	<u>\$ 807,202</u>

**Primary Government Administered Multiple-Employer Cost Sharing Plans  
Deferred Inflows of Resources  
As of June 30, 2021  
(In Thousands)**

Description	SERF	CERF	GERF	P&FF	TRF	Total
Difference Between Expected and Actual Experience	\$ 10,258	\$ 1,398	\$ 762	\$ 3,054	\$ 11,458	\$ 26,930
Changes in Assumption	2,255,214	289,622	7,467	40,108	634,593	3,227,004
Change in Proportionate Share of Contributions	—	174	9,685	7,444	109,648	126,951
Total	<u>\$ 2,265,472</u>	<u>\$ 291,194</u>	<u>\$ 17,914</u>	<u>\$ 50,606</u>	<u>\$ 755,699</u>	<u>\$ 3,380,885</u>

**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, 2021  
(In Thousands)**

Description	SERF	CERF	GERF	P&FF	TRF	Total
2022	\$ (1,491,360)	\$ (173,547)	\$ 15,876	\$ 9,276	\$ (31,437)	\$ (1,671,192)
2023	(681,368)	(118,613)	(6,247)	(3,576)	(254,205)	(1,064,009)
2024	8,234	11,430	3,241	18,332	(171,678)	(130,441)
2025	(4,020)	9,389	4,913	2,162	3,870	16,314
2026	—	—	—	(604)	(4,153)	(4,757)
Net Pension Expense	<u>\$ (2,168,514)</u>	<u>\$ (271,341)</u>	<u>\$ 17,783</u>	<u>\$ 25,590</u>	<u>\$ (457,603)</u>	<u>\$ (2,854,085)</u>
Deferred Outflow of Resources as a Reduction to Net Pension Liability	156,738	48,662	17,720	9,586	47,696	280,402
Net Deferred Outflows (Inflows) of Resources	<u>\$ (2,011,776)</u>	<u>\$ (222,679)</u>	<u>\$ 35,503</u>	<u>\$ 35,176</u>	<u>\$ (409,907)</u>	<u>\$ (2,573,683)</u>

**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.
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Benefit Formula	Members hired before July 1, 1989: Tier 1 or Tier 2 formula, whichever is greater. Members hired on or after July 1, 1989: Tier 2 formula.
	Tier 1 Formula: Coordinated members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service prior to July 1, 2015, and 1.4 percent for any of the first 10 years after that date. For allowable years of service after the first ten years, Coordinated members receive 1.7 percent for each year prior to July 1, 2015 and 1.9 percent for years after that date.
	Basic members receive 2.0 percent of the high-five average salary for all years of allowable service.
	The Tier 1 formula also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater).
	Tier 2 Formula: Coordinated members receive 1.7 percent of the high-five average salary for all years of allowable service prior to July 1, 2015 and 1.9 percent for years thereafter.
	Basic members receive 2.5 percent of the high-five average salary for all years of allowable service.
	The Tier 2 formula provides full benefits at normal retirement age. Not eligible for benefits under the Rule of 90.
Annual Benefit Increase	No benefit increases through December 31, 2020, and 1.0 percent thereafter. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plan  
Statutory Contribution Rates  
(In Thousands)**

Description	SPTRF <sup>(1)</sup>
Minnesota Statutory Authority	354A.12
Required Contribution Rate:	
Active Members	7.5-10.0%
Employer(s)	8.38-11.88%
Primary Government as Non-Employer Contributing Entity - Statutory Requirement	\$ 15,664
Primary Government Contributions - Reporting Period	\$ 15,691

<sup>(1)</sup> 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 15.52 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2023 and Employer contribution rates increase by 0.62 percent over the next three years.

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plan  
Summary of Pension Amounts  
As of June 30, 2021  
(In Thousands)**

Description	SPTRF <sup>(1)</sup>
Primary Government's Proportionate Share of the Net Pension Liability as an:	
Employer	\$ 503
Non-Employer Contributing Entity	207,016
Total	<u>\$ 207,519</u>
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:	
Current Measurement Date	31.75%
Prior Measurement Date	33.77%
Deferred Outflows of Resources	\$ 53,183
Deferred Inflows of Resources	\$ 17,006
Net Pension Expense	\$ 29,431

<sup>(1)</sup> 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 <sup>(1)</sup>
Actuarial Valuation/Measurement Date	June 30, 2020
Long-Term Expected Rate	7.50%
20 Year Municipal Bond Rate <sup>(2)</sup>	2.45%
Experience Study Dates	2011-2016
Inflation	2.50%
Salary Increases	3.00-9.00%
Payroll Growth	3.00%

<sup>(1)</sup> For mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2019 for the current measurement period and Scale MP-2018 for the prior measurement period. There are various adjustments to match experience.

<sup>(2)</sup> 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, 2021  
(In Thousands)**

Description	SPTRF
Changes in Assumption	\$ 9,411
Net Difference Between Projected and Actual Earnings on Investment	16,709
Change in Proportionate Share of Contributions	11,372
Contributions Subsequent to the Measurement Date	15,691
Total	<u>\$ 53,183</u>



**Non-Primary Government Administered Multiple-Employer Cost Sharing Plan  
Deferred Inflows of Resources  
As of June 30, 2021  
(In Thousands)**

Description	SPTRF
Difference Between Expected and Actual Experience	\$ 6,921
Changes in Assumption	1,507
Change in Proportionate Share of Contributions	8,578
Total	<u>\$ 17,006</u>

**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, 2021  
(In Thousands)**

Description	SPTRF
2022	\$ 12,162
2023	(1,992)
2024	5,908
2025	4,408
Net Pension Expense	\$ 20,486
Deferred Outflow of Resources as a Reduction to Net Pension Liability	15,691
Net Deferred Outflows (Inflows) of Resources	<u>\$ 36,177</u>

**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 187 employers participating in this plan. The plan provides retirement and survivor benefits only. If fire state aid plus investment income are not expected to cover the normal cost of benefits during the next calendar year, an employer contribution is calculated and payable by the end of the next calendar year. Benefits are determined by employee years of service multiplied by a benefit level chosen by the entity sponsoring the fire department from possible levels ranging from \$500 to \$10,000 per year of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent. The plan is established and administered in accordance with Minnesota Statutes 353G. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

**Primary Government Administered Single-Employer Plans**

The Judges Retirement Fund (JRF) covers judges of the Supreme Court, appellate, and district courts. The plan provides retirement, survivor, and disability benefits.

**Benefit Formula** Judges appointed or elected before July 1, 2013: 2.7 percent of the high-five average salary for each year of allowable service prior to July 1, 1980, and 3.2 percent for each year thereafter, up to 76.8 percent.

**Annual Benefit Increase** 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. 1.75 percent, if the plan is funded at least 70 percent for two consecutive years, the increase changes to 2.0 percent, and if the plan is funded at least 90 percent for two consecutive years, the increase changes to 2.5 percent. The benefit increase of 1.75 percent is projected through 2041, 2.0 percent through 2058, and 2.5 percent thereafter.

For the prior measurement period the benefit increase of 1.75 percent was projected through 2039, 2.0 percent through 2056, and 2.5 percent thereafter. For the fiscal year 2022 measurement period, the benefit increase will change to 1.5 percent starting January 1, 2022.

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	3528.02
Required Contribution Rate:			
Active Members	7.0-9.0%	9.0%	15.4%
Employer	22.5% <sup>(3)</sup>	N/A <sup>(1)</sup>	23.1% <sup>(2)</sup>
Primary Government Contributions – Reporting Period	\$ 17,915	\$ 8,639	\$ 24,809

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

<sup>(2)</sup> Member contribution rate increased by 0.5 percent in fiscal year 2021. Additional supplemental employer contributions of 5.0 percent bring the top of the Employer contribution range to 28.1 percent. Additional supplemental employer contributions increase to 7.0 percent of salary annually effective for fiscal year 2022. The 7.0 percent will remain in effect until plan is 100 percent funded.

<sup>(3)</sup> 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	390	360	1,107
Members Entitled to, but not Receiving Benefits	17	31	63
Active Members	322	17	937

**Primary Government Administered Single-Employer Plans  
Summary of Pension Amounts  
As of June 30, 2021  
(In Thousands)**

Description	JRF	LRF	SPRF	Total
Net Pension Liability	\$ 185,923	\$ 146,789	\$ 231,455	\$ 564,167
Deferred Outflows of Resources	22,340	8,639	77,222	108,201
Deferred Inflows of Resources	1,633	—	110,148	111,781
Net Pension Expense	5,303	15,410	26,067	46,780

**Primary Government Administered Single-Employer Plans  
Actuarial Assumptions**

Description	JRF <sup>(1)(3)</sup>	LRF <sup>(1)</sup>	SPRF <sup>(1)(3)(4)</sup>
Actuarial Valuation / Measurement Date	June 30, 2020	June 30, 2020	June 30, 2020
Long-Term Expected Rate	7.50%	7.50%	7.50%
20 Year Municipal Bond Rate <sup>(2)</sup>	2.45%	2.45%	2.45%
Experience Study Dates	2011-2015	N/A	2011-2015
Inflation	2.50%	2.50%	2.50%
Salary Increases	2.50%	4.50%	Service Related Rates
Payroll Growth	2.50%	N/A	3.25%

<sup>(1)</sup> For mortality rate assumptions, the RP-2014 Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2015. There are various adjustments in each plan to match experience. In fiscal year 2022, JRF and SPRF will use the Pub-2010 General Mortality table and will adjust for mortality improvements based on Scale MP-2019.

<sup>(2)</sup> Source: Fidelity Index 20-Year Municipal GO AA Index.

<sup>(3)</sup> The inflation assumption for fiscal year 2022 will change to 2.25 percent for JRF and SPRF.

<sup>(4)</sup> The payroll growth assumption for fiscal year 2022 will change to 3.00 percent for SPRF.

**Primary Government Administered Single-Employer Plans  
Schedule of Net Pension Liability  
As of June 30, 2021  
(In Thousands)**

Description	JRF	LRF	SPRF	Total
Total Pension Liability (TPL):				
Service Cost	\$ 9,897	\$ 527	\$ 21,122	\$ 31,546
Interest on the Total Pension Liability	28,721	4,258	70,465	103,444
Difference Between Expected and Actual Experience of the Total Pension Liability	(802)	645	(535)	(692)
Changes in Assumptions	—	9,986	—	9,986
Benefit Payments, Including Refunds of Member Contributions	(26,302)	(8,812)	(61,971)	(97,085)
Net Change in Total Pension Liability	\$ 11,514	\$ 6,604	\$ 29,081	\$ 47,199
Total Pension Liability, Beginning	\$ 391,146	\$ 140,185	\$ 959,964	\$ 1,491,295
Total Pension Liability, Ending	<u>\$ 402,660</u>	<u>\$ 146,789</u>	<u>\$ 989,045</u>	<u>\$ 1,538,494</u>
Fiduciary Net Position (FNP):				
Contributions – Employer	\$ 17,766	\$ 8,764	\$ 22,975	\$ 49,505
Contributions – Member	4,168	87	12,595	16,850
Net Investment Income	8,955	—	31,073	40,028
Benefit Payments, Including Refunds of Member Contributions	(26,302)	(8,812)	(61,971)	(97,085)
Pension Plan Administrative Expenses	(112)	(39)	(224)	(375)
Other Changes	—	—	(2)	(2)
Net Change in Plan Fiduciary Net Position	\$ 4,475	\$ —	\$ 4,446	\$ 8,921
Plan Fiduciary Net Position, Beginning	\$ 212,262	\$ —	\$ 753,144	\$ 965,406
Plan Fiduciary Net Position, Ending	<u>\$ 216,737</u>	<u>\$ —</u>	<u>\$ 757,590</u>	<u>\$ 974,327</u>
Net Pension Liability (NPL)	<u>\$ 185,923</u>	<u>\$ 146,789</u>	<u>\$ 231,455</u>	<u>\$ 564,167</u>

**Primary Government Administered Single-Employer Plans  
Deferred Outflows of Resources  
As of June 30, 2021  
(In Thousands)**

Description	JRF	LRF	SPRF	Total
Difference Between Expected and Actual Experience	\$ 1,051	\$ —	\$ 1,837	\$ 2,888
Changes in Assumption	2,331	—	47,264	49,595
Net Difference Between Projected and Actual Earnings on Investment	1,043	—	3,312	4,355
Contributions Subsequent to the Measurement Date	17,915	8,639	24,809	51,363
Total	<u>\$ 22,340</u>	<u>\$ 8,639</u>	<u>\$ 77,222</u>	<u>\$ 108,201</u>

**Primary Government Administered Single-Employer Plans  
Deferred Inflows of Resources  
As of June 30, 2021  
(In Thousands)**

Description	JRF	SPRF	Total
Difference Between Expected and Actual Experience	\$ 1,633	\$ 9,138	\$ 10,771
Changes in Assumption	—	101,010	101,010
Total	<u>\$ 1,633</u>	<u>\$ 110,148</u>	<u>\$ 111,781</u>

**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, 2021  
(In Thousands)**

Description	JRF	LRF	SPRF	Total
2022	\$ (510)	\$ —	\$ (5,907)	\$ (6,417)
2023	646	—	(40,066)	(39,420)
2024	1,458	—	(16,922)	(15,464)
2025	1,198	—	5,250	6,448
2026	—	—	(90)	(90)
Net Pension Expense	<u>\$ 2,792</u>	<u>\$ —</u>	<u>\$ (57,735)</u>	<u>\$ (54,943)</u>
Deferred Outflow of Resources as a Reduction to Net Pension Liability	17,915	8,639	24,809	51,363
Net Deferred Outflows (Inflows) of Resources	<u>\$ 20,707</u>	<u>\$ 8,639</u>	<u>\$ (32,926)</u>	<u>\$ (3,580)</u>

## Summary of Defined Benefit Plans

### Summary of Defined Benefit Plans As of June 30, 2021 (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	\$ 2,467,710	\$ 207,519	\$ 564,167	\$ 3,239,396
Deferred Outflows of Resources	807,202	53,183	108,201	968,586
Deferred Inflows of Resources	3,380,885	17,006	111,781	3,509,672
Net Pension Expense	419,469	29,431	46,780	495,680

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, 2021

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Geometric Mean)
Domestic Stocks	35.50 % <sup>(1)</sup>	5.10 %
International Stocks	17.50 % <sup>(2)</sup>	5.30 %
Bonds	20.00 %	0.75 %
Alternative Assets	25.00 %	5.90 %
Unallocated Cash	2.00 % <sup>(3)</sup>	0.00 %
Total	<u>100.00 %</u>	

<sup>(1)</sup> The target allocation for fiscal year 2022 will change to 33.50 percent for domestic stocks.

<sup>(2)</sup> The target allocation for fiscal year 2022 will change to 16.50 percent for international stocks.

<sup>(3)</sup> The target allocation for fiscal year 2022 will change to 5.00 percent for unallocated cash.

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, 2021 (In Thousands)

Plan	With a 1% Decrease		Current Discount Rate		With a 1% Increase	
	Rate	NPL <sup>(1)</sup>	Rate	NPL <sup>(1)</sup>	Rate	NPL <sup>(1)</sup>
SERF <sup>(4)</sup>	6.50 %	\$ 2,371,234	7.50 %	\$ 998,968	8.50 %	\$ (143,085)
CERF <sup>(4)</sup>	6.50 %	682,316	7.50 %	447,093	8.50 %	255,125
GERF <sup>(4)</sup>	6.50 %	322,773	7.50 %	201,399	8.50 %	101,275
P&FF <sup>(4)</sup>	6.50 %	128,181	7.50 %	64,311	8.50 %	11,470
TRF <sup>(4)</sup>	6.50 %	1,157,335	7.50 %	755,939	8.50 %	425,209
SPTRF	6.50 %	271,169	7.50 %	207,519	8.50 %	154,784
JRF <sup>(4)</sup>	6.50 %	226,631	7.50 %	185,923	8.50 %	151,040
LRF <sup>(3)(4)</sup>	1.45 %	163,912	2.45 % <sup>(2)</sup>	146,789	3.45 %	132,500
SPRF <sup>(4)</sup>	6.50 %	351,715	7.50 %	231,455	8.50 %	131,896

<sup>(1)</sup> Net Pension Liability (Asset).

<sup>(2)</sup> LRF: The municipal bond rate was used for all years.

<sup>(3)</sup> The discount rate changed from 3.13 percent for LRF.

<sup>(4)</sup> The discount rate for fiscal year 2022 will change to 6.50 percent for SERF, CERF, GERF, P&FF, JRF, and SPRF, 7.00 percent for TRF, and 1.92 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 \$186,610,000 for the fiscal year ended June 30, 2021.

The Unclassified Employees Retirement Fund (UERF), authorized by Minnesota Statutes 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state, specified employees of various statutorily designated entities, or judges who exceed the maximum benefit cap under the Judges Retirement Fund (pension trust fund). Statutory contribution rates are 6.0 percent of employee's salary for employee and 6.25 percent for the employer. However, contribution rates for participating judges are 8.0 percent of employee's salary with no state contribution. Benefits are either an annuity based on age, value of the participant's account, and the effective actuarial assumptions, or the participant's account balance withdrawals.

The Minnesota Deferred Compensation Fund (DCPF) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes 352.965. The plan is primarily composed of employee contributions and accumulated investment gains or losses. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. The employee contributions were \$323,824,000 for the fiscal year ended June 30, 2021.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. The statutory contribution rate is 5.0 percent of employee's salary for both the employee and employer (local units of government, elected officials, and physicians). For other participants, the contribution rate is determined by the employer with a fixed percentage for the employee. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes 354B and 354C, covers unclassified teachers, librarians, administrators, and certain other staff members. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and administrators, participate in the IRAP. The employer and employee statutory contribution rates are 6.0 and 5.80 percent, respectively. Member contribution rates increase by 1.95 percent over the next three years. For the SRP, the statutorily required contribution rate is 5.0 percent of salary for both the employer and employees with contribution maximums between \$1,700 and \$2,700 depending on the member group. Minnesota Statutes allow additional employer and employee contributions under specific circumstances.

Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) is the administrative agent for the State Colleges and Universities Retirement Fund. Separately-issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

**Primary Government  
Defined Contribution Plans Contributions  
As of June 30, 2021  
(In Thousands)**

Description	HCSRF	UERF	DCF	CURF
Member Contributions	\$ 66	\$ 7,455	\$ 2,066	\$ 48,079
Employer Contributions:				
Primary Government Contributions	\$ —	\$ 7,029	\$ —	\$ 45,960
Other Employer Contributions	66	428	2,133	—
Total Employer Contributions	\$ 66	\$ 7,457	\$ 2,133	\$ 45,960

**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, 2020 or June 30, 2021, as applicable  
(In Thousands)**

Description	Major Component Units			Non-Major Component Units			Total
	HFA	MC	U of M	MSFA	OHE	PFA	
Proportionate Share of the Net Pension Liability	\$ 8,396	\$ 124,063	\$ 185,543	\$ 159	\$ 1,778	\$ 877	\$ 320,816
Deferred Outflows of Resources	2,132	16,603	39,284	132	452	224	58,827
Deferred Inflows of Resources	19,039	282,320	448,101	609	4,032	1,990	756,091
Net Pension Expense (Income)	2,124	31,036	31,724	(154)	449	221	65,400

**Major Component Units  
Summary of Pension Amounts  
Police and Fire Fund  
As of December 31, 2020 or June 30, 2021, as applicable  
(In Thousands)**

Description	MC	U of M	Total
Proportionate Share of the Net Pension Liability	\$ 16,686	\$ 8,371	\$ 25,057
Deferred Outflows of Resources	9,637	12,351	21,988
Deferred Inflows of Resources	9,332	12,839	22,171
Net Pension Expense	2,671	1,059	3,730

## 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 56 former faculty members and staff currently receive this benefit. The cost of the benefits was \$2,152,000 during fiscal year ended June 30, 2021, with a remaining liability as of June 30, 2021, of \$2,367,000.

### 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 2021 was \$34,148,000.

### 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, 2021  
(In Thousands)**

Description	Amount <sup>(1)</sup>
Total OPEB Liability	\$ 687,901
Deferred Outflows of Resources	123,681
Deferred Inflows of Resources	121,161
Total OPEB Expense	60,554

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

**Single-Employer Plan  
Actuarial Assumptions**

Description	OPEB Plan
Actuarial Valuation <sup>(1)</sup>	July 1, 2020
Measurement Date <sup>(1)</sup>	June 30, 2020
Discount Rate: 20 Year Municipal Bond Rate <sup>(2)</sup>	2.21%
Healthcare Cost Trend Rate	7.5% reduced to 3.8% by 2071
Experience Study Dates	2015 - 2019
Inflation	2.25%
Salary Increases	3.00%

<sup>(1)</sup> 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.

<sup>(2)</sup> 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. For the prior measurement period, the mortality rate assumptions use the RP-2014 employee generational mortality table projected with mortality improvement Scale MP-2018.

**Single-Employer Plan  
Schedule of Total OPEB Liability  
As of June 30, 2021  
(In Thousands)**

Description	Primary Government's Share <sup>(1)</sup>	Component Unit's Share <sup>(1)</sup>	Plan Total
Total OPEB Liability:			
Service Cost	\$ 46,784	\$ (282)	\$ 46,502
Interest	23,067	61	23,128
Differences between Expected and Actual Experience	(76,119)	(201)	(76,320)
Changes in Assumptions or Other Inputs	100,857	266	101,123
Benefit Payments	(37,655)	(99)	(37,754)
Net Changes in Total OPEB Liability	\$ 56,934	\$ (255)	\$ 56,679
Total OPEB Liability, Beginning	630,967	2,067	633,034
Total OPEB Liability, Ending	<u>\$ 687,901</u>	<u>\$ 1,812</u>	<u>\$ 689,713</u>

<sup>(1)</sup> The primary government's total proportionate share is 99.7 percent and the component unit's proportionate share is 0.3 percent of the state's single employer defined benefit OPEB plan.

**Primary Government Single-Employer Plan  
Deferred Outflows and Deferred Inflows of Resources  
Related to OPEB  
As of June 30, 2021  
(In Thousands)**

Description	Deferred Outflows of Resources <sup>(1)</sup>	Deferred Inflows of Resources <sup>(1)</sup>
Difference between Expected and Actual Experience	\$ —	\$ 101,517
Changes of Assumption	89,533	19,644
Transactions Subsequent to the Measurement Date	34,148	NA
Total	<u>\$ 123,681</u>	<u>\$ 121,161</u>

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

**Primary Government Single-Employer Plan**  
**Net Deferred Outflows (Inflows) of Resources**  
**Recognized as OPEB Expense or a Reduction to the Total OPEB Liability**  
**As of June 30, 2021**  
**(In Thousands)**

Description	Amount <sup>(1)</sup>
2022	\$ (8,983)
2023	(8,983)
2024	(9,364)
2025	(6,208)
2026	(73)
Thereafter	1,983
Net OPEB Expense	\$ (31,628)
Deferred Outflow of Resources as a Reduction of the Total OPEB Liability	34,148
Net Deferred Outflows (Inflows) of Resources	<u>\$ 2,520</u>

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

The following tables present the total OPEB liability (TOPEBL) for the defined benefit plan for the primary government's proportionate share of the TOPEBL, calculated using the corresponding discount rate and healthcare trend rate as well as what the TOPEBL would be if the rates were one percentage point higher or lower.

**Primary Government**  
**Sensitivity of the Total OPEB liability to Changes in the Discount Rate**  
**As of June 30, 2021**  
**(In Thousands)**

With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Rate	TOPEBL	Rate <sup>(1)</sup>	TOPEBL	Rate	TOPEBL
1.21%	\$ 738,693	2.21%	\$ 687,901	3.21%	\$ 639,852

<sup>(1)</sup> The discount rate changed from 3.5 percent.

**Sensitivity of the Total OPEB liability to Changes in the Healthcare Trend Rates**  
**As of June 30, 2021**  
**(In Thousands)**

With a 1% Decrease		Current Healthcare Trend Rate		With a 1% Increase	
Rate	TOPEBL	Rate	TOPEBL	Rate	TOPEBL
2.8%	\$ 621,775	3.8%	\$ 687,901	4.8%	\$ 765,869

**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 \$315 million as of December 31, 2020 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, 2021**  
**(In Thousands)**

Description	Major Component Unit	Non-Major Component Unit	Total
	HFA	OHE	
Proportionate Share Total OPEB Liability	\$ 1,793	\$ 19	\$ 1,812
Deferred Outflows of Resources	302	3	305
Deferred Inflows of Resources	290	4	294
Total OPEB Expense	132	(67)	65

**Major Component Units**  
**Summary of OPEB Amounts**  
**Other Plans**  
**As of December 31, 2020 or June 30, 2021, as applicable**  
**(In Thousands)**

Description	Major Component Units		Total
	MC	U of M	
Proportionate Share Total OPEB Liability	\$ 361,459	\$ 54,111	\$ 415,570
Deferred Outflows of Resources	62,482	10,724	73,206
Deferred Inflows of Resources	12,795	258	13,053
Total OPEB Expense	27,304	7,589	34,893



## 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, 2021, were as follows:

Primary Government Encumbrances As of June 30, 2021 (In Thousands)	
Description	Amount
General Fund	\$ 552,950
Non-Major Governmental Funds	2,150,754
Total Encumbrances	<u>\$ 2,703,704</u>

#### Enterprise Fund - Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of \$75,073,000 for construction and renovation of college and university facilities and replacement of legacy ERP system as of June 30, 2021.

### Component Units

As of June 30, 2021, the Housing Finance Agency had committed approximately \$841,871,000 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, 2020, unpaid commitments for Metro Transit Bus services were approximately \$223,343,000. Future commitments for Metro Transit Light Rail were approximately \$829,602,000, while future commitments for Metro Transit Commuter Rail were approximately \$4,101,000. Future commitments for Regional Transit and Environmental Services were approximately \$22,638,000 and \$71,222,000, respectively. Finally, amounts authorized and initiated in the calendar year 2020 budget but not completely expended in calendar year 2020 were \$525,000.

The University of Minnesota had construction projects in progress with an estimated completion cost of \$200,038,000 as of June 30, 2021. These costs will be funded from plant account assets and state appropriations.

As of June 30, 2021, the Public Facilities Authority (PFA) had committed approximately \$185,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed \$76,300,000 for grants.

As of June 30, 2021, the Minnesota Sports Facilities Authority had committed approximately \$843,000 for stadium and stadium infrastructure construction projects.

## Note 11 – Operating Lease Agreements

### Operating Leases

The state and its component units are committed under various leases primarily for building and office space. For accounting purposes, these leases are considered to be operating leases.

Lease expenditures/expenses for the fiscal year ended June 30, 2021, totaled approximately \$95,512,000 and \$27,635,000 for the primary government and component units, respectively. Lease expenses for the year ended December 31, 2020, totaled approximately \$2,311,000 for component units.

Primary Government and Component Units Future Minimum Lease Payments (In Thousands)					
Primary Government		Component Units			
Year Ended June 30	Amount	Year Ended June 30	Amount	Year Ended December 31	Amount
2022	\$ 83,554	2022	\$ 19,528	2021	\$ 2,369
2023	68,162	2023	17,041	2022	2,092
2024	53,786	2024	16,575	2023	1,995
2025	49,661	2025	14,988	2024	1,334
2026	46,120	2026	7,712	2025	1,009
2027-2031	88,644	2027-2031	19,169	2026-2030	4,107
2032-2036	2,309	2032-2036	8,095	2031-2035	238
2037-2041	321	2037-2041	1,713	2036-2040	72
2042-2046	287	2042-2046	1,619	2041-2045	49
2047-2051	306	2047-2051	—	2046-2050	5
2052-2056	226	2052-2056	—	2051-2055	—
Total	<u>\$ 393,376</u>	Total	<u>\$ 106,440</u>	Total	<u>\$ 13,270</u>

# **Note 12 – Long-Term Liabilities - Primary Government**

## **Primary Government Long-Term Liabilities Year Ended June 30, 2021 (In Thousands)**

Liability Type	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 7,025,411	\$ 1,339,545	\$ 1,449,645	\$ 6,915,311	\$ 506,113
Revenue Bonds	31,410	—	2,830	28,580	2,935
State Appropriation Bonds	944,767	65,798	54,553	956,012	47,710
Loans	51,825	17,911	21,030	48,706	19,087
Due to Component Units	3,570	—	668	2,902	671
Capital Leases	51,702	—	10,655	41,047	11,171
Certificates of Participation	79,038	—	2,781	76,257	2,405
Claims	844,312	1,068,506	1,037,086	875,732	181,883
Compensated Absences	363,328	358,504	327,037	394,795	52,761
Other Postemployment Benefits	549,263	83,587	31,917	600,933	—
Net Pension Liability	2,742,318	409,135	294,635	2,856,818	—
<b>Total</b>	<b>\$ 12,686,944</b>	<b>\$ 3,342,986</b>	<b>\$ 3,232,837</b>	<b>\$ 12,797,093</b>	<b>\$ 824,736</b>
<b>Business-type Activities:</b>					
General Obligation Bonds	\$ 214,906	\$ 8,120	\$ 23,827	\$ 199,199	\$ 20,652
Revenue Bonds	266,519	—	33,526	232,993	21,050
Loans	13,398	2,136,029	998,808	1,150,619	45,686
Capital Leases	5,351	1,147	2,134	4,364	1,699
Claims	28,681	315,684	309,352	35,013	33,508
Compensated Absences	164,148	33,491	30,634	167,005	19,212
Other Postemployment Benefits	81,704	27,082	21,818	86,968	—
Net Pension Liability	365,345	53,191	35,958	382,578	—
<b>Total</b>	<b>\$ 1,140,052</b>	<b>\$ 2,574,744</b>	<b>\$ 1,456,057</b>	<b>\$ 2,258,739</b>	<b>\$ 141,807</b>

## **Primary Government Resources for Repayment of Long-Term Liabilities Year Ended June 30, 2021 (In Thousands)**

Liability Type	Governmental Activities			Business-type Activities	Total
	General Fund	Special Revenue Funds	Internal Service Funds		
General Obligation Bonds	\$ 4,870,981	\$ 2,044,330	\$ —	\$ 199,199	\$ 7,114,510
Revenue Bonds	9,731	18,849	—	232,993	261,573
State Appropriation Bonds	956,012	—	—	—	956,012
Loans	—	694	48,012	1,150,619	1,199,325
Due to Component Units	—	2,902	—	—	2,902
Capital Leases	41,047	—	—	4,364	45,411
Certificates of Participation	76,257	—	—	—	76,257
Claims	183,129	593,075	99,528	35,013	910,745
Compensated Absences	223,805	156,028	14,962	167,005	561,800
Other Postemployment Benefits	593,129	—	7,804	86,968	687,901
Net Pension Liability	2,819,432	—	37,386	382,578	3,239,396
<b>Total</b>	<b>\$ 9,773,523</b>	<b>\$ 2,815,878</b>	<b>\$ 207,692</b>	<b>\$ 2,258,739</b>	<b>\$ 15,055,832</b>

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, state appropriation bonds, loans, due to component unit, capital leases, and certificates of participation. There are no payment schedules for claims, compensated absences, other postemployment benefits, and net pension liability.

## **Primary Government General Obligation Bonds Principal and Interest Payments (In Thousands)**

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 506,113	\$ 240,663	\$ 20,652	\$ 7,951	\$ 526,765	\$ 248,614
2023	560,712	216,601	19,143	6,950	579,855	223,551
2024	522,390	193,202	17,955	6,058	540,345	199,260
2025	500,462	171,362	16,738	5,249	517,200	176,611
2026	467,799	151,006	16,121	4,510	483,920	155,516
2027-2031	1,993,394	500,745	55,886	13,973	2,049,280	514,718
2032-2036	1,143,397	189,033	28,808	4,996	1,172,205	194,029
2037-2041	385,797	29,989	8,118	699	393,915	30,688
Total	\$ 6,080,064	\$ 1,692,601	\$ 183,421	\$ 50,386	\$ 6,263,485	\$ 1,742,987
Bond Premium	835,247	—	15,778	—	851,025	—
<b>Total</b>	<b>\$ 6,915,311</b>	<b>\$ 1,692,601</b>	<b>\$ 199,199</b>	<b>\$ 50,386</b>	<b>\$ 7,114,510</b>	<b>\$ 1,742,987</b>

**Primary Government  
Revenue Bonds  
Principal and Interest Payments  
(In Thousands)**

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,935	\$ 1,014	\$ 21,050	\$ 8,544	\$ 23,985	\$ 9,558
2023	1,760	944	19,685	7,745	21,445	8,689
2024	1,815	891	18,035	6,991	19,850	7,882
2025	1,870	834	18,295	6,251	20,165	7,085
2026	1,930	773	19,275	5,456	21,205	6,229
2027-2031	10,730	2,722	85,135	15,744	95,865	18,466
2032-2036	7,540	494	39,455	2,679	46,995	3,173
2037-2041	—	—	1,280	44	1,280	44
Total	\$ 28,580	\$ 7,672	\$ 222,210	\$ 53,454	\$ 250,790	\$ 61,126
Bond Premium	—	—	10,783	—	10,783	—
Total	<u>\$ 28,580</u>	<u>\$ 7,672</u>	<u>\$ 232,993</u>	<u>\$ 53,454</u>	<u>\$ 261,573</u>	<u>\$ 61,126</u>

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

Year Ended June 30	Governmental Activities	
	Principal	Interest
2022	\$ 47,710	\$ 39,848
2023	52,130	37,526
2024	54,745	35,054
2025	57,650	32,455
2026	60,595	29,792
2027-2031	289,035	105,497
2032-2036	116,455	62,604
2037-2041	139,145	34,185
2042-2046	56,060	4,249
Total	\$ 873,525	\$ 381,210
Bond Premium	82,487	—
Total	<u>\$ 956,012</u>	<u>\$ 381,210</u>

**Primary Government  
Loans Payable and Due to Component Units  
Principal and Interest Payments  
(In Thousands)**

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 19,758	\$ 807	\$ 45,686	\$ 18,321	\$ 65,444	\$ 19,128
2023	14,656	488	463,765	9,294	478,421	9,782
2024	8,774	273	463,731	2,792	472,505	3,065
2025	3,553	175	168,053	250	171,606	425
2026	952	141	828	226	1,780	367
2027-2031	1,970	475	3,991	819	5,961	1,294
2032-2036	1,361	231	3,744	323	5,105	554
2037-2041	584	24	821	30	1,405	54
Total	<u>\$ 51,608</u>	<u>\$ 2,614</u>	<u>\$ 1,150,619</u>	<u>\$ 32,055</u>	<u>\$ 1,202,227</u>	<u>\$ 34,669</u>

**Primary Government  
Capital Leases  
Principal and Interest Payments  
(In Thousands)**

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 11,171	\$ 2,037	\$ 1,699	\$ 174	\$ 12,870	\$ 2,211
2023	11,717	1,477	691	93	12,408	1,570
2024	12,291	892	308	93	12,599	985
2025	5,599	276	309	92	5,908	368
2026	269	7	212	46	481	53
2027-2031	—	—	1,050	96	1,050	96
2032-2036	—	—	95	1	95	1
Total	<u>\$ 41,047</u>	<u>\$ 4,689</u>	<u>\$ 4,364</u>	<u>\$ 595</u>	<u>\$ 45,411</u>	<u>\$ 5,284</u>

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

Year Ended June 30	Governmental Activities	
	Principal	Interest
2022	\$ 2,405	\$ 3,384
2023	2,525	3,264
2024	2,650	3,137
2025	2,785	3,004
2026	2,925	2,866
2027-2031	16,965	11,984
2032-2036	21,655	7,294
2037-2041	15,765	1,602
Total	\$ 67,675	\$ 36,535
Premium on Certificates of Participation	8,582	—
Total	<u>\$ 76,257</u>	<u>\$ 36,535</u>

#### 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 2021, 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, 2021  
(In Thousands)**

Fund Type	Amount
General Fund	\$ 604,306
Special Revenue Funds:	
Trunk Highway Fund	\$ 177,571
Miscellaneous Special Revenue Fund	1,194
Total Special Revenue Funds	<u>\$ 178,765</u>
Capital Project Funds:	
Building Fund	\$ 96
Transportation Fund	30
Total Capital Project Funds	<u>\$ 126</u>
Internal Service Fund – Plant Management Fund	5,788
Total Transfers to Debt Service Fund	<u>\$ 788,985</u>

#### General Obligation Bond Issues

In August 2020, the state issued \$1,198,550,000 general obligation bonds, Series 2020A through Series 2020G:

- Series 2020A for \$330,360,000 in state various purpose bonds were issued at a true interest rate of 1.60 percent.
- Series 2020B for \$152,020,000 in state trunk highway bonds were issued at a true interest rate of 1.26 percent.
- Series 2020C for \$20,515,000 in taxable state bonds were issued at a true interest rate of 1.26 percent.
- Series 2020D for \$128,115,000 in state various purpose refunding bonds were issued at a true interest rate of 0.16 percent. The aggregate debt service payments decreased by \$11,938,000 and the economic gain (the present value of the debt service savings) for the state was \$14,692,000.
- Series 2020E for \$163,380,000 in state trunk highway refunding bonds were issued at a true interest rate of 0.45 percent. The aggregate debt service payments decreased by \$11,255,000 and the economic gain (the present value of the debt service savings) for the state was \$25,793,000.
- Series 2020F for \$223,970,000 in taxable state various purpose refunding bonds were issued at a true interest rate of 0.98 percent. The aggregate debt service payments decreased by \$31,933,000 and the economic gain (the present value of the debt service savings) for the state was \$31,870,000.
- Series 2020G for \$180,190,000 in taxable state trunk highway refunding bonds were issued at a true interest rate of 0.95 percent. The aggregate debt service payments decreased by \$31,621,000 and the economic gain (the present value of the debt service savings) for the state was \$30,808,000.

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, 2021  
(In Thousands)**

Refunding Date	Original Refunding Amount	Refunded Amount	Outstanding Amount	Refunded Bond Call/Maturity Date
August 21, 2014	\$ 5,449	\$ 5,705	\$ 3,500	October 1, 2021
August 21, 2014	9,727	10,185	6,795	August 1, 2022
March 14, 2018	N/A	1,860	465	August 1, 2021
March 14, 2018	N/A	480	480	October 1, 2023
August 25, 2020	223,970	219,250	219,250	October 1, 2021
August 25, 2020	<u>180,190</u>	<u>176,000</u>	<u>176,000</u>	October 1, 2021
Total	<u>\$ 419,336</u>	<u>\$ 413,480</u>	<u>\$ 406,490</u>	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2021. 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, 2021  
(In Thousands)**

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates for Outstanding
Maximum Effort School Loan	\$ —	\$ 10,704	5.00%
Rural Finance Authority	25,025	102,475	1.35-5.00%
State Transportation	314,096	255,366	2.50-5.00%
Trunk Highway	1,755,335	1,564,775	1.50-5.00%
Trunk Highway Refunding Bonds	—	479,555	0.40-5.00%
Various Purpose	1,529,546	2,400,090	1.35-5.00%
Various Purpose Refunding Bonds	—	1,450,520	0.47-5.00
Total	<u>\$ 3,624,002</u>	<u>\$ 6,263,485</u>	

### State Appropriation Bonds

On October 31, 2012, the Minnesota Supreme Court concluded that the Appropriation Refunding Bonds do not constitute public debt for which the state has pledged its full faith, credit, and taxing powers. The Minnesota Supreme Court held that, accordingly, the bonds are not subject to the Minnesota Constitution's Article XI, Section 5, restrictions on the use of the proceeds of "public debt." Resulting from the decision of this court case, on November 21, 2012, the state sold state General Fund appropriation refunding bonds as authorized by Minnesota Statutes 16A.99. The bonds were issued for the purpose of refunding tobacco settlement revenue bonds Series 2011A and Series 2011B of the Tobacco Securitization Authority. These appropriation bonds are payable only from amounts appropriated by the Minnesota Legislature.

Minnesota Statutes 16A.965 authorizes the state to issue state General Fund appropriation bonds for the purpose of financing up to \$498,000,000 for the state and City of Minneapolis' share of the costs of a professional football stadium project of the Minnesota Sports Facilities Authority (component unit). The state has commenced the financing process. In addition, the Minnesota Pay-for-Performance Act of 2011 authorized issuance of up to \$10,000,000 bond proceeds as incentive payments to service providers for certain financial outcomes that will result in decreased costs or increased revenues to the state.

Minnesota Statutes 16A.967 as amended by the Laws of Minnesota Special Session 2017, Chapter 8, Article 2, Section 2, authorizes the state to issue state General Fund appropriation bonds not to exceed \$22,500,000 for financing land acquisition, design, engineering, and construction of facilities and infrastructure necessary to complete the next phase of the Lewis and Clark Regional Water System project, including completion of the pipeline to Magnolia, extension of the project to the Lincoln-Pipestone Rural Water System connection near Adrian, and engineering, design, and easement acquisition for the final phase of the project to Worthington. No bonds shall be sold until the commissioner of Minnesota Management and Budget determines that a nonstate match of at least \$9,000,000 is committed to this project phase. Grant agreements entered into under this section must provide for reimbursement to the state from any federal money provided for the project, consistent with the Lewis and Clark Regional Water System Incorporated Agreement. The nonstate match was met and in fiscal year 2017, state General Fund appropriation bonds of \$11,790,000. 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 project include: (1) two levels of expansion to an existing medical district parking ramp and a skywalk replacement; (2) a ramp with up to 1,400 new parking stalls to serve the medical entity west; (3) extension of 6th Avenue East; (4) demolition of existing hospital structure; (5) roadway, utility, and site improvements and capacity upgrades to support medical entity west; (6) district energy connections; and (7) a ramp for up to 400 new parking stalls to serve the medical entity east. Minnesota Statutes 469.54 authorizes the city of Duluth, in lieu of directly receiving the appropriation support payments, to have the state issue state General Fund appropriation bonds. Minnesota Statutes 16A.968, as amended by Laws of Minnesota Regular Session 2020, Chapter 83, Article 1, Section 3, authorizes the state to issue state General Fund appropriation bonds not to exceed \$97,720,000 for the purpose of financing public infrastructure projects authorized and approved by the city of Duluth. In the event the state issues state General Fund appropriation bonds for these purposes, the amount of appropriation support payments in any year is reduced by an amount equal to the amount needed from the General Fund. Up to \$8,100,000 is appropriated from the General Fund each year beginning in fiscal year 2022 through fiscal year 2055 to pay debt service on the bonds, subject to Minnesota Statutes 469.54, subdivision 3 which allows a maximum appropriation support payment of \$3.7 million in fiscal year 2022. Debt service on these bonds is paid from a statutory General Fund appropriation that may be repealed, canceled, or unallotted. 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. For more information, see Note 22 – Subsequent Events.

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. See Note 22 – Subsequent Events for more information. 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. See Note 22 – Subsequent Events for more information. 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. See Note 22 – Subsequent Events for more information. 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, 2021.

**Primary Government  
State Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding  
As of June 30, 2021  
(In Thousands)**

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates
Professional Football Stadium	\$ —	\$ 398,630	3.26-5.08%
Pay-for-Performance	10,000	—	N/A
Refund Tobacco Securitization Authority	—	393,375	3.00-5.00%
Lewis and Clark Regional Water System	3,500	15,220	1.65-3.50%
Duluth Regional Exchange District			
Appropriation Bonds	32,910	66,300	1.55-2.88%
Total	<u>\$ 46,410</u>	<u>\$ 873,525</u>	

#### 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 for internal service funds. 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, 2021, the state has an unused line of credit of \$28,569,000 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. This advance will be paid back through receipt of unemployment insurance taxes and assessments. These taxes and assessments are received quarterly, and the exact amounts vary from quarter to quarter; therefore, the repayment schedule has been estimated. The deficit is expected to be eliminated by fiscal year 2025.

#### Capital Leases

In fiscal year 2006, the state entered into capital lease agreements, amended in fiscal year 2013, with St. Paul Port Authority (SPPA - not part of the state's reporting entity) to purchase two newly constructed

buildings on state-owned land for \$180,005,000. Lease payments are scheduled over 20 years and approximate the debt service payments of SPPA. The leases meet the criteria of a capital lease as defined by GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The terms of each agreement provide options to purchase the buildings under a bargain purchase option. In May 2013, SPPA issued refunding bonds of \$115,760,000. The proceeds of the bonds were applied to refund SPPA's outstanding revenue bonds. The lease agreement was amended to approximate the debt service payments of SPPA refunding bonds.

The state has other capital lease agreements to purchase equipment that meets the above criteria. The equipment is pledged as collateral on these lease agreements. In addition, Minnesota State Universities Fund (enterprise fund) entered into capital lease agreements for campus facilities. Minnesota State Colleges and Universities (MnSCU) guaranteed the revenue bonds issued by Clay County and the city of Saint Cloud Housing and Redevelopment Authority. As of June 30, 2021, 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, 2021, there is \$3,756,000 principal outstanding on these guarantees.

#### Certificates of Participation

In August 2014, the state issued \$80,100,000 of certificates of participation (COPs) at a true interest rate of 3.70 percent to finance the predesign, design, and construction and equipping of offices, hearing rooms, and parking facilities for a legislative office facility as authorized by Laws of Minnesota Regular Session 2013, Chapter 143, Article 12, Section 21. The COPs are not general or moral obligations of the state and no revenues are pledged to repay them. If the state defaults on the debt, the trustee has the right to terminate the lease terms of the project and to take whatever legal action may appear necessary to collect rental payment(s).

#### Revenue Bonds Payable

In October 2013, Iron Range Resources and Rehabilitation issued \$37,830,000 of education facilities revenue bonds at a true interest rate of 3.76 percent. Minnesota Laws of 2013, Chapter 143, Article 11, Section 11; Minnesota Statutes 298.22 through 298.32; and an order of the commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. The bonds will be used to make grants to certain school districts located in the taconite relief areas, as defined in Minnesota Statutes 273.134. The interest rates for the bonds range from 3.00 percent to 4.30 percent over a 20 year term.

In September 2014, the Iron Range Resources and Rehabilitation issued \$7,860,000 of education facilities refunding revenue bonds at a true interest rate of 1.32 percent. The proceeds of the bonds will be used to affect a current refunding of the commissioner of Iron Range Resources and Rehabilitation's Educational Facilities Revenue Bonds Series 2006. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes 298.2211; and an order of the commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. The interest rates on the bonds are 3.00 percent for the remaining year of the bonds.

To repay the bonds, Iron Range Resources and Rehabilitation has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund). These tax distributions, totaling \$3,994,000 for fiscal year 2021, 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 2021, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was \$3,940,000. The

total principal and interest remaining to be paid as of June 30, 2021, is \$36,252,000 payable through October 2033.

The state is authorized by Minnesota Statutes 403.275, and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, \$35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. On November 13, 2008, \$42,205,000 in revenue bonds were issued at a true interest rate of 4.60 percent. On October 22, 2009, \$60,510,000 in revenue bonds were issued at a true interest rate of 3.17 percent. On August 16, 2011, \$60,380,000 in revenue bonds were issued at a true interest rate of 2.96 percent. On November 1, 2016, \$91,715,000 in revenue refunding bonds were issued at a true interest rate of 1.06 percent. The proceeds of the bonds were used to defease and refund, on an advance refunding basis, the outstanding maturities of the state's 911 Revenue Bonds Series 2008, Series 2009, Series 2011, and pay the costs associated with the issuance of the bonds. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. All remaining principal and interest on the bonds has been paid as of June 30, 2021. Principal and interest paid during fiscal year 2021 and total 911 fee revenues were \$10,652,000 and \$79,441,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund).

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes 136F.98 to issue revenue bonds whose aggregate principal shall not exceed \$405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 2.00 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 \$274,626,000. Principal and interest paid for the current year and total customer net revenues were \$29,401,000 and \$82,216,000, respectively. The bonds are accounted for in the State Colleges and Universities Fund (enterprise fund).

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2038. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 47 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,038,000. Principal and interest paid and total customer net revenues during fiscal year 2021 were \$169,000 and \$362,000, 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 \$331,946,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. There are currently 110 landfills in the program and four more landfills that are qualified, but not yet enrolled. One of the qualified sites, Freeway Landfill, has a liability of \$132,905,000; approximately 40 percent of the total landfill liability. Estimated landfill closure and postclosure liabilities include planned response actions, future unknown additional remedies which have some probability of occurring, future

replacement of some remedial systems, and administrative costs. Additionally, funds may be spent for corrective actions to address incidents involving agricultural chemicals, including related administrative costs, enforcement, and cost recovery actions. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites, or changes in regulations, and future unanticipated response actions.

Funding for the state's ongoing claims at these landfills has historically come from the Environmental and Remediation Fund (special revenue fund). Currently, the majority of funds appropriated for spending from the Environmental and Remediation Fund are budgeted and expended annually on activities not associated with closure and postclosure care of landfills. Further, the recovery of financial assurance monies from previous landfill owners and operators is no longer a source of revenue to the Environmental and Remediation Fund. The closed landfill investment account, established under Minnesota Statutes 115B.421, within the Environmental and Remediation Fund was created to address a portion of these required long-term postclosure costs through minimal withdrawals from a fund managed through the State Board of Investment to ensure long-term availability of resources and may be spent after fiscal year 2020. The Metropolitan Landfill Contingency Action Account is an account in the Environmental and Remediation Fund consisting of revenues from 25 percent of the metropolitan solid waste landfill fee, cost recovery of response actions expenses, and interest earned on investment of money in the account. The account appropriated for closure and post-closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a thirty year period after closure if determine that the operator/owner cannot take the necessary actions as directed by the commissioner of the Minnesota Pollution Control Agency. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, are now a significant source of funding for design and construction work at the publicly-owned landfills in the program.

The state of Minnesota is financially responsible to remediate certain known pollution present on either state-owned or non-state-owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2021, were \$185,166,000. Of this total, \$156,193,000 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 2021, the Petroleum Tank Cleanup Fund has approved \$464,000,000 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. See Note 22 – Subsequent Events for more information.

The governmental activities' and business-type activities' liability for workers' compensation of \$77,192,000 and \$3,858,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2021 and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of \$28,600,000 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 \$153,300,000 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 \$11,489,000 in the Risk Management Fund (internal service fund), \$88,039,000 in the Employee Insurance Fund (internal service fund), and \$31,155,000 in the Public Employees Insurance Fund (enterprise fund).

#### Compensated Absences

The compensated absences liability for governmental activities and business-type activities of \$394,795,000 and \$167,005,000 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 2021, 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 2021, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and General Employees Retirement Fund (GERF) was \$2,100,000. The

total principal and interest remaining to be paid as of June 30, 2021, is \$7,207,000, 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
2022	\$ 1,875	\$ 228
2023	1,915	190
2024	1,845	114
2025	1,000	40
Total	\$ 6,635	\$ 572
Bond Premium	326	—
Total	\$ 6,961	\$ 572



## Note 13 – Long-Term Liabilities - Component Units

### General Obligation and Revenue Bonds

The Metropolitan Council (MC) issued general obligation bonds for parks, solid waste disposal systems, sewers, and transportation projects, backed by the full faith and credit and taxing powers of MC. MC had \$1,670,446,000 in general obligation bonds and direct borrowings outstanding on December 31, 2020, including unamortized discounts/premiums. During the year, \$8,800,000 of general obligation park bonds; \$15,155,000 of general obligation transit refunding bonds; \$80,000,000 of general obligation wastewater bonds; and \$30,790,000 of general obligation wastewater refunding bonds were issued.

MC's outstanding notes from direct borrowings of \$524,131,000 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, 2021, the principal amount of general obligation bonds and revenue bonds outstanding, including unamortized discounts/premiums, was \$1,073,788,000 and \$284,948,000, respectively.

<b>Component Units General Obligation Bonds Major Component Units (In Thousands)</b>					
MC			U of M		
Year Ended			Year Ended		
2021	\$ 219,273	\$ 52,094	2022	\$ 48,525	\$ 37,866
2022	148,357	41,669	2023	39,500	39,355
2023	140,800	36,411	2024	41,115	37,614
2024	133,711	31,351	2025	43,005	35,767
2025	124,958	26,604	2026	44,840	33,824
2026-2030	452,912	80,594	2027-2031	240,850	136,834
2031-2035	258,318	28,938	2032-2036	213,745	85,809
2036-2040	85,137	3,624	2037-2041	180,290	42,042
2041-2045	—	—	2042-2046	94,485	7,910
Total	\$ 1,563,466	\$ 301,285	Total	\$ 946,355	\$ 457,021
Unamortized Discounts / Premiums and Issuance Costs	106,980	—	Unamortized Discounts / Premiums and Issuance Costs	127,433	—
Total	<u>\$ 1,670,446</u>	<u>\$ 301,285</u>	Total	<u>\$ 1,073,788</u>	<u>\$ 457,021</u>

<sup>(1)</sup> 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, 2021, including unamortized discounts/premiums, was \$3,275,383,000. 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 equals all of the unpaid principal and interest. The amount of bonds approved by June 30, 2021 to exercise the early redemption option was \$160,403,000, and is considered part of current bonds payable.

On June 30, 2021, HFA had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines with an outstanding balance of \$85,000,000. Draws against the line of credit are required to be collateralized with mortgage-backed securities.

Year Ended June 30	<b>Component Units Revenue Bonds Major Component Units (In Thousands)</b>			
	HFA		U of M	
	Principal	Interest	Principal	Interest <sup>(1)</sup>
2022	\$ 223,944	\$ 76,216	\$ 13,375	\$ 10,666
2023	53,920	75,498	14,045	9,989
2024	38,985	74,904	14,755	9,278
2025	33,435	74,330	15,500	8,532
2026	34,515	73,700	16,270	7,760
2027-2031	206,335	355,761	97,125	27,012
2032-2036	316,930	329,426	71,265	10,316
2037-2041	356,550	295,764	20,915	611
2042-2046	604,483	243,955	—	—
2047-2051	1,354,067	97,869	—	—
2052-2056	17,575	333	—	—
Total	\$ 3,240,739	\$ 1,697,756	\$ 263,250	\$ 84,164
Unamortized Discount / Premiums and Issuance Costs	34,644	—	21,698	—
Total	<u>\$ 3,275,383</u>	<u>\$ 1,697,756</u>	<u>\$ 284,948</u>	<u>\$ 84,164</u>

<sup>(1)</sup> 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, 2021, the outstanding principal of revenue bonds was \$500,579,000, including unamortized discounts/premiums.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes 446A.04 to issue revenue bonds to make loans to municipalities for wastewater treatment facilities, drinking water systems, and transportation. The amount outstanding on these bonds at any time shall not exceed \$2,000,000,000, according to Minnesota Statutes 446A.12. The principal amount of bonds outstanding on June 30, 2021, including unamortized discounts/premiums, was \$546,279,000.

Component Units Revenue Bonds Nonmajor Component Units (In Thousands)					
Year Ended June 30	OHE		PFA		
	Principal	Interest	Principal	Interest	
2022	\$ 23,160	\$ 8,245	\$ 74,510	\$ 23,904	
2023	1,335	7,294	55,975	20,341	
2024	2,790	7,201	54,375	17,858	
2025	4,240	7,045	23,650	15,517	
2026	5,540	6,804	34,075	14,518	
2027-2031	35,875	30,106	176,865	45,629	
2032-2036	26,390	24,345	85,960	13,313	
2037-2041	106,295	19,626			
2042-2046	101,300	13,215	—	—	
2047-2051	191,700	2,382	—	—	
Total	\$ 498,625	\$ 126,263	\$ 505,410	\$ 151,080	
Unamortized Discount / Premiums and Issuance Costs	1,954	—	40,869	—	
Total	<u>\$ 500,579</u>	<u>\$ 126,263</u>	<u>\$ 546,279</u>	<u>\$ 151,080</u>	

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 Statutes 462A.36 and 462A.37. On June 30, 2021, \$280,760,000 in bonds were outstanding.

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

Year Ended June 30	HFA	
	Principal	Interest
2022	\$ 9,690	\$ 11,241
2023	11,320	10,876
2024	11,720	10,480
2025	12,140	10,056
2026	12,630	9,565
2027-2031	71,625	39,382
2032-2036	77,965	23,477
2037-2041	60,055	8,097
2042-2046	13,615	619
Total	<u>\$ 280,760</u>	<u>\$ 123,793</u>

**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, 2020. 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.

Additionally, MC issued \$125,160,000 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 year serial notes and are secured by the Federal Transit Administration grant award together with the full faith and unlimited taxing powers of the council.

**University of Minnesota**

The University of Minnesota (U of M) issued taxable commercial paper notes of \$51,620,000 in fiscal years 2015 and \$64,000,000 in 2019. U of M also issued tax-exempt commercial paper notes which are backed by U of M's self-liquidity. On June 30, 2021, the outstanding taxable commercial paper notes were \$40,620,000 and tax-exempt notes were \$137,450,000. Commercial paper is short-term in nature and is classified as current liabilities on the financial statements. During the year 2021, proceeds from the GO Taxable Bonds Series 2020B were used to pay off the outstanding balance of \$53,000,000 of CP Notes Series I.

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.

#### National Sports Center Foundation

On December 31, 2020, the National Sports Center Foundation's total outstanding loans and notes payable was \$7,881,000.

#### Capital Leases

##### Metropolitan Council

On December 1, 2004, the Metropolitan Council entered into an annual appropriation lease purchase agreement for land and facilities. The lease is subject to non-appropriation by MC, in which event the lease is terminated and there is no obligation of MC for future lease payments. MC intends to continue the lease through its entire term. On December 31, 2020, the present value of the minimum lease payments was \$3,635,000.

##### University of Minnesota

The University of Minnesota has five distinct capital leases. One is financed through third-party financing for the purchase of fleet vehicles. The remaining four capital leases have payments being paid directly to the lessor and represent leases for buildings. On June 30, 2021, the net present value of the minimum lease payments was \$26,317,000.

#### Variable Rate Debt

##### Housing Finance Agency

As of June 30, 2021, all of the HFA interest rate swap agreements have been determined to be effective hedges, as defined by GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." The fair value was reported as a liability called "Interest Rate Swap Agreements." The inception-to-date change in fair value as of June 30, 2021, was reported in "Accumulated Decrease in Fair Value of Hedging Derivative Instruments" deferred outflows of resources. Fair values were determined pursuant to GASB Statement No. 72 "Fair Value Measurement and Application," and the fair value hierarchy of interest rate swap agreements is determined to be Level 2. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

##### Office of Higher Education

The 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 \$432,725,000 with \$61,290,000 outstanding as of June 30, 2021. 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, 2021.

#### Housing Finance Agency

In May 2021, HFA issued \$49,022,000 of HFB 2021 B bond series which refunded \$6,890,000 of HFB 2009 A-5 bond series on June 1, 2021.

## Note 14 – Segment Information

<b>Primary Government</b> <b>Segment Information Financial Data</b> <b>Year Ended June 30, 2021</b> <b>(In Thousands)</b>		
Description	State Colleges and Universities (MnSCU)	
	Revenue Fund	Itasca Residence Halls
<b>Condensed Statement of Net Position</b>		
Assets:		
Current Assets	\$ 96,575	\$ 767
Noncurrent Assets		
Restricted Assets	57,377	303
Capital Assets	362,321	2,241
Total Assets	\$ 516,273	\$ 3,311
Deferred Outflows of Resources	\$ 4,333	\$ 18
Liabilities:		
Current Liabilities	\$ 39,678	\$ 157
Noncurrent Liabilities	222,234	865
Total Liabilities	\$ 261,912	\$ 1,022
Deferred Inflows of Resources	\$ 8,961	\$ 60
Net Position:		
Net Investment in Capital Assets	\$ 156,686	\$ 1,301
Restricted	93,047	303
Unrestricted	—	643
Total Net Position	\$ 249,733	\$ 2,247
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>		
Operating Revenues - Customer Charges	\$ 82,216	\$ 362
Depreciation Expense	(24,271)	(119)
Other Operating Expenses	(68,991)	(301)
Operating Income (Loss)	\$ (11,046)	\$ (58)
Nonoperating Revenues (Expenses):		
Federal Grants	\$ 20,863	\$ 157
Interest Income	484	6
Capital Contributions	185	—
Interest Expense	(8,007)	(34)
Others	339	—
Change in Net Position	\$ 2,818	\$ 71
Beginning Net Position	\$ 246,915	\$ 2,176
Ending Net Position	\$ 249,733	\$ 2,247
<b>Condensed Statement of Cash Flows</b>		
Net Cash Provided (Used) by:		
Operating Activities	\$ 150	\$ 52
Noncapital Financing Activities	21,202	157
Capital and Related Financing Activities	(32,947)	(168)
Investing Activities	483	6
Net Increase (Decrease)	\$ (11,112)	\$ 47
Beginning Cash and Cash Equivalents	\$ 147,639	\$ 661
Ending Cash and Cash Equivalents	\$ 136,527	\$ 708

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 15 – Contingent Liabilities**

### **University of Minnesota**

The University of Minnesota (U of M), a component unit, issued state-secured revenue bonds to finance a football stadium on campus. In fiscal year 2006, the Minnesota Legislature appropriated from the General Fund \$10,250,000 per year not to exceed 25 years starting in fiscal year 2008 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. As of October 2021, there was \$59,190,000 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. As of October 2021, \$123,485,000 was outstanding on these bonds.

### **Housing Finance Agency**

The Housing Finance Agency (HFA), a component unit, issued state-secured appropriation bonds to provide funds for rehabilitation, construction, and mortgage loans or to refund bonds to sponsors of residential housing for families of low and moderate income. In fiscal year 2008, the Minnesota Legislature appropriated from the General Fund up to \$2,400,000 per year for 22 years starting in fiscal year 2011 to pay a portion of the bonds. As of October 2021, there was \$19,060,000 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 Fund beginning in fiscal year 2023 through 2044 an amount sufficient to pay debt service on bonds. As of October 2021, \$328,980,000 was outstanding on these bonds. HFA issued state-secured appropriation bonds of \$76,970,000 in September 2021. See Note 22 – Subsequent Events.

### **School District Credit Enhancement Program**

Minnesota Statutes 126C.55 established a school district credit enhancement program. If a school district is unable to pay its debt service due on school district and intermediate school district certificates of indebtedness, capital notes, certificate of participation, or general obligation bonds enrolled in the program, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the school district or intermediate school district, or the levy of an ad valorem tax which may be made with the approval of the commissioner of Education. The total amount of debt enrolled in the program as of September 2021, was \$16.8 billion. The state has not had to make any debt service payments on behalf of school districts or intermediate school districts under this program.

## **City and County Credit Enhancement Program**

Minnesota Statutes 446A.086 established a city and county credit enhancement program. If a city or county is unable to pay its debt service due on general obligation bonds enrolled in the program issued for the construction, improvement, or rehabilitation of certain projects, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the city or county, or the levy of an ad valorem tax which may be made with the approval of the Public Facilities Authority (component unit). As of September 2021, the total general obligation bonds guaranteed by the state through 2051, was \$641.8 million.

### **Obligations of State Agencies**

Minnesota State Armory Building Commission (MSABC) was established and is governed by Minnesota Statutes 193 which authorizes MSABC to issue bonds to finance the acquisition, construction, and equipment of National Guard armory buildings. In March 2021, the state signed a lease agreement with MSABC make the debt service payments from General Fund appropriations. Debt service payments begin in fiscal year 2022 and end in fiscal year 2041. At the end of the lease payments, the title transfers to the state. As of October 2021, \$5.8 million was outstanding in lease revenue armory bonds.

## Note 16 – Equity

### Restricted Net Position – Government-wide Statement of Net Position

The following table identifies the primary government's restricted net position in greater detail than is presented on the face of the financial statements:

<b>Primary Government Restricted Net Position Balances As of June 30, 2021 (In Thousands)</b>				
Purpose of Restriction	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Improve Agricultural, Environmental, and Energy Resources	\$ 2,358,405	\$ 356,761	\$ 728,815	\$ 3,443,981
Enhance Arts and Culture	44,861	—	—	44,861
Acquire, Maintain, and Improve Land and Buildings	—	—	288	288
Retire Indebtedness	410,115	—	118,658	528,773
Develop Economy and Workforce	—	199,342	4,465	203,807
Enhance E-12 Education	—	10,779	5,999	16,778
Enhance State Government	—	50,155	13,103	63,258
Enhance Health and Human Services	—	74,434	7,482	81,916
Enhance Higher Education	—	381	24,197	24,578
Enhance 911 Services and Increase Safety	—	7,128	98,259	105,387
School Aid - Expendable	9,242	—	—	9,242
School Aid - Nonexpendable	1,957,436	—	1,000	1,958,436
Construct Highways and Improve Infrastructure	1,714,312	62,942	1,627	1,778,881
Other Purposes	—	—	84,836	84,836
Total Restricted Net Position	<u>\$ 6,494,371</u>	<u>\$ 761,922</u>	<u>\$ 1,088,729</u>	<u>\$ 8,345,022</u>

## 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:

<b>Governmental Funds Fund Balances As of June 30, 2021 (In Thousands)</b>				
		Major Special Revenue Fund	Nonmajor Governmental Funds	Total
Fund Balances	General Fund	Federal Fund		
Nonspendable:				
Inventory	\$ —	\$ —	\$ 46,447	\$ 46,447
Trust or Permanent Fund Principal	1,656,575	—	1,958,436	3,615,011
Total Nonspendable Fund Balances	<u>\$ 1,656,575</u>	<u>\$ —</u>	<u>\$ 2,004,883</u>	<u>\$ 3,661,458</u>
Purpose of Restriction:				
Improve Agricultural, Environmental, and Energy Resources	\$ —	\$ 138	\$ 1,808,006	\$ 1,808,144
Enhance Arts and Culture	—	—	44,861	44,861
Acquire, Maintain, and Improve Land and Buildings	—	—	116,110	116,110
Retire Indebtedness	—	—	871,112	871,112
Develop Economy and Workforce	88,715	—	159,353	248,068
Enhance E-12 Education	2,315	—	23,124	25,439
Enhance State Government	—	9,060	52,830	61,890
Enhance Health and Human Services	—	3,605	76,654	80,259
Enhance Higher Education	—	—	379	379
Enhance 911 Services and Increase Safety	—	—	7,400	7,400
Construct Highways and Improve Infrastructure	—	—	1,765,563	1,765,563
Total Restricted Fund Balances	<u>\$ 91,030</u>	<u>\$ 12,803</u>	<u>\$ 4,925,392</u>	<u>\$ 5,029,225</u>

Continued

**Governmental Funds  
Fund Balances (continued)  
As of June 30, 2021  
(In Thousands)**

		Major Special Revenue Fund	Nonmajor Governmental Funds	Total
Fund Balances	General Fund	Federal Fund		
Purpose of Commitment:				
Improve Agricultural, Environmental and Energy Resources	\$ —	\$ —	\$ 204,667	\$ 204,667
Develop Economy and Workforce	—	—	385,544	385,544
Enhance E-12 Education	—	—	16,351	16,351
Enhance State Government	—	—	89,342	89,342
Enhance Health and Human Services	—	—	11,648	11,648
Enhance Higher Education	—	—	2,631	2,631
Enhance 911 Services and Increase Safety	—	—	115,677	115,677
Construct Highways and Improve Infrastructure	69,968	—	53,564	123,532
Total Committed Fund Balances	\$ 69,968	\$ —	\$ 879,424	\$ 949,392
Purpose of Assignment:				
Improve Agricultural, Environmental, and Energy Resources	\$ 513,092	\$ —	\$ —	\$ 513,092
Acquire, Maintain, and Improve Land and Buildings	—	—	49,853	49,853
Develop Economy and Workforce	191,335	—	—	191,335
Enhance E-12 Education	58,592	—	—	58,592
Enhance State Government	73,060	—	—	73,060
Enhance Health and Human Services	919,280	—	—	919,280
Enhance Higher Education	28,685	—	—	28,685
Enhance 911 Services and Increase Safety	90,233	—	—	90,233
Construct Highways and Improve Infrastructure	10,819	—	—	10,819
Total Assigned Fund Balances	\$ 1,885,096	\$ —	\$ 49,853	\$ 1,934,949
Unassigned	\$ 5,205,205	\$ 4,783	\$ —	\$ 5,209,988
Total Fund Balances	\$ 8,907,874	\$ 17,586	\$ 7,859,552	\$ 16,785,012

**Net Position Deficits**

The following funds have net position deficits for the fiscal year ended June 30, 2021:

Fund Type	Net Position
Major Enterprise Funds:	
Unemployment Insurance	\$ (775,179)
Nonmajor Enterprise Funds:	
Behavioral Services	\$ (6,253)
State Lottery	(13,152)
State Operated Community Services	(31,400)
Internal Service Funds:	
Central Services	\$ (1,524)
MN.IT Services	(53,291)

A \$775,179,000 total fund balance deficit in the Unemployment Insurance Fund (enterprise fund) is a result of increased unemployment benefit claims. A federal Title XII advance was received to offset the deficit. The advance will be paid back through receipt of unemployment insurance taxes and assessments over the next five years. See Note 12 – Long-Term Liabilities - Primary Government for more information.

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 2021 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 17 – Risk Management

### Primary Government

The state is exposed to various risks of loss related to torts, to theft of, damage to, or destruction of assets; to errors and omissions; and to employer obligations. The state manages these risks through the Risk Management Fund (internal service fund), a self-insurance fund, and other insurance and self-funding mechanisms. All health plans are self-insured.

### Risk Management Fund

State agencies may elect to participate in the Risk Management Fund, 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 \$476,349 greater than coverage during the fiscal year ended June 30, 2021.

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, 2021, was 30,120 members and their dependents. The members of the pool include 187 school districts, 156 cities/townships, 22 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.

<b>Primary Government Self-Insured Claims Liability (In Thousands)</b>					
Description	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability	
Risk Management Fund:					
Fiscal Year Ended 6/30/2020	\$ 11,891	\$ 3,242	\$ 5,148	\$ 9,985	
Fiscal Year Ended 6/30/2021	\$ 9,985	\$ 6,478	\$ 4,974	\$ 11,489	
Tort Claims:					
Fiscal Year Ended 6/30/2020	\$ —	\$ 273	\$ 273	\$ —	
Fiscal Year Ended 6/30/2021	\$ —	\$ 441	\$ 441	\$ —	
Workers' Compensation:					
Fiscal Year Ended 6/30/2020	\$ 75,231	\$ 22,826	\$ 20,930	\$ 77,127	
Fiscal Year Ended 6/30/2021	\$ 77,127	\$ 27,914	\$ 23,991	\$ 81,050	
State Employee Group Insurance:					
Fiscal Year Ended 6/30/2020	\$ 77,247	\$ 863,099	\$ 861,165	\$ 79,181	
Fiscal Year Ended 6/30/2021	\$ 79,181	\$ 943,263	\$ 934,405	\$ 88,039	

<b>Primary Government Public Employees Insurance Program Medical Claims (In Thousands)</b>			
Description	Year Ended June 30		
	2021	2020	
Unpaid Claims and Claim Adjustment Expenses, Beginning	\$ 24,880	\$ 17,621	
Incurring Claims and Claim Adjustment Expenses:			
Provision for Insured Events of Current Year	\$ 314,643	\$ 247,273	
Increases (Decreases) in Provision for Insured Events of Prior Years	(496)	(906)	
Total Incurred Claims and Claim Adjustment Expenses	\$ 314,147	\$ 246,367	
Payments:			
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	\$ 284,132	\$ 223,215	
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	23,740	15,893	
Total Payments	\$ 307,872	\$ 239,108	
Total Unpaid Claims and Claim Adjustment Expenses, Ending	\$ 31,155	\$ 24,880	

## 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 both workers' compensation claims and \$0 for the Family Self Sufficiency Program escrow accounts.

### 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 0.29 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.

Description	Component Units Claims Liability (In Thousands)			
	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council - Workers' Compensation:				
Fiscal Year Ended 12/31/2019	\$ 20,327	\$ 18,543	\$ 8,906	\$ 29,964
Fiscal Year Ended 12/31/2020	\$ 29,964	\$ 5,864	\$ 6,473	\$ 29,355
University of Minnesota - RUMINCO, Ltd:				
Fiscal Year Ended 6/30/2020	\$ 7,246	\$ 1,465	\$ 1,097	\$ 7,614
Fiscal Year Ended 6/30/2021	\$ 7,614	\$ 1,468	\$ 1,030	\$ 8,052
University of Minnesota - Workers' Compensation:				
Fiscal Year Ended 6/30/2020	\$ 12,050	\$ 3,493	\$ 3,384	\$ 12,159
Fiscal Year Ended 6/30/2021	\$ 12,159	\$ 3,472	\$ 3,969	\$ 11,662
University of Minnesota - Medical/ Dental:				
Fiscal Year Ended 6/30/2020	\$ 40,261	\$ 305,308	\$ 309,508	\$ 36,061
Fiscal Year Ended 6/30/2021	\$ 36,061	\$ 321,224	\$ 323,762	\$ 33,523

## Note 18 – Budgetary Basis vs. GAAP

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, intrafund, and loan transactions. In addition, encumbrances are recognized as expenditures in the year encumbered on a budgetary basis. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. The GAAP General Fund also includes several funds that are not included in the budgetary General Fund. A reconciliation of the fund balances under the two bases of accounting for the General Fund is provided in the following table.

General Fund Reconciliation of GAAP Basis Fund Balance to Budgetary Fund Balance As of June 30, 2021 (In Thousands)	
Description	Amount
GAAP Basis Fund Balance	\$ 8,907,874
Less: Encumbrances <sup>(1)</sup>	359,746
Unassigned Fund Balance	\$ 8,548,128
Basis of Accounting Differences:	
Revenue Accruals/Adjustments:	
Taxes Receivable	\$ (681,762)
Tax Refunds Payable	522,931
Human Services Receivable	(219,685)
Unearned Revenue	143,394
Escheat Asset	(49,454)
Other Receivables	(24,626)
Permanent School Fund Reimbursement	(2,000)
Investments at Market	(10,608)
Expenditure Accruals/Adjustments:	
Medical Care Programs	915,540
Human Services Grants Payable	69,992
Education Aids	1,004,448
Police and Fire Aid	116,392
Other Payables	46,394
Other Financial Sources (Uses):	
Transfers-In	(15,913)
Transfers-Out	9,381
Perspective Differences:	
Account with no Legally Adopted Budget	(2,679,052)
Appropriation Carryover	(116,747)
Long-Term Receivables	(44,951)
Budgetary Reserve	(2,863,061)
Budgetary Basis:	
Unassigned Fund Balance	\$ 4,668,741

<sup>(1)</sup> Encumbrances related to funds included in the budgetary General Fund.

## Note 19 – Litigation

Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for each of the fiscal years ending June 30, 2020 and 2021 are \$761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is \$1,000,000. The maximum limited liability for any one claim is \$300,000 for claims arising before August 1, 2007, and \$400,000 for claims arising on or after August 1, 2007, and before July 1, 2009, for any one claim and the maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, is \$1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are \$500,000 for any one claim and \$1,500,000 for any number of claims arising out of a single occurrence.

Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over \$15 million in excess of current levels.

- At any one time, there are hundreds of Minnesota Department of Transportation (MnDOT) eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds \$15 million. Liability arising out of decisions unfavorable to the state may impact the state's Trunk Highway Fund (special revenue fund).
- The Jamar Company d/b/a Asdco v. State of Minnesota, et al. (Itasca County District Court) and Hammerlund Construction Inc., et al. v. State of Minnesota, et al. (Itasca County District Court). These mechanics' lien suits involve similar claims but different tax-forfeited properties in Itasca County. The subject properties were leased for mining purposes by Itasca County to Magnetation LLC ("Magnetation"), which filed for chapter 11 bankruptcy in May 2015. The state is a named defendant in these suits because it owns the subject properties in trust for Itasca County, the taxing district, which has the authority to manage the properties. Jamar, Hammerlund, and approximately 20 other contractors and subcontractors, which supplied materials and/or labor to the properties for Magnetation, have filed claims and cross-claims against the state and the other defendants that total approximately \$22.2 million exclusive of interest and attorneys' fees. Magnetation disposed of substantially all of its assets in bankruptcy through a sale in December 2016 to an entity called ERP Iron Ore, LLC ("ERP"). The mechanic's liens asserted by the contractors and subcontractors, as described above, were deemed permitted encumbrances on the assets, which ERP agreed to assume as a condition of the sale to permit the suits to continue. Before any further resolution of the mechanic's lien cases, ERP itself became a chapter 7 bankruptcy debtor in May 2018.
- Murphy, et al. v. Minnesota Department of Human Services (DHS) et al. (United States District Court, District of Minnesota). The plaintiffs receive Medicaid Home and Community Based Waiver Services (HCBS) programs and raised claims under the Medicaid Act, the Fourteenth Amendment, the Americans with Disabilities Act, and the Rehabilitation Act, seeking, among other things, access to "individualized housing services." The Defendant's motion to dismiss was denied, and the district court certified a class. Although the exact relief the class seeks is unclear, at a minimum they

contend DHS over relies on Community Residential Settings and must facilitate individualized housing and other services for each waiver recipient. The Court granted Plaintiffs' partial motion for summary judgment on their notice claim under the Medicaid Act and procedural due process, but declined to issue an injunction. The Court also denied the Defendant's motions for summary judgment and for class decertification. The parties are currently conducting Court-ordered supplemental discovery, and the Court has scheduled the case to be trial-ready on May 16, 2022, absent settlement.

- Joseph Walsh, et al. v. State of Minnesota (Minnesota Supreme Court). County Attorney Walsh and Sheriff Lorge are defendants in a federal lawsuit brought by the Mille Lacs Band of Ojibwe that challenges their prosecutorial and law-enforcement actions taken on behalf of the state in their official capacities, and seeks recognition of a reservation the Band ceded in 1863 and 1864 treaties. Appellants filed this lawsuit against the State of Minnesota, demanding that the state defend and indemnify them instead of their county employer. The district court granted the state's motion to dismiss because Minnesota law clearly makes counties responsible for defending and indemnifying their officials. The county attorney and county sheriff appealed. The Minnesota Court of Appeals affirmed on May 10, 2021. A Petition for Review was granted by the Minnesota Supreme Court and oral argument is set for December 6, 2021. The ramifications of a loss would cost the state well over \$15 million because of the cost to defend and indemnify county actions.
- 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 scheduled to occur until after November 18, 2022.

## Note 20 – Tax Abatements

The state of Minnesota provides tax abatement agreements through four programs operated by the Minnesota Department of Employment and Economic Development, Minnesota Department of Administration, and Minnesota Department of Revenue: Greater MN Job Expansion Program, Border City Enterprise Zones, Angel Tax Credit, and Historic Structure Rehabilitation Credit. Minnesota Statutes 270B.02 classifies tax return information as private data. As the population of program participants is so small, reporting aggregate data may identify individual taxpayers, except for the Border City Enterprise Zones program and the Angel Tax Credit program.

The Greater MN Job Expansion Program provides sales tax abatements to expand employment within cities in greater Minnesota. Qualified businesses are eligible for a sales tax exemption up to \$5 million annually, and \$40 million during the agreement period. The agreement period is seven years after a business is certified, except for businesses investing at least \$200 million over a ten-year period, in which case the agreement period is ten years. A qualified business must have operated in greater Minnesota for at least one year prior to applying, agree to pay employees, including benefits, on an annualized basis equal to at least 120 percent of the federal poverty level for a family of four, increase the number of full-time equivalent employees by two employees or ten percent, whichever is greater, and enter into a subsidy agreement with the state that pledges to satisfy the employment expansion within three years. The subsidy agreements include recapture provisions. The authority for the sales tax abatement is Minnesota Statutes 116I.8738.

The Border City Enterprise Zones program provides tax abatements to partially mitigate the effects of disparate taxation of businesses in six cities located near neighboring states as incentives to attract and retain businesses in Minnesota. Taxes abated include: sales taxes, income taxes, or property taxes. Border cities establish eligibility criteria of recipient business, provided that business is not prohibited by Minnesota Statutes 469.171, Subdivision 4. Sales taxes are reduced through exemptions on construction materials and equipment. Income taxes are reduced as credits for additional workers employed within the zone, up to \$3,000 per employee per year. Additionally, income taxes are reduced as a credit for a percentage of cost of debt financing for construction. Property taxes are reduced as a credit for a portion of property tax paid by new facilities as determined by the border city based on its eligibility criteria. The total amount of tax abatements is determined through allocations to each border city defined in Minnesota Statutes. Prior to entering a tax abatement agreement with a business, the border city must submit the proposed tax reductions to the Minnesota Department of Employment and Economic Development to evaluate the proposed investment the business will make in the border city, the number and quality of new jobs created, the overall positive economic impact within the border city, and the extent that economic benefits are dependent on the tax abatements to the business. Businesses must maintain operation within the border city. Businesses which receive tax abatements that cease to operate within the border city must repay the tax 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 was extended to sunset after the calendar year 2022, except for some reporting requirements. The authority for the tax abatement is Minnesota Statutes 116I.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 was extended to sunset after the fiscal year 2022. The authority for the tax abatement is Minnesota statutes 290.0681.

### Tax Abatements Year Ended June 30, 2021 (In Thousands)

Description	Amount
Border City Enterprise Zones:	
Corporate Taxes	\$ 99
Income Taxes	105
Total Border City Enterprise Zones	\$ 204
Angel Tax Credit: Income Taxes	\$ 6,179
Total	\$ 6,383

## Note 21 – Prior Period Adjustment, Change in Accounting Principle, and Change in Reporting Entity

### Primary Government

#### Prior Period Adjustment

During fiscal year 2021, the state made decisions to apply part of the Federal Coronavirus Relief funds received in fiscal year 2020 to fiscal year 2020 General Fund expenditures, which resulted in an \$87,719,000 prior period adjustment in the state's General Fund statement of revenues, expenditures, and changes in fund balance and governmental activities in the statement of activities.

#### Change in Accounting Principle

During fiscal year 2021, the state implemented GASB Statement No. 84 "Fiduciary Activities" which established criteria for identifying fiduciary activity and requires state and local governments to present a statement of fiduciary net position and a statement of changes in fiduciary net position for all fiduciary funds. As a result of implementing this statement, most activity included in the state's Agency Fund is included in the Custodial Fund, a new fiduciary fund type, and resulted in a change in accounting principle of \$41,512,000 in the Custodial Fund. The activity required to move from fiduciary activities to other state funds resulted in changes in accounting principle as follows: a net increase of \$5,446,000 in governmental activities on the government-wide statement of activities, an increase of \$2,101,000 and \$3,861,000 in governmental funds statement of revenues, expenditures and changes in fund balances for the General and Federal funds respectively and a decrease of \$516,000 for the governmental nonmajor funds relating to the Miscellaneous Special Revenue Fund (special revenue fund).

#### Change in Reporting Entity

Minnesota Statutes 353G allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2021, seven firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. Investment balances of \$1,681,000 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 2021, one volunteer firefighter relief association became part of the Supplemental Retirement Fund managed by the board of trustees of each relief association. Investment balances of \$7,000 were reported as a change in reporting entity in the Supplemental Retirement Fund.

### Component Units

#### Change in Accounting Principle

During fiscal year 2021, the University of Minnesota (U of M) also implemented GASB Statement No. 84 "Fiduciary Activities." The beginning balance was reported as a change in accounting principle in U of M's Statement of Activities as an increase in net position of \$5,593,000.

## Note 22 – Subsequent Events

The nation, including the state, continues to be in a pandemic due to COVID-19. The state and the state's component units continue to experience significant financial impact due to this pandemic. The extent and duration of the financial impact cannot be fully estimated. For further discussion of the pandemic, see the Management's Discussion and Analysis.

### Primary Government

In September 2021, the state issued \$565.2 million of general obligation state various purpose bonds Series 2021A at a true interest rate of 1.71 percent and \$311.0 million of general obligation state trunk highway bonds Series 2021B at a true interest rate of 1.49 percent. These bonds are backed by the full faith and credit and taxing powers of the state.

In October 2021, the state issued \$52.5 million of state General Fund appropriation bonds taxable Series 2021A. The bonds are issued for four purposes: financing public infrastructure projects to facilitate redevelopment with a newly created regional exchange district in the City of Duluth for \$6.9 million at a true interest rate of 2.36 percent, financing the cost of implementing environmental clean-up actions at four Superfund sites in Minnesota for \$29.7 million at a true interest rate of 2.36 percent, financing grants to public television stations in Minnesota for the cost of acquiring and installing capital equipment for \$14.0 million at a true interest rate of 1.70 percent, and financing the cost of acquiring and installing electronic vehicle charging infrastructure on state-owned property for \$1.9 million at a true interest rate of 1.70 percent. For more information, see Note 12 – Long-Term Liabilities - Primary Government.

In August 2021, the state issued \$41.3 million of refunding revenue bonds Series 2021A at a true interest rate of 0.73 percent. This issuance will refund the Series 2009A and Series 2011C revenue bonds. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees in the State Colleges and University Fund (enterprise fund).

In September 2021, the state entered into a loan agreement for \$11.9 million to purchase energy efficiency improvements and equipment. The capital assets purchased for energy efficiency improvements and equipment purchases are pledged as collateral on the loans incurred to finance the purchases in the State Colleges and University Fund (enterprise fund).

### Component Units

#### Housing Finance Agency

In September 2021, the Housing Finance Agency (HFA) issued \$4.5 million state appropriation bonds (Housing Infrastructure) Series 2021A, \$16.2 million Series 2021B, \$38.4 million Series 2021C, and \$17.9 million Series 2021D. The proceeds of the bonds will be used to provide money to fund housing infrastructure loans and to pay the costs of issuance of the Series Bonds. For information on the state appropriation for these bonds, see Note 15 – Contingent Liabilities.

HFA made, or committed to make, draws from index bank notes subsequent to June 30, 2021 totaling \$91.7 million.

In August 2021, HFA issued \$61.8 million homeownership finance taxable bonds Series 2021C.

In September 2021, HFA issued \$7.8 million rental housing bonds Series 2021C, \$15.7 million residential housing finance bonds Series 2021E, and \$134.3 million residential housing finance bonds Series 2021F.

HFA called for the redemption or repayment of bonds for homeownership finance, residential housing, and rental housing programs totaling \$174.8 million subsequent to June 30, 2021.

#### Metropolitan Council

In January 2021, Metropolitan Council (MC) agreed to a \$50 million loan Series 2021A from the Minnesota Public Facilities Authority (component unit) for financing eligible capital expenditures.

In May 2021, a Federal assistance grant agreement under the Coronavirus Response and Relief Supplemental Appropriations Act was executed and awarded to MC for \$185.9 million. The funding will be used to provide transit services that help the community recover from the severe social and economic impacts of COVID-19.

In May 2021, MC issued \$174.8 million general obligation grant anticipation notes Series 2021B and \$181.4 million general obligation grant anticipation notes Series 2021C.

In May 2021, MC issued \$3.1 million general obligation park bonds Series 2021D, \$3.1 million taxable general obligation park bonds Series 2021E, and \$101.3 million taxable general obligation wastewater revenue refund bonds Series 2021F.

#### University of Minnesota

In July 2021, the University of Minnesota (U of M) entered into a 364-day credit agreement with a major bank providing a \$150 million line of credit for general operating purposes and as liquidity support for U of M indebtedness. No funds have been drawn as of the date of U of M's annual financial report and the agreement was not extended or renewed.

In September 2021, U of M issued \$92.4 million special purpose revenue refunding bonds Series 2021A. The proceeds will be used to refund, on a current refunding basis, the outstanding maturities of Series 2010A and Series 2011B bonds.

In September 2021, U of M issued \$31.1 million special purpose revenue taxable refunding bonds Series 2021B. The proceeds will be used to defease and advance refund the Series 2013C bonds.

In September 2021, U of M issued \$36.9 million general obligation taxable bonds Series 2021C. The proceeds will be used to finance portion of the costs of design, land acquisition, and other services for a research facility.



## 2021 Annual Comprehensive Financial Report Required Supplementary Information

### 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	2020	2019	2018
Principal Arterial Average PQI	3.6	3.5	3.5
Non-Principal Arterial Average PQI	3.4	3.3	3.3

### Bridges and Tunnels

#### Measurement Scale

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

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

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

Rating	Description
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound, but may have some minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service, beyond corrective action.

The criteria for placing a bridge in each of the three categories are as follows:

Rating	Description
Good	If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.
Fair	If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.
Poor	If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient.

### Established Condition Level

Ninety-two percent of principal arterial system bridges will be maintained at fair to good, while 80 percent of all other system bridges will also be maintained at fair to good.

### Assessed Conditions

Description	2020	2019	2018
Principal Arterial: Fair to Good	94.6%	94.4%	94.6%
All Other Systems: Fair to Good	94.0%	94.0%	94.1%

### 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			Total Construction Program
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	
Budget	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
	2017	149,000	376,000	525,000	100,000	500,000	600,000	1,125,000
Actual	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
	2017	114,106	337,294	451,400	84,046	526,975	611,021	1,062,421



## Defined Benefit Plans – State Participating

The state of Minnesota currently contributes as an employer and/or non-employer contributing entity into five primary government administered multiple-employer cost sharing plans, one non-primary government administered multiple-employer cost sharing plan, and three primary government administered single-employer plans. During the fiscal year 2015 reporting period, the Minneapolis Employees Retirement Fund merged with the General Employees Retirement Fund and the Duluth Teachers' Retirement Fund merged with the Teachers Retirement Fund. See Note 8 – Pension and Investment Trust Funds for more information on each plan.

Most of the reporting data begins with fiscal year 2014, which is the measurement date used for the implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions." This statement requires the presentation of supplementary information for each of the ten most recent years. However, until a full 10-year trend is available, the state will present information for the years which the information is available. Covered-Member Payroll is an estimate in the reporting year and is restated in the following year to reflect actual Covered-Member Payroll. Required supplementary information is provided for the following plans:

- State Employees Retirement Fund (SERF)
- Correctional Employees Retirement Fund (CERF)
- General Employees Retirement Fund (GERF)
- Police and Fire Fund (P&FF)
- Teachers Retirement Fund (TRF)
- Minneapolis Employees Retirement Fund (MERF)
- St. Paul Teachers' Retirement Fund (SPTRF)
- Duluth Teachers' Retirement Fund (DTRF)
- Judges Retirement Fund (JRF)
- Legislators Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

### Required Supplementary Information Primary Government Administered Multiple-Employer Cost Sharing Plans Schedule of Contributions (In Thousands)

State Employee Retirement fund								
Description	2014	2015 <sup>(2)</sup>	2016	2017	2018	2019 <sup>(3)</sup>	2020 <sup>(4)</sup>	2021
Statutorily Required Contribution as an Employer <sup>(1)</sup>	\$ 93,957	\$ 107,313	\$ 110,804	\$ 116,552	\$ 121,322	\$ 136,157	\$ 152,523	\$ 156,738
Covered-Member Payroll	\$ 1,923,040	\$ 2,006,862	\$ 2,066,651	\$ 2,179,626	\$ 2,256,825	\$ 2,374,710	\$ 2,480,800	\$ 2,489,480
Required Employer Contributions as a Percentage of Covered-Member Payroll	4.9%	5.3%	5.4%	5.3%	5.4%	5.7%	6.1%	6.3%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2015: The required contribution rate for employers increased from 5.0 percent to 5.5 percent.

<sup>(3)</sup> 2019: The required contribution rate for employers increased to 5.875 percent.

<sup>(4)</sup> 2020: The required contribution rate for employers increased to 6.25 percent.

### Required Supplementary Information Primary Government Administered Multiple-Employer Cost Sharing Plans Schedule of Contributions (Continued) (In Thousands)

Correctional Employees Retirement Fund								
Description	2014	2015 <sup>(2)</sup>	2016	2017	2018	2019 <sup>(3)</sup>	2020 <sup>(4)</sup>	2021 <sup>(5)</sup>
Statutorily Required Contribution as an Employer <sup>(1)</sup>	\$ 26,421	\$ 29,378	\$ 30,624	\$ 31,663	\$ 32,840	\$ 38,141	\$ 43,594	\$ 48,662
Covered-Member Payroll	\$ 218,860	\$ 231,126	\$ 241,020	\$ 248,653	\$ 257,055	\$ 267,212	\$ 278,340	\$ 280,159
Required Employer Contributions as a Percentage of Covered-Member Payroll	12.1%	12.7%	12.7%	12.7%	12.8%	14.3%	15.7%	17.4%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2015: The required contribution rate for employers increased from 12.1 percent to 12.9 percent.

<sup>(3)</sup> 2019: The required contribution rate for employers increased to 14.4 percent.

<sup>(4)</sup> 2020: The required contribution rate for employers increased to 15.85 percent.

<sup>(5)</sup> 2021: The required contribution rate for employers increased to 17.35 percent.

General Employees Retirement Fund								
Description	2014	2015 <sup>(2)</sup>	2016	2017	2018	2019	2020	2021
Statutorily Required Contribution as an:								
Employer <sup>(1)</sup>	\$ 2,782	\$ 2,655	\$ 2,540	\$ 3,155	\$ 2,283	\$ 2,138	\$ 1,949	\$ 1,720
Non-Employer Contributing Entity <sup>(2)</sup>	—	—	6,000	6,000	16,000	16,000	16,000	16,000
Total Statutorily Required Contribution	\$ 2,782	\$ 2,655	\$ 8,540	\$ 9,155	\$ 18,283	\$ 18,138	\$ 17,949	\$ 17,720
Covered-Member Payroll	\$ 37,715	\$ 34,289	\$ 41,328	\$ 31,105	\$ 28,849	\$ 26,936	\$ 24,638	\$ 23,020
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.4%	7.7%	6.1%	10.1%	7.9%	7.9%	7.9%	7.5%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2015: The required contribution rates for employers increased from 7.3-11.8 percent to 7.5-11.8 percent on January 1, 2015.

Police and Fire Fund <sup>(2)</sup>			
Description	2019	2020 <sup>(3)</sup>	2021
Statutorily Required Contribution as an:			
Employer <sup>(1)</sup>	\$ —	\$ 543	\$ 586
Non-Employer Contributing Entity <sup>(1)</sup>	4,500	4,500	9,000
Total Statutorily Required Contribution	\$ 4,500	\$ 5,043	\$ 9,586
Covered-Member Payroll	N/A	\$ 2,949	\$ 3,291
Required Employer Contributions as a Percentage of Covered-Member Payroll	N/A	18.4%	17.8%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.

<sup>(3)</sup> 2020: The required contribution rate for employers increased from 16.95 percent to 17.7 percent.



**Required Supplementary Information**  
**Primary Government Administered Multiple-Employer Cost Sharing Plans**  
**Schedule of Contributions (Continued)**  
**(In Thousands)**

Teachers Retirement Fund								
Description	2014	2015 <sup>(2)</sup>	2016	2017	2018	2019 <sup>(3)</sup>	2020 <sup>(4)</sup>	2021 <sup>(5)</sup>
Statutorily Required Contribution as an:								
Employer <sup>(1)</sup>	\$ 13,206	\$ 14,542	\$ 14,514	\$ 14,885	\$ 14,678	\$ 15,447	\$ 16,115	\$ 16,609
Non-Employer Contributing Entity <sup>(1)</sup>	16,501	29,831	31,088	31,087	30,886	31,087	31,087	31,087
Total Statutorily Required Contribution	\$ 29,707	\$ 44,373	\$ 45,602	\$ 45,972	\$ 45,564	\$ 46,534	\$ 47,202	\$ 47,696
Covered-Member Payroll	\$ 167,667	\$ 166,870	\$ 168,264	\$ 174,018	\$ 170,196	\$ 177,753	\$ 179,645	\$ 185,349
Required Employer Contributions as a Percentage of Covered-Member Payroll	7.9%	8.7%	8.6%	8.6%	8.6%	8.7%	9.0%	9.0%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2015: The required contribution rate for employers increased from 7.0-11.0 percent to 7.5-11.5 percent.

<sup>(3)</sup> 2019: The required contribution rate for employers increased to 7.71-11.71 percent.

<sup>(4)</sup> 2020: The required contribution rate for employers increased to 7.92-11.92 percent.

<sup>(5)</sup> 2021: The required contribution rate for employers increased to 8.13-12.13 percent.

Minneapolis Employees Retirement Fund <sup>(2)</sup>		
Description	2014	2015
Statutorily Required Contribution as a Non-Employer Contributing Entity <sup>(1)</sup>	\$ 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

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> MERF merged with GERS in reporting fiscal year 2015.

**Required Supplementary Information**  
**Non-Primary Government Administered Multiple-Employer Cost Sharing Plans**  
**Schedule of Contributions**  
**(In Thousands)**

St. Paul Teachers' Retirement Fund								
Description	2014	2015 <sup>(2)</sup>	2016 <sup>(3)</sup>	2017 <sup>(4)</sup>	2018 <sup>(5)</sup>	2019 <sup>(6)</sup>	2020 <sup>(7)</sup>	2021 <sup>(8)</sup>
Statutorily Required Contribution as an:								
Employer <sup>(1)</sup>	\$ 109	\$ 86	\$ 64	\$ 66	\$ 41	\$ 47	\$ 38	\$ 27
Non-Employer Contributing Entity <sup>(1)</sup>	10,665	9,827	10,665	10,665	10,665	15,666	15,663	15,664
Total Statutorily Required Contribution	\$ 10,774	\$ 9,913	\$ 10,729	\$ 10,731	\$ 10,706	\$ 15,713	\$ 15,701	\$ 15,691
Covered-Member Payroll	\$ 1,749	\$ 628	\$ 443	\$ 465	\$ 274	\$ 271	\$ 211	\$ 215
Required Employer Contributions as a Percentage of Covered-Member Payroll	6.2%	13.7%	14.4%	14.2%	15.0%	17.3%	18.0%	12.6%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2015: The required contribution rate for employers increased from 5.25-8.75 percent to 5.50-9.00 percent.

<sup>(3)</sup> 2016: The required contribution rate for employers increased to 6.00-9.50 percent.

<sup>(4)</sup> 2017: The required contribution rate for employers increased to 6.25-9.75 percent.

<sup>(5)</sup> 2018: The required contribution rate for employers increased to 6.50-10.00 percent.

<sup>(6)</sup> 2019: The required contribution rate for employers increased to 7.335-10.835 percent.

<sup>(7)</sup> 2020: The required contribution rate for employers increased to 8.17-11.67 percent.

<sup>(8)</sup> 2021: The required contribution rate for employers increased to 8.38-11.88 percent.

Duluth Teachers' Retirement Fund <sup>(2)</sup>		
Description	2014	2015
Statutorily Required Contribution as an:		
Employer <sup>(1)</sup>	\$ 55	\$ 56
Non-Employer Contributing Entity <sup>(1)</sup>	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%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> DTRF merged with TRF in reporting fiscal year 2015.

**Required Supplementary Information**  
**Multiple-Employer Cost Sharing Plans**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
(In Thousands)

State Employees Retirement Fund							
Description	2015	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018 <sup>(3)</sup>	2019 <sup>(4)</sup>	2020	2021
Primary Government's Proportion of the Net Pension Liability as an Employer	73.38 %	73.93 %	73.88 %	74.15 %	74.45 %	74.94 %	75.21 %
Primary Government's Proportionate Share of the Net Pension Liability as an Employer	\$ 1,189,902	\$ 1,138,125	\$ 9,160,172	\$ 5,500,428	\$ 1,031,909	\$ 1,054,276	\$ 998,968
Primary Government's Covered-Member Payroll – Measurement Period	\$ 1,923,040	\$ 2,006,862	\$ 2,066,651	\$ 2,179,626	\$ 2,256,825	\$ 2,374,710	\$ 2,480,800
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	61.9 %	56.7 %	443.2 %	252.4 %	45.7 %	44.4 %	40.3 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.6 %	88.3 %	47.5 %	62.7 %	90.6 %	90.7 %	91.3 %

<sup>(1)</sup> 2016: Benefit increase of 2.5 percent was projected to start in 2044 instead of 2016.

<sup>(2)</sup> 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.

<sup>(3)</sup> 2018: The discount rate changed to 5.42 percent.

<sup>(4)</sup> 2019: Benefit increase was changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

Correctional Employees Retirement Fund							
Description	2015	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018 <sup>(3)</sup>	2019 <sup>(4)</sup>	2020	2021
Primary Government's Proportion of the Net Pension Liability as an Employer	99.80 %	99.86 %	99.91 %	99.91 %	99.89 %	99.87 %	99.95 %
Primary Government's Proportionate Share of the Net Pension Liability as an Employer	\$ 475,387	\$ 653,352	\$ 1,331,563	\$ 1,127,087	\$ 375,232	\$ 394,861	\$ 447,093
Primary Government's Covered-Member Payroll – Measurement Period	\$ 218,860	\$ 231,126	\$ 241,020	\$ 248,653	\$ 257,055	\$ 267,212	\$ 278,340
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	217.2 %	282.7 %	552.5 %	453.3 %	146.0 %	147.8 %	160.6 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.8 %	58.1 %	40.3 %	47.6 %	74.8 %	75.0 %	73.2 %

<sup>(1)</sup> 2016: Benefit increase was projected to remain at 2.0 percent instead of increasing to 2.5 percent in 2016.

<sup>(2)</sup> 2017: The discount rate changed from 6.25 percent to 4.24 percent.

<sup>(3)</sup> 2018: The discount rate changed to 5.02 percent.

<sup>(4)</sup> 2019: Benefit increase was changed to 2.0 percent through December 31, 2018, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

**Required Supplementary Information**  
**Multiple-Employer Cost Sharing Plans**  
**Schedule of the Proportionate Share of the Net Pension Liability (Continued)**  
(In Thousands)

General Employees Retirement Fund							
Description	2015	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018 <sup>(3)</sup>	2019 <sup>(4)</sup>	2020	2021
Primary Government's Proportion of the Net Pension Liability as an:							
Employer	0.70 %	0.62 %	0.72 %	0.51 %	0.46 %	0.41 %	0.37 %
Non-Employer Contributing Entity	— %	3.56 %	1.29 %	1.24 %	3.18 %	3.02 %	2.99 %
Total Primary Government's Proportion of the Net Pension Liability	0.70 %	4.18 %	2.01 %	1.75 %	3.64 %	3.43 %	3.36 %
Primary Government's Proportionate Share of the Net Pension Liability as an:							
Employer	\$ 33,103	\$ 32,022	\$ 58,119	\$ 32,252	\$ 25,408	\$ 22,829	\$ 22,051
Non-Employer Contributing Entity	—	184,478	104,677	79,275	176,191	166,659	179,348
Total Primary Government's Proportionate Share of the Net Pension Liability	\$ 33,103	\$ 216,500	\$ 162,796	\$ 111,527	\$ 201,599	\$ 189,488	\$ 201,399
Primary Government's Covered-Member Payroll – Measurement Period	\$ 37,715	\$ 34,289	\$ 41,328	\$ 31,105	\$ 28,849	\$ 26,936	\$ 24,638
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	87.8 %	93.4 %	140.6 %	103.7 %	88.1 %	84.8 %	89.5 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.7 %	78.2 %	68.9 %	75.9 %	79.5 %	80.2 %	79.1 %

<sup>(1)</sup> 2016: Benefit increase of 2.5 percent was projected to start in 2036 instead of 2031.

<sup>(2)</sup> 2017: Benefit increase changed to 1.0 percent for all future years. The discount rate changed from 7.9 percent to 7.5 percent.

<sup>(3)</sup> 2018: Benefit increase changed to 1.0 percent through 2044 and 2.5 percent thereafter.

<sup>(4)</sup> 2019: Benefit increase changed to 1.25 percent for all future years.

Police and Fire Fund <sup>(1)</sup>			
Description	2019	2020	2021
Primary Government's Proportion of the Net Pension Liability as an:			
Employer	— %	0.25 %	0.28 %
Non-Employer Contributing Entity	5.27 %	5.15 %	4.60 %
Total Primary Government's Proportion of the Net Pension Liability	5.27 %	5.40 %	4.88 %
Primary Government's Proportionate Share of the Net Pension Liability as an:			
Employer	\$ —	\$ 2,687	\$ 3,635
Non-Employer Contributing Entity	56,187	54,801	60,676
Total Primary Government's Proportionate Share of the Net Pension Liability	\$ 56,187	\$ 57,488	\$ 64,311
Primary Government's Covered-Member Payroll – Measurement Period	N/A	\$ 2,553	\$ 2,949
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	N/A	105.2 %	123.3 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.8 %	89.3 %	87.2 %

<sup>(1)</sup> Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.

**Required Supplementary Information**  
**Multiple-Employer Cost Sharing Plans**  
**Schedule of the Proportionate Share of the Net Pension Liability (Continued)**  
**(In Thousands)**

	Teachers Retirement Fund						
Description	2015	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018 <sup>(3)</sup>	2019 <sup>(4)</sup>	2020	2021
Primary Government's Proportion of the Net Pension Liability as an:							
Employer	4.13 %	3.88 %	3.72 %	3.71 %	3.52 %	3.55 %	3.48 %
Non-Employer Contributing Entity	5.17 %	9.74 %	7.97 %	7.70 %	7.50 %	7.10 %	6.75 %
Total Primary Government's Proportion of the Net Pension Liability	9.30 %	13.62 %	11.69 %	11.41 %	11.02 %	10.65 %	10.23 %
Primary Government's Proportionate Share of the Net Pension Liability as an:							
Employer	\$ 190,460	\$ 239,701	\$ 888,788	\$ 740,843	\$ 221,190	\$ 226,558	\$ 256,907
Non-Employer Contributing Entity	237,958	602,738	1,900,653	1,537,059	471,220	452,696	499,032
Total Primary Government's Proportionate Share of the Net Pension Liability	\$ 428,418	\$ 842,439	\$ 2,789,441	\$ 2,277,902	\$ 692,410	\$ 679,254	\$ 755,939
Primary Government's Covered-Member Payroll – Measurement Period	\$ 167,667	\$ 166,870	\$ 168,264	\$ 174,018	\$ 170,196	\$ 177,753	\$ 179,645
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	113.6 %	143.6 %	528.2 %	425.7 %	130.0 %	127.5 %	143.0 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.5 %	76.8 %	44.9 %	51.6 %	78.1 %	78.2 %	75.5 %

- <sup>(1)</sup> 2016: The discount rate changed from 8.25 percent to 8.00 percent.  
<sup>(2)</sup> 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.  
<sup>(3)</sup> 2018: Benefit increase of 2.5 percent was projected to start in 2045. The discount rate changed to 5.12 percent.  
<sup>(4)</sup> 2019: Benefit increase changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, then increase by 0.1 percent each year over five years, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

**Required Supplementary Information**  
**Multiple-Employer Cost Sharing Plans**  
**Schedule of the Proportionate Share of the Net Pension Liability (Continued)**  
**(In Thousands)**

	St. Paul Teachers' Retirement Fund						
Description	2015	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018 <sup>(3)</sup>	2019 <sup>(4)</sup>	2020	2021
Primary Government's Proportion of the Net Pension Liability as an:							
Employer	0.31 %	0.24 %	0.17 %	0.18 %	0.10 %	0.10 %	0.08 %
Non-Employer Contributing Entity	30.34 %	29.52 %	28.79 %	27.97 %	27.48 %	33.67 %	31.67 %
Total Primary Government's Proportion of the Net Pension Liability	30.65 %	29.76 %	28.96 %	28.15 %	27.58 %	33.77 %	31.75 %
Primary Government's Proportionate Share of the Net Pension Liability as an:							
Employer	\$ 1,666	\$ 1,385	\$ 1,082	\$ 1,019	\$ 630	\$ 617	\$ 503
Non-Employer Contributing Entity	162,576	171,776	182,226	161,970	166,431	205,790	207,016
Total Primary Government's Proportionate Share of the Net Pension Liability	\$ 164,242	\$ 173,161	\$ 183,308	\$ 162,989	\$ 167,061	\$ 206,407	\$ 207,519
Primary Government's Covered-Member Payroll – Measurement Period	\$ 1,749	\$ 628	\$ 443	\$ 465	\$ 274	\$ 271	\$ 211
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	95.3 %	220.5 %	244.2 %	219.1 %	229.9 %	227.7 %	238.4 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.1 %	63.6 %	60.3 %	64.1 %	63.9 %	63.9 %	61.4 %

- <sup>(1)</sup> 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.  
<sup>(2)</sup> 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.  
<sup>(3)</sup> 2018: Benefit increase of 2.0 percent was projected to start in 2042 and 2.5 percent in 2052.  
<sup>(4)</sup> 2019: Benefit increase changed to 1.0 percent through December 31, 2018, no benefit increases through December 31, 2020, and 1.0 percent thereafter. The discount rate changed from 8.0 percent to 7.5 percent.

	Minneapolis Employee Retirement Fund <sup>(1)</sup>	Duluth Teachers Retirement Fund <sup>(2)</sup>
Description	2015	2015
Primary Government's Proportion of the Net Pension Liability as an:		
Employer	—%	0.55%
Non-Employer Contributing Entity	43.35%	64.98%
Total Primary Government's Proportion of the Net Pension Liability	43.35%	65.53%
Primary Government's Proportionate Share of the Net Pension Liability as an:		
Employer	\$ —	\$ 1,401
Non-Employer Contributing Entity	95,900	166,948
Total Primary Government's Proportionate Share of the Net Pension Liability	\$ 95,900	\$ 168,349
Primary Government's Covered-Member Payroll – Measurement Period	N/A	\$ 729
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	N/A	192.2%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.9%	46.8%

- <sup>(1)</sup> MERF merged with GEF in reporting fiscal year 2015.  
<sup>(2)</sup> DTRF merged with TRF in reporting fiscal year 2015.

**Required Supplementary Information**  
**Primary Government Administered Single-Employer Plans**  
**Schedule of Contributions**  
(In Thousands)

Judges Retirement Fund										
Description	2012	2013	2014 <sup>(2)</sup>	2015	2016	2017 <sup>(3)</sup>	2018 <sup>(4)</sup>	2019	2020	2021
Statutorily Required Contribution <sup>(1)</sup>	\$ 7,922	\$ 8,177	\$ 9,426	\$ 9,776	\$ 10,219	\$ 13,758	\$ 17,027	\$ 17,287	\$ 17,766	\$ 17,915
Covered-Member Payroll	\$ 38,644	\$ 39,888	\$ 41,893	\$ 43,449	\$ 45,418	\$ 47,813	\$ 49,009	\$ 50,164	\$ 52,298	\$ 52,130
Contributions as a Percentage of Covered-Member Payroll	20.5%	20.5%	22.5%	22.5%	22.5%	28.8%	34.7%	34.5%	34.0%	34.4%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2014: The required employer contribution rate changed from 20.5 percent to 22.5 percent.

<sup>(3)</sup> 2017: The required employer contribution rate included an additional \$3 million over the percentage of covered payroll.

<sup>(4)</sup> 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 <sup>(2)</sup>										
Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Statutorily Required Contribution <sup>(1)</sup>	\$ 3,935	\$ 3,399	\$ 3,436	\$ 3,216	\$ 5,087	\$ 8,716	\$ 8,856	\$ 8,798	\$ 8,764	\$ 8,639
Covered-Member Payroll	\$ 1,378	\$ 1,233	\$ 1,122	\$ 1,700	\$ 989	\$ 889	\$ 1,033	\$ 1,011	\$ 967	\$ 848
Contributions as a Percentage of Covered-Member Payroll	285.6%	275.7%	306.2%	189.2%	514.4%	980.4%	857.3%	870.2%	906.3%	1,018.8%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> LRF employer contributions are on a pay-as-you-go basis.

State Patrol Retirement Fund										
Description	2012	2013	2014	2015 <sup>(2)</sup>	2016	2017 <sup>(3)</sup>	2018	2019 <sup>(4)</sup>	2020 <sup>(5)</sup>	2021 <sup>(6)</sup>
Statutorily Required Contribution <sup>(1)</sup>	\$ 11,620	\$ 11,482	\$ 12,894	\$ 13,763	\$ 13,938	\$ 15,783	\$ 15,952	\$ 19,479	\$ 21,975	\$ 24,809
Covered-Member Payroll	\$ 62,524	\$ 62,121	\$ 63,952	\$ 68,463	\$ 69,343	\$ 73,056	\$ 74,007	\$ 80,792	\$ 84,530	\$ 87,630
Contributions as a Percentage of Covered-Member Payroll	18.6%	18.5%	20.2%	20.1%	20.1%	21.6%	21.6%	24.1%	26.0%	28.3%

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2015: The required employer contribution rate changed from 18.6 percent to 20.1 percent.

<sup>(3)</sup> 2017: The required employer contribution rate changed to 21.6 percent.

<sup>(4)</sup> 2019: The required employer contribution rate changed to 22.35 percent, plus an additional supplemental employer contribution of 1.75 percent.

<sup>(5)</sup> 2020: The required employer contribution rate changed to 23.1 percent, plus an additional supplemental employer contribution of 3.0 percent.

<sup>(6)</sup> 2021: The additional supplemental employer contribution rate changed to 5.0 percent.

**Required Supplementary Information**  
**Primary Government Administered Single-Employer Plans**  
**Schedule of Changes in the Net Pension Liability**  
**and Related Ratios**  
(In Thousands)

Judges Retirement Fund							
Description	2015	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018 <sup>(3)</sup>	2019 <sup>(4)</sup>	2020 <sup>(5)</sup>	2021 <sup>(6)</sup>
<b>Total Pension Liability</b>							
Service Cost	\$ 12,075	\$ 12,251	\$ 13,711	\$ 9,483	\$ 9,857	\$ 9,881	\$ 9,897
Interest on the Total Pension Liability	20,535	21,773	21,349	25,366	26,747	27,769	28,721
Difference Between Expected and Actual Experience of the Total Pension Liability	5,080	(4,366)	7,135	(4,958)	1,424	804	(802)
Changes in Assumptions	(8,416)	21,696	(85,756)	11,652	—	—	—
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(23,094)	(23,585)	(25,233)	(26,302)
Net Change in Total Pension Liability	\$ 8,472	\$ 29,461	\$ (65,939)	\$ 18,449	\$ 14,443	\$ 13,221	\$ 11,514
Total Pension Liability, Beginning	\$ 373,039	\$ 381,511	\$ 410,972	\$ 345,033	\$ 363,482	\$ 377,925	\$ 391,146
Total Pension Liability, Ending	\$ 381,511	\$ 410,972	\$ 345,033	\$ 363,482	\$ 377,925	\$ 391,146	\$ 402,660
<b>Fiduciary Net Position</b>							
Contributions – Employer	\$ 9,426	\$ 9,776	\$ 10,219	\$ 13,758	\$ 17,027	\$ 17,287	\$ 17,766
Contributions – Member	3,578	3,629	3,763	3,932	3,973	4,049	4,168
Net Investment Income	28,011	7,572	(186)	24,729	19,265	14,491	8,955
Benefit Payments, Including Refunds of Member Contributions	(20,802)	(21,893)	(22,378)	(23,094)	(23,585)	(25,233)	(26,302)
Pension Plan Administrative Expenses	(55)	(60)	(94)	(89)	(65)	(87)	(112)
Net Change in Plan Fiduciary Net Position	\$ 20,158	\$ (976)	\$ (8,676)	\$ 19,236	\$ 16,615	\$ 10,507	\$ 4,475
Plan Fiduciary Net Position, Beginning	\$ 155,398	\$ 175,556	\$ 174,580	\$ 165,904	\$ 185,140	\$ 201,755	\$ 212,262
Plan Fiduciary Net Position, Ending	\$ 175,556	\$ 174,580	\$ 165,904	\$ 185,140	\$ 201,755	\$ 212,262	\$ 216,737
<b>Net Pension Liability</b>	<b>\$ 205,955</b>	<b>\$ 236,392</b>	<b>\$ 179,129</b>	<b>\$ 178,342</b>	<b>\$ 176,170</b>	<b>\$ 178,884</b>	<b>\$ 185,923</b>
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 %
Covered-Member Payroll – Measurement Period	\$ 41,893	\$ 43,449	\$ 45,418	\$ 47,813	\$ 49,009	\$ 50,164	\$ 52,298
Net Pension Liability as a Percentage of Covered-Member Payroll	491.6 %	544.1 %	394.4 %	373.0 %	359.5 %	356.6 %	355.5 %

<sup>(1)</sup> 2016: The discount rate changed from 5.78 percent to 5.25 percent.

<sup>(2)</sup> 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.

<sup>(3)</sup> 2018: Benefit increase rate changed to 1.75 percent through 2038, 2.0 percent for 2039-2053, and 2.5 percent thereafter.

<sup>(4)</sup> 2019: Benefit increase rate changed to 1.75 percent through 2037, 2.0 percent for 2038-2051, and 2.5 percent thereafter.

<sup>(5)</sup> 2020: Benefit increase rate changed to 1.75 percent through 2039, 2.0 percent for 2040-2056, and 2.5 percent thereafter.

<sup>(6)</sup> 2021: Benefit increase rate changed to 1.75 percent through 2041, 2.0 percent for 2042-2058, and 2.5 percent thereafter.

**Required Supplementary Information**  
**Primary Government Administered Single-Employer Plans**  
**Schedule of Changes in the Net Pension Liability**  
**and Related Ratios (Continued)**  
**(In Thousands)**

Legislators Retirement Fund							
Description	2015	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018 <sup>(3)</sup>	2019 <sup>(4)</sup>	2020 <sup>(5)</sup>	2021 <sup>(6)</sup>
<b>Total Pension Liability</b>							
Service Cost	\$ 398	\$ 428	\$ 495	\$ 546	\$ 437	\$ 496	\$ 527
Interest on the Total Pension Liability	6,177	6,113	5,332	4,293	5,094	4,894	4,258
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
Changes in Assumptions	11,201	7,057	14,653	(5,017)	(856)	6,722	9,986
Benefit Payments, Including Refunds of Member Contributions	(8,486)	(8,441)	(8,536)	(8,716)	(8,912)	(8,853)	(8,812)
Net Change in Total Pension Liability	\$ 9,053	\$ (2,146)	\$ 10,347	\$ (7,376)	\$ (7,957)	\$ 818	\$ 6,604
Total Pension Liability, Beginning	\$ 137,446	\$ 146,499	\$ 144,353	\$ 154,700	\$ 147,324	\$ 139,367	\$ 140,185
Total Pension Liability, Ending	\$ 146,499	\$ 144,353	\$ 154,700	\$ 147,324	\$ 139,367	\$ 140,185	\$ 146,789
<b>Fiduciary Net Position</b>							
Contributions – Employer	\$ 3,436	\$ 3,216	\$ 5,087	\$ 8,716	\$ 8,856	\$ 8,798	\$ 8,764
Contributions – Member	101	153	89	80	93	91	87
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)
Pension Plan Administrative Expenses	(36)	(37)	(42)	(39)	(37)	(36)	(39)
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	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Net Pension Liability</b>	\$ 138,241	\$ 140,923	\$ 154,700	\$ 147,324	\$ 139,367	\$ 140,185	\$ 146,789
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
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 %

- <sup>(1)</sup> 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.
- <sup>(2)</sup> 2017: Benefit increase changed to 2.0 percent for all future years. The discount rate changed to 2.85 percent.
- <sup>(3)</sup> 2018: The discount rate changed to 3.56 percent.
- <sup>(4)</sup> 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.
- <sup>(5)</sup> 2020: The discount rate changed to 3.13 percent.
- <sup>(6)</sup> 2021: The discount rate changed to 2.45 percent.

**Required Supplementary Information**  
**Primary Government Administered Single-Employer Plans**  
**Schedule of Changes in the Net Pension Liability**  
**and Related Ratios (Continued)**  
**(In Thousands)**

State Patrol Retirement Fund							
Description	2015	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018 <sup>(3)</sup>	2019 <sup>(4)</sup>	2020	2021
<b>Total Pension Liability</b>							
Service Cost	\$ 14,514	\$ 16,144	\$ 16,555	\$ 29,758	\$ 24,935	\$ 19,375	\$ 21,122
Interest on the Total Pension Liability	60,183	63,753	64,592	58,865	65,110	68,227	70,465
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)
Changes in Assumptions	30,058	—	283,584	(112,694)	(126,888)	—	—
Benefit Payments, Including Refunds of Member Contributions	(53,722)	(55,480)	(57,774)	(58,565)	(59,692)	(60,803)	(61,971)
Net Change in Total Pension Liability	\$ 45,262	\$ 11,562	\$ 284,735	\$ (85,054)	\$ (107,508)	\$ 29,556	\$ 29,081
Total Pension Liability, Beginning	\$ 781,411	\$ 826,673	\$ 838,235	\$ 1,122,970	\$ 1,037,916	\$ 930,408	\$ 959,964
Total Pension Liability, Ending	\$ 826,673	\$ 838,235	\$ 1,122,970	\$ 1,037,916	\$ 930,408	\$ 959,964	\$ 989,045
<b>Fiduciary Net Position</b>							
Contributions – Employer	\$ 12,894	\$ 14,763	\$ 14,938	\$ 16,783	\$ 16,952	\$ 20,479	\$ 22,975
Contributions – Member	7,930	9,174	9,292	10,520	10,657	12,038	12,595
Net Investment Income	107,187	28,903	(774)	93,077	70,474	51,823	31,073
Benefit Payments, Including Refunds of Member Contributions	(53,722)	(55,480)	(57,774)	(58,565)	(59,692)	(60,803)	(61,971)
Pension Plan Administrative Expenses	(150)	(170)	(220)	(208)	(184)	(191)	(224)
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
Plan Fiduciary Net Position, Beginning	\$ 593,201	\$ 667,340	\$ 664,530	\$ 629,992	\$ 691,599	\$ 729,799	\$ 753,144
Plan Fiduciary Net Position, Ending	\$ 667,340	\$ 664,530	\$ 629,992	\$ 691,599	\$ 729,799	\$ 753,144	\$ 757,590
<b>Net Pension Liability</b>	\$ 159,333	\$ 173,705	\$ 492,978	\$ 346,317	\$ 200,609	\$ 206,820	\$ 231,455
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 %
Covered-Member Payroll – Measurement Period	\$ 63,952	\$ 68,463	\$ 69,343	\$ 73,056	\$ 74,007	\$ 80,792	\$ 84,530
Net Pension Liability as a Percentage of Covered-Member Payroll	249.1 %	253.7 %	710.9 %	474.0 %	271.1 %	256.0 %	273.8 %

- <sup>(1)</sup> 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.
- <sup>(2)</sup> 2017: Benefit increase changed to 1.0 percent for all future years. The discount rate changed from 7.9 percent to 5.31 percent.
- <sup>(3)</sup> 2018: Benefit increase changed to 1.0 percent through 2064, and 1.5 percent thereafter. The discount rate changed to 6.38 percent.
- <sup>(4)</sup> 2019: Benefit increase changed to 1.0 percent for all future years. The discount rate changed to 7.5 percent.

## Defined Benefit Other Postemployment Benefits

The state of Minnesota offers other postemployment benefits (OPEB) to state employees and their dependents through a single-employer defined benefit health care plan. The state does not fund this plan and operates on a pay-as-you-go basis. The state implemented 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.

<b>Required Supplementary Information</b> <b>Single Employer Defined Benefit OPEB Plan</b> <b>Schedule of Changes in Total OPEB Liability</b> <b>(In Thousands)</b>				
Description	2018	2019 <sup>(2)</sup>	2020 <sup>(3)</sup>	2021 <sup>(4)</sup>
Total OPEB Liability <sup>(1)</sup> :				
Service Cost	\$ 51,415	\$ 48,056	\$ 47,473	\$ 46,502
Interest	18,612	23,378	24,963	23,128
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
Benefit Payments	(32,627)	(36,358)	(35,030)	(37,754)
Net Changes in Total OPEB Liability	\$ 5,123	\$ (8,061)	\$ 18,116	\$ 56,679
Total OPEB Liability, Beginning	617,856	622,979	614,918	633,034
Total OPEB Liability, Ending	<u>\$ 622,979</u>	<u>\$ 614,918</u>	<u>\$ 633,034</u>	<u>\$ 689,713</u>
Covered-Employee Payroll	\$ 3,545,697	\$ 3,603,462	\$ 3,664,566	\$ 3,814,738
Total OPEB Liability as a Percentage of Covered-Employee Payroll	17.6 %	17.1 %	17.3 %	18.1 %

<sup>(1)</sup> Amounts represent the total of the primary government's proportionate share and its discretely presented component unit's proportionate share.

<sup>(2)</sup> 2019: The discount rate changed from 3.58 percent to 3.87 percent.

<sup>(3)</sup> 2020: The discount rate changed to 3.50 percent.

<sup>(4)</sup> 2021: The discount rate changed to 2.21 percent.

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## **APPENDIX G**

### **CONTINUING DISCLOSURE UNDERTAKING**

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## CONTINUING DISCLOSURE UNDERTAKING

The Commissioner's Order authorizing the issuance of the Bonds will contain provisions enabling participating underwriters in the primary offering of the Bonds to comply with the requirements of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15C2-12, paragraph (b)(5), in substantially the following form:

3.01 **Official Statement.** The Official Statement dated August \_\_, 2022, relating to the Bonds (the "Official Statement"), is a final official statement within the meaning of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, as in effect and interpreted from time to time ("Rule 15c2-12"). The respective purchasers of the Bonds designated in Section 4 hereof (collectively, the "Initial Purchasers") are authorized and directed to distribute the Official Statement to all persons to whom the Bonds of a series are reoffered.

### 3.02 **Continuing Disclosure.**

(a) **General Undertaking.** On behalf of the State, the Commissioner covenants and agrees with the Registered Owners (as hereinafter defined) from time to time of the Bonds to comply with Rule 15c2-12, paragraph (b)(5); and, for this purpose, to provide to the Municipal Securities Rulemaking Board ("MSRB"), annual financial information of the type included in the Official Statement and notice of the occurrence of certain specified events which materially affect the terms, payment, security, rating or tax status of the Bonds, as set forth in this Section. The State is the only "obligated person" in respect of the Bonds within the meaning of Rule 15c2-12. As used in this Section 3.02, "Registered Owner" means, in respect of a Bond of a series, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Bond of a series, any person or entity which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or is treated as the owner of the Bond for federal income tax purposes.

(b) **Information To Be Disclosed.** The Commissioner will provide, in the manner set forth in paragraph (c) hereof, either directly or indirectly through an agent designated by the Commissioner, the following information (the "Disclosure Information") at the following times:

(i) On or before December 31 of each year, commencing in 2022 (each a "Reporting Date"):

(A) The Annual Comprehensive Financial Report of the State for the fiscal year ending on the previous June 30, prepared by the State's Department of Management and Budget in accordance with generally accepted accounting principles for governmental entities as prescribed by the Government Accounting Standards Board as in effect from time to time or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles, noting the variances therefrom and the effect thereof, together with an independent auditor's report prepared with respect thereto by the Office of the Legislative Auditor of the State or other auditing authority designated by State law; provided, however, that if audited financial statements are not available by such date, the financial statements to be delivered shall be unaudited, but the State undertakes and agrees to provide, within 10 days after the receipt thereof by the State, the audited general purpose financial statements of the State and the related audit report described above; and

(B) To the extent not included in the financial statements referred to in clause (A) hereof, the information for such fiscal year of the type contained in the Official Statement, which information may be unaudited.

Any or all of the information may be incorporated by reference from other documents, including official statements, which have been filed with the Securities and Exchange Commission (the “SEC”) or have been made available to the public on the MSRB’s Electronic Municipal Market Access (“EMMA”) facility for municipal securities disclosure. The Commissioner shall clearly identify in the information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the State have materially changed or been discontinued, such Disclosure Information need no longer be provided if the State includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other State operations in respect of which data is not included in the Disclosure Information and the State determines that certain specified data regarding such replacement operations would be “Material” (as defined in subparagraph (ii) of this paragraph (b)), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Section 3.02 is amended as permitted by this subparagraph (i) or paragraph (d), then the State shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(ii) In a timely manner, not in excess of 10 business days after the occurrence of an event, notice of the occurrence of any of the following events:

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults, if material;
- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (G) Modifications to rights of security holders, if material;
- (H) Bond calls, if material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution or sale of property securing repayment of the securities, if material;
- (K) Rating changes;

(L) Bankruptcy, insolvency, receivership or similar event of the State;

(M) The consummation of a merger, consolidation or acquisition involving the State or the sale of all or substantially all of the assets of the State or other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(N) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

(O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

With respect to (O) and (P) above, Rule 15c2-12 defines “financial obligation” as a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledge as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). However, “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

As used herein, an event is “material” if it would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of the occurrence of the event.

(iii) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the State to provide the information required under subparagraph (i) of this paragraph (b) at the time specified thereunder;

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

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

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

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

(c) Manner of Disclosure.

(i) The Commissioner agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in paragraph (b).

(ii) The Commissioner further agrees to make available by electronic transmission, overnight delivery, mail or other means, as appropriate, the information described in paragraph (b) to any rating agency then maintaining a rating of the Bonds and, at the expense of any Registered Owner, to any Registered Owner who requests in writing such information at the time of transmission under subparagraph (i) of this paragraph (c), or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(iii) All documents provided to the MSRB pursuant to this paragraph (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(iv) The State shall determine in the manner it deems appropriate whether there has occurred a change in the MSRB's email address or filing procedures and requirement under the MSRB's EMMA facility each time the State is required to file information with the MSRB.

(d) Term; Amendments; Interpretation.

(i) The covenants of the State in this Section 3.02 shall remain in effect with respect to a series of Bonds so long as any Bonds of such series are outstanding. Notwithstanding the preceding sentence, however, the obligations of the State under this Section 3.02 shall terminate and be without further effect as of any date on which the State delivers to the Registrar an opinion of bond counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the State to comply with the requirements of this Section 3.02 will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule 15c2-12 or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(ii) This Section 3.02 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the State from time to time, without notice to (except as provided in subparagraph (ii) of paragraph (c)) or the consent of the Registered Owners of any Bonds, by an order of the Commissioner accompanied by an opinion of bond counsel, who may rely on certificates of the State and others and the opinion may be subject to customary qualifications, to the effect that: (A) such amendment or supplement (1) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the type of operations conducted by the State, or (2) is required by, or better complies with, the provisions of paragraph (b)(5) of Rule 15c2-12; (B) this Section 3.02 as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of Rule 15c2-12 at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (A)(1) and assuming that Rule 15c2-12 as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (C) such amendment or supplement does not materially impair the interests of the Registered Owners under Rule 15c2-12.

(iii) If the Disclosure Information is so amended, the Commissioner agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(iv) This Section 3.02 is entered into to comply with the continuing disclosure provisions of Rule 15c2-12 and should be construed so as to satisfy the requirements of Rule 15c2-12.

(e) Failure to Comply; Remedies. If the State fails to comply with any provision of this Section 3.02, any person aggrieved thereby, including the Registered Owner of any outstanding Bond of a series, may take whatever action at law or in equity as may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section 3.02. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 3.02 constitute a default with respect to the Bonds or under any other provision of this Order.

(f) Further Limitation of Liability of State. If and to the extent the limitations of liability contained in subparagraph (e) are not effective, anything contained in this Section 3.02 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 3.02, the State has not obligated itself to pay damages resulting from any violation thereof. None of the agreements or obligations of the State contained herein shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the full faith and credit or taxing powers of the State, a waiver of the State's sovereign immunity, or a waiver of any of the limitations contained in Minnesota Statutes, Section 3.736, except as provided under the laws of the State.

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**APPENDIX H**

**FORMS OF LEGAL OPINION**

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August 23, 2022

The Honorable James Schowalter  
Commissioner of Management and Budget  
658 Cedar Street  
400 Centennial Office Building  
Saint Paul, Minnesota 55155

Re: \$251,775,000 General Obligation State Various Purpose Bonds, Series 2022A  
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of \$251,775,000 General Obligation State Various Purpose Bonds, Series 2022A, dated August 23, 2022 (the "Series 2022A Bonds"). The Series 2022A Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2022A Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

2. Interest on the Series 2022A Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts.

The opinions expressed in paragraph 2 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2022A Bonds in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Series 2022A Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2022A Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2022A Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2022A Bonds. No provision has been made for an increase in the interest payable on the Series 2022A Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Series 2022A Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

August 23, 2022

The Honorable James Schowalter  
Commissioner of Management and Budget  
658 Cedar Street  
400 Centennial Office Building  
Saint Paul, Minnesota 55155

Re: \$220,000,000 General Obligation State Trunk Highway Bonds, Series 2022B  
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of \$220,000,000 General Obligation State Trunk Highway Bonds, Series 2022B, dated August 23, 2022 (the "Series 2022B Bonds"). The Series 2022B Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2022B Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State.

2. The principal of and interest on the Series 2022B Bonds are payable from revenues of the State Trunk Highway Fund; but, if necessary for the payment thereof, the full faith and credit of the State are pledged, and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

3. Interest on the Series 2022B Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts.

The opinions expressed in paragraph 3 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2022B Bonds in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Series 2022B Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2022B Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2022B Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2022B Bonds. No provision has been made for an increase in the interest payable on the Series 2022B Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Series 2022B Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

August 23, 2022

The Honorable James Schowalter  
Commissioner of Management and Budget  
658 Cedar Street  
400 Centennial Office Building  
Saint Paul, Minnesota 55155

Re: \$9,200,000 General Obligation Taxable State Various Purpose Bonds, Series 2022C  
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of \$9,200,000 General Obligation Taxable State Various Purpose Bonds, Series 2022C, dated August 23, 2022 (the "Series 2022C Bonds"). The Series 2022C Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue.

From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that the Series 2022C Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

The interest on the Series 2022C Bonds is includable in gross income for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. We express no other opinion regarding federal, state or other tax consequences to holders of the Series 2022C Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

August 23, 2022

The Honorable James Schowalter  
Commissioner of Management and Budget  
658 Cedar Street  
400 Centennial Office Building  
Saint Paul, Minnesota 55155

Re: \$106,660,000 General Obligation State Various Purpose Refunding Bonds, Series 2022D State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of \$106,660,000 General Obligation State Various Purpose Refunding Bonds, Series 2022D, dated August 23, 2022 (the "Series 2022D Bonds"). The Series 2022D Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2022D Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

2. Interest on the Series 2022D Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts.

The opinions expressed in paragraph 2 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2022D Bonds in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Series 2022D Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2022D Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2022D Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2022D Bonds. No provision has been made for an increase in the interest payable on the Series 2022D Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Series 2022D Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]





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