

NEW ISSUE - BOOK ENTRY ONLY

RATING: S&P: "AA+"  
(SEE "RATING" HEREIN)

*In the opinion of Kutak Rock LLP, Bond Counsel, under existing federal and Minnesota laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Certificates is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, interest on the Certificates may affect the federal alternative minimum tax imposed on certain corporations.. For a discussion of tax matters see "TAX EXEMPTION" herein.*



**\$50,095,000**  
**STATE OF MINNESOTA**  
**REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2025**  
**(Legislative Office Facility Project)**

**Dated:** Date of Delivery

**Due:** June 1, as shown on the next page

The State of Minnesota (the "State"), acting by and through the Commissioner of Management and Budget ("MMB") is issuing \$50,095,000 Refunding Certificates of Participation, Series 2025 (Legislative Office Facility Project) (the "Certificates") under and pursuant to Minnesota Laws 2013, Chapter 143, Article 12, Section 21, as amended by Laws 2025, 1<sup>st</sup> Special Session, Chapter 15, Article 2, Section 10 (the "Act"), and an Order, dated November 5, 2025 (the "Order") of MMB and the Commissioner of Administration ("Administration"). Pursuant to the Act and the Order, Administration, as Lessee, is entering into a Lease-Purchase Agreement dated as of November 1, 2025 (the "Lease") with MMB, as Lessor, which replaces the Lease-Purchase Agreement dated as of August 1, 2014 (the "Prior Lease"), and Administration, as Lessor, is entering into a Ground Lease dated as of November 1, 2025 (the "Ground Lease") with MMB, as Lessee, which replaces the Ground Lease dated as of August 1, 2014 (the "Prior Ground Lease"). The Certificates evidence proportionate undivided interests in rights to receive Rental Payments under the Lease.

The Certificates are being issued for the purpose of (i) refunding \$57,310,000 in outstanding maturities of the Certificates of Participation, Series 2014 (Legislative Office Facility Project) and (ii) paying all fees and expenses incurred in connection to the issuance of the Certificates. The Certificates are payable only from amounts that the Legislature of the State of Minnesota (the "Legislature") may appropriate (i) for lease rental payments to be made pursuant to a lease between Administration and the Senate of the State (the "Senate Lease") with respect to the Project for any fiscal year or (ii) for Rental Payments to be made pursuant to the Lease provided that nothing in the Act or the Order shall be construed to require the State to continue to appropriate funds sufficient directly or indirectly to make payments with respect to principal of and interest components of the Certificates in any fiscal year. **The Certificates are not public debt of the State subject to constitutional limitations on indebtedness, and the full faith, credit, and taxing powers of the State are not pledged to the payment of the Certificates.**

The Certificates will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased. Principal of the Certificates, payable annually on June 1 as set forth on the next page, and interest, payable semiannually on each June 1 and December 1, commencing June 1, 2026, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein.

The Certificates are not subject to optional redemption prior to maturity. The Certificates are subject to extraordinary mandatory redemption and mandatory sinking fund redemption as further described under "DESCRIPTION OF THE CERTIFICATES - Redemption Provisions" herein.

**LEGAL OPINION:** Kutak Rock LLP, Minneapolis, Minnesota

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

The Certificates will be available for delivery on or about November 5, 2025.

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(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OR THIS OFFICIAL STATEMENT. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)

The date of this Official Statement is October 22, 2025.

### MATURITY SCHEDULE

| Year            |               | Interest    |              |               | Year            |               | Interest    |              |               |
|-----------------|---------------|-------------|--------------|---------------|-----------------|---------------|-------------|--------------|---------------|
| <u>(June 1)</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>CUSIP*</u> | <u>(June 1)</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>CUSIP*</u> |
| 2026            | \$2,510,000   | 5.00%       | 2.64%        | 604140XY4     | 2033            | \$3,600,000   | 5.00%       | 2.66%        | 604140YF4     |
| 2027            | 2,685,000     | 5.00%       | 2.53%        | 604140XZ1     | 2034            | 3,780,000     | 5.00%       | 2.70%        | 604140YG2     |
| 2028            | 2,820,000     | 5.00%       | 2.46%        | 604140YA5     | 2035            | 3,970,000     | 5.00%       | 2.82%        | 604140YH0     |
| 2029            | 2,960,000     | 5.00%       | 2.46%        | 604140YB3     | 2036            | 4,170,000     | 5.00%       | 2.94%        | 604140YJ6     |
| 2030            | 3,110,000     | 5.00%       | 2.45%        | 604140YC1     | 2037            | 4,375,000     | 5.00%       | 3.05%        | 604140YK3     |
| 2031            | 3,265,000     | 5.00%       | 2.47%        | 604140YD8     | 2038            | 4,595,000     | 5.00%       | 3.17%        | 604140YL1     |
| 2032            | 3,430,000     | 5.00%       | 2.56%        | 604140YE7     | 2039            | 4,825,000     | 5.00%       | 3.28%        | 604140YM9     |

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

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

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

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

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

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## INTRODUCTION TO THE OFFICIAL STATEMENT

*The following information is furnished solely to provide limited introductory information regarding issuance of the \$50,095,000 Refunding Certificates of Participation, Series 2025 (Legislative Office Facility Project) (the “Certificates”) issued by the State of Minnesota (the “State”), acting by and through the Commissioner of Management and Budget (“MMB”) and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.*

**Capitalized terms used but not defined herein shall have the meanings given to them in the Lease-Purchase Agreement, dated as of November 1, 2025 (the “Lease”) by and between the State, acting by and through MMB, as lessor (the “Lessor”), and the State, acting by and through the Commissioner of the Administration (“Administration”), as lessee (the “Lessee”).**

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issuer:</b>                 | State of Minnesota (the “State”)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Lessor:</b>                 | The State, acting by and through the Commissioner of Management and Budget (“MMB” or “Lessor”)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Lessee:</b>                 | The State, acting by and through the Commissioner of Administration (“Administration” or “Lessee”)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Authority for Issuance:</b> | The Certificates are being issued pursuant to Minnesota Laws 2013, Chapter 143, Article 12, Section 21, as amended by Laws 2025, 1 <sup>st</sup> Special Session, Chapter 15, Article 2, Section 10 (the “Act”); an order, signed by MMB and Administration, authorizing and ordering the issuance of the Certificates (the “Order”); the Lease and the Ground Lease between Administration, as Lessor, and MMB, as Lessee.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Security:</b>               | The Certificates are payable only from amounts that the Legislature may appropriate (i) for lease rental payments to be made pursuant to the lease between Administration and the Senate of the State (the “Senate Lease”) with respect to the Project for any fiscal year or (ii) for Rental Payments to be made pursuant to the Lease, provided that nothing in the Act or the Order shall be construed to require the State to appropriate funds sufficient directly or indirectly to make payments with respect to principal of and interest components of the Certificates in any fiscal year. <b>The Certificates are not public debt of the State subject to constitutional limitations on indebtedness, and the full faith, credit, and taxing powers of the State are not pledged to the payment of the Certificates. (See “SOURCE OF PAYMENT AND SECURITY” herein)</b> |
| <b>Purpose:</b>                | The Certificates are being issued for the purpose of (i) refunding \$57,310,000 in outstanding maturities of the Certificates of Participation, Series 2014 (Legislative Office Facility Project) and (ii) paying all fees and expenses incurred in connection to the issuance of the Certificates.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Principal Payments:</b>     | Principal is payable annually on June 1 of the years 2026 through 2039.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Interest Payments:</b>      | Interest is payable semiannually on June 1 and December 1, commencing June 1, 2026.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Redemption Provisions:</b>  | The Certificates are not subject to optional redemption prior to maturity. The Certificates are subject to extraordinary mandatory redemption and mandatory sinking fund redemption prior to their stated maturities as further described herein under “Description of the Certificates - Redemption Provisions.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

|                                                           |                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Denominations:</b>                                     | \$5,000 or integral multiples thereof.                                                                                                                                                                                                                                                                                                                   |
| <b>Book-Entry Only:</b>                                   | The Certificates will be issued as book-entry only securities through the DTC.                                                                                                                                                                                                                                                                           |
| <b>Tax Status:</b>                                        | <p>The Certificates are exempt from federal and Minnesota income taxes, as further provided and described in this Official Statement. See “Tax Exemption” herein.</p> <p>The Certificates will <u>not</u> be designated as Qualified Tax-Exempt Certificates.</p>                                                                                        |
| <b>Legal Matters:</b>                                     | The Certificates are approved as to validity by the State Attorney General and Kutak Rock LLP, Minneapolis, Minnesota, as Bond Counsel. Only Kutak Rock LLP will provide the opinion regarding the tax exemption of interest on the Certificates. The opinion of Bond Counsel will be substantially in the form set forth in APPENDIX F attached hereto. |
| <b>Professional Consultants:</b>                          | <p><i>Municipal Advisor:</i> PFM Financial Advisors LLC<br/>Minneapolis, Minnesota</p> <p><i>Bond Counsel:</i> Kutak Rock LLP<br/>Minneapolis, Minnesota</p> <p><i>Paying Agent/Registrar/<br/>Escrow Agent:</i> U.S. Bank Trust Company, National<br/>Association<br/>St. Paul, Minnesota</p>                                                           |
| <b>Conditions Affecting Issuance of the Certificates:</b> | The Certificates are offered when, as and if issued, subject to the approving legal opinions of the State Attorney General and Kutak Rock LLP as Bond Counsel.                                                                                                                                                                                           |
| <b>Continuing Disclosure:</b>                             | See “CONTINUING DISCLOSURE” and “APPENDIX G – CONTINUING DISCLOSURE UNDERTAKING”                                                                                                                                                                                                                                                                         |
| <b>Dated Date/Delivery Date:</b>                          | On or about November 5, 2025.                                                                                                                                                                                                                                                                                                                            |

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

Questions regarding the Certificates or the Official Statement can be directed to, and additional copies of the Official Statement, the State's audited financial reports and the documents described herein may be obtained from Jennifer Hassemmer, Assistant Commissioner of Minnesota Management and Budget, 400 Centennial Office Building, 658 Cedar Street, St. Paul, Minnesota 55155, (651) 201-8079 or from Jessica Cameron Mitchell at PFM Financial Advisors LLC, 45 South 7<sup>th</sup> Street, Suite 2950, Minneapolis, Minnesota 55402, (612) 371-3742.

## **DESCRIPTION OF THE CERTIFICATES**

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

### ***Authorization and Purpose***

The Certificates are being issued under and pursuant to Minnesota Laws 2013, Chapter 143, Article 12, Section 21, as amended by Laws 2025, 1<sup>st</sup> Special Session, Chapter 15, Article 2, Section 10 (the “Act”), and an Order, dated November 5, 2025 (the “Order”) of MMB and the Commissioner of Administration (“Administration”). Pursuant to the Act and the Order, Administration, as Lessee, is entering into a Lease-Purchase Agreement dated as of November 1, 2025 (the “Lease”) with MMB, as Lessor, which replaces the Lease-Purchase Agreement dated as of August 1, 2014 (the “Prior Lease”), and Administration, as Lessor, is entering into a Ground Lease dated as of November 1, 2025 (the “Ground Lease”) with MMB, as Lessee, which replaces the Ground Lease dated as of August 1, 2014 (the “Prior Ground Lease”). The Certificates evidence proportionate undivided interests in rights to receive Rental Payments under the Lease.

The Certificates are being issued for the purpose of (i) refunding \$57,310,000 in outstanding maturities of the Certificates of Participation, Series 2014 (Legislative Office Facility Project) and (ii) paying all fees and expenses incurred in connection to the issuance of the Certificates.

### ***Interest Computation***

Interest payable with respect to the Certificates will be payable semiannually on June 1 and December 1, commencing June 1, 2026. It will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.

### ***Redemption Provisions***

#### **Optional Redemption**

The Certificates are not subject to optional redemption prior to maturity.

#### **Extraordinary Mandatory Redemption**

The Certificates shall be immediately called for redemption in whole in the event that the Lease Term shall be terminated by the occurrence of an event of Nonappropriation (as defined herein under “SUMMARY OF CERTAIN TRANSACTION DOCUMENTS – The Lease – Nonappropriation”). If any Certificates are to be redeemed by reason of such event, the Lessor shall direct the Paying Agent immediately to notify the registered owners of the Certificates of such event and related redemption. If the Net Proceeds, as defined under the Lease, are insufficient to pay in full the principal of and accrued interest on all outstanding Certificates, the Lessor is required to exercise all or any combination of Lease remedies as provided in the Lease, and the Certificates are to be redeemed by the Lessor from the Net Proceeds resulting from the exercise of such Lease remedies and all other moneys, if any, then on hand and being held by or on behalf of the Lessor for the registered owners of the Certificates. In the event such Net Proceeds are insufficient, then such Net Proceeds are to be allocated proportionately among the Certificates. In the event such Net Proceeds are in excess, then such excess moneys are to be paid to the Lessee.

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

## **Notice of Redemption**

In the event of mandatory extraordinary redemption, a notice of redemption shall be mailed, by regular United States first class mail, postage prepaid, to all owners of Bonds to be redeemed in whole or in part at their registered addresses. So long as the Certificates are registered in the name of the nominee of DTC or another securities depository designated for this purpose as indicated in Section 2.13 hereof, notice of any redemption of Certificates 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 hereinafter defined) of the Certificates. However, the State assumes no responsibility with respect to the giving of such notice of redemption by the securities depository or its participants.

If, in the future, the Certificates are not in book entry form, notice of any redemption of Certificates will be promptly published in financial newspapers circulated in the Minneapolis-St. Paul metropolitan area and in the Borough of Manhattan, City and State of New York.

Notice of redemption of the Certificates, whether or not the Certificates are in book entry form, shall state: (i) the series, original date of issue, maturity dates, CUSIP numbers, and interest rates of the Certificates to be redeemed, (ii) if less than all Certificates of any maturity are to be redeemed, the registration numbers of those to be redeemed, (iii) the principal amount to be redeemed if less than the entire principal amount of any Certificate, (iv) the redemption date and price and the name and address of the paying agent where such Certificates must be presented for payment, (v) that on the redemption date the redemption price of the Certificates or portions thereof to be redeemed will be payable, (vi) that after the redemption date interest will cease to accrue or be payable thereon, and (vii) the conditions, if any, which must be satisfied in order for the redemption to take place on the scheduled date of redemption. Notice will also be promptly mailed to the registered owner of any such Certificate at the address shown on the bond register.

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

## ***Book-Entry Only System***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***Continuing Disclosure***

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

The State determined that it had failed to file in a timely manner a notice of the incurrence of a financial obligation under its school district credit enhancement program related to the State's general obligation bonds and bonds supported by State appropriations. On April 26, 2024, the State posted on EMMA the appropriate Material Event notices.

## **SOURCES AND USES OF FUNDS**

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

### **Sources and Uses of Funds**

#### **Sources of Funds**

|                            |                         |
|----------------------------|-------------------------|
| Par Amount                 | \$ 50,095,000.00        |
| Net Original Issue Premium | <u>7,167,797.80</u>     |
| Total Sources of Funds     | <u>\$ 57,262,797.80</u> |

#### **Uses of Funds**

|                                          |                         |
|------------------------------------------|-------------------------|
| Deposit to Escrow Account                | \$ 57,148,785.60        |
| Costs of Issuance/Underwriter's Discount | 110,260.06              |
| Contingency                              | <u>3,752.14</u>         |
| Total Uses of Funds                      | <u>\$ 57,262,797.80</u> |

## **SOURCE OF PAYMENT AND SECURITY**

The Certificates are payable only from amounts that the Legislature may annually appropriate (i) for lease rental payments to be made pursuant to the lease between Administration, as sublessor, and the Senate of the State, as sublessee, (the "Senate Lease") with respect to the Project for any fiscal year or (ii) for Rental Payments to be made pursuant to the Lease, provided that nothing in the Act or the Order shall be construed to require the State to appropriate funds sufficient directly or indirectly to make payments with respect to principal of and interest components of the Certificates in any fiscal year.

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

Under the Order, MMB shall maintain the "Special Legislative Office Facility 2025 Certificates Account" (the "Certificates Account") into which are appropriated moneys received as Rental Payments under the Lease, and from which shall be paid the principal and interest on the Certificates.

Pursuant to the appropriations made to the Senate of the State by the Legislature in respect of the lease rental payments under the Senate Lease for each fiscal year during the Lease Term, there shall be paid by Administration from such lease rental payments to MMB for deposit into the Certificates Account on May 15 and November 15 in each year, an amount sufficient to pay all principal and interest due and to become due on the next succeeding June 1 and December 1 on all Certificates, provided that such appropriation shall be subject to (a) repeal by the Legislature or (b) unallotment under Minnesota Statutes, Section 16A.152. Upon a nonappropriation, or such repeal or unallotment, the Certificates shall be subject to extraordinary mandatory redemption (See "DESCRIPTION OF THE CERTIFICATES – Redemption Provisions – Extraordinary Mandatory Redemption" herein).

## **SUMMARY OF CERTAIN TRANSACTION DOCUMENTS**

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

### ***The Lease***

#### **General Description**

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

#### **Lease Term**

The Lease will be in effect for a period commencing on November 5, 2025, and ending on the date when all Rental Payments have been made (June 1, 2039), or, if earlier, upon the occurrence of the first of the following events:

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

#### **Nonappropriation**

In the sole event of Nonappropriation relating to the Project, the Lessee shall have the right to terminate the Lease at the end of any period for which the Legislature has appropriated funds either to the Senate in respect of the lease rental payments under the Senate Lease in amount at least sufficient upon receipt by Administration from the Senate, or to Lessee in amount at least sufficient for the timely payment by Lessee of the Rental Payments with respect to the Project.

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

"Nonappropriation" is defined by the Lease to mean the failure of the Legislature to appropriate funds in respect of either (a) (i) the lease rental payments of the Senate of the State due under the Senate Lease between the Senate and Administration for the lease of the Project to the Senate or (ii) the Rental Payments due under the Lease, in any regular or special session for any fiscal period of Lessee sufficient for the continued performance of the Lease by the Lessee with respect to the Project for the fiscal period immediately subsequent to the last fiscal period for which the Legislature has appropriated sufficient funds for such purpose or purposes, (b) the repeal by the Legislature of any such appropriation, or (c) an unallotment under Minnesota Statutes, Section 16A.152.

The Lessee intends to continue the Lease for its entire Lease Term with respect to the Project and to pay all Rental Payments relating thereto. Pursuant to the Senate Lease, the Senate of the State shall use all reasonable and lawful means available to secure the appropriation of moneys for each fiscal period in an amount sufficient to timely pay all such lease rental payments coming due therein. If at any point during the Lease Term the Senate Lease is amended, the persons or entities in charge of preparing Administration's budget for such fiscal period will include in Administration's budget request to the Governor of the State for such fiscal period the Rental Payments to become due in such fiscal period under the Lease with respect to the Project, and will use all reasonable and lawful means available to secure the appropriation of moneys for such fiscal period in an amount sufficient to timely pay all Rental Payments coming due therein. The Lessee reasonably believes that moneys in an amount

sufficient to make all such Rental Payments can and will lawfully be appropriated and made available for this purpose. Notwithstanding any such requests, the Governor of the State does not have a legal or moral obligation to submit Administration's budget requests to the Legislature, nor does the Legislature have a legal or moral obligation to make any appropriation in respect of any budget request.

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

### **Rental Payments**

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

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

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

### **Option to Purchase**

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

## **Assignment, Subleasing, Mortgaging and Selling**

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

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

## **Certain Other Representations, Warranties and Covenants of Lessee**

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

- (a) The Lessee is authorized under the Constitution and laws of the State, including the Act, to enter into the Ground Lease, the Lease, the Senate Lease and the transactions contemplated thereby, and to perform all of its obligations hereunder.
- (b) The execution and delivery of the Lease and the Ground Lease have been duly authorized by appropriate official action, and such action has complied and/or will comply with all public bidding and other State and federal laws applicable to the Lease and the Ground Lease and the financing and use of the Project by the Lessee.
- (c) The leasing of the Project will serve a governmental purpose which presently is, and is anticipated to continue to be, essential to the proper, efficient and economic operation of the Lessee and the Senate of the State.
- (d) The Lessee is not obligated by the Lease to make Rental Payments due under the Lease for any future fiscal period for which the Legislature has not appropriated sufficient funds.

## ***The Project***

### **Lease; Enjoyment; Inspection**

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

### **Use, Permits and Maintenance of Project and Premises**

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

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

### **Modification of Project**

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

### **Taxes, Other Governmental Charges and Utility Charges**

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

### **Net Lease**

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

### **Title, Security Interest and Liens**

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

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

During the Lease Term, the Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project, other than the respective rights of the Lessor and the Lessee as provided in the Lease, Ground Lease and Permitted Encumbrances, without the prior written consent of Lessor. The Lessee shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. The Lessee shall reimburse the Lessor for any expense incurred by the Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

## **Insurance**

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

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

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

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

## **Damage to or Destruction of Project**

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

## **Events of Default and Remedies**

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

Whenever any event of default shall have happened and be continuing, the Lessor shall have the right to take one or any combination of the following remedial steps: the Lessor, without terminating the Lease, (i) may declare all Rental Payments for which funds have been appropriated to be immediately due and payable by the Lessee, and (ii) may enter and take possession of the Project, remove all persons and property in any lawful manner the Lessor determines to be necessary or desirable. The Lessor shall be under no liability by reason of any such entry, possession or removal, and shall charge the Lessee for costs

incurred in taking possession of the Project. Notwithstanding the fact that the Lessor has taken possession of the Project, the Lessee shall continue to be responsible for the Rental Payments due for which funds have been appropriated. If the Lease has not been terminated, the Lessor shall return possession of the Project to the Lessee at the Lessee's expense when the event of default is cured. In addition, the Lessor may seek and take any other administrative remedy available to it with respect to such event of default of the Lessee.

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

### **Amendment of Lease**

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

### ***The Ground Lease***

Pursuant to the Ground Lease, Administration, as the lessor, agrees to lease to MMB, as the lessee, the site on which the Project has been constructed and equipped. MMB agrees to pay Administration rent in the amount of \$10.00 per year, to and including the earlier of (i) June 1, 2039, when the Ground Lease expires by its terms, and (ii) the termination date of the Lease, but not earlier than the first date on which Certificates are no longer outstanding under the Order.

Upon the expiration of the Ground Lease, MMB will return the Project to Administration. Notwithstanding the foregoing, in the event of termination of the Lease as a result of nonappropriation and provided Administration does not purchase the Project at the termination date of the Lease, MMB shall have the option, exercisable in its sole discretion within 60 days following such termination date, to purchase the Project site from Administration at the then fair market value of the site, as such fair market value shall be determined by appraisal of the site by a person licensed under Minnesota Statutes, Chapter 82B, as an appraiser for the type of real property being appraised. The appraiser shall be selected by MMB and reasonably acceptable to Administration. The appraisal must be done in accordance with the requirements of Minnesota Statutes, Chapter 82B.

### ***Certain Risks***

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

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

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

#### **Nonappropriation**

***Rental Payments.*** Certain State appropriations, including the Rental Payments, for limited payment obligations are not continuing appropriations and, thus, require action by the Legislature on an annual or biennial basis. MMB's obligation to make payments on these or other obligations (such as the Rental Payments or the Senate Lease rental payments) is not a general or moral obligation indebtedness of the State; rather MMB is obligated to make payments only to the extent moneys are appropriated from time to time for such purpose.

***Appropriations Other Than Rental Payments.*** In the past, the Legislature has failed to make appropriations as necessary to pay in full debt service on State or other obligations, including in 1980 and 1981, when an appropriation to the Minnesota State Zoological Board (the “Zoo Board”) of net revenues of a zoo ride facility were insufficient to allow the Zoo Board to make

payments pursuant to an installment purchase agreement, which payments had been assigned to holders of certificates of participation in such agreement. In 1989, the Legislature declined to appropriate funds to St. Cloud State University as necessary to make certain payments under an energy services agreement, which payments had been assigned to an indenture trustee as security for the payment of principal of and interest on industrial development revenue bonds issued by the City of St. Cloud, Minnesota. On May 25, 2017 the Legislature adjourned the 2017 special legislative session having adopted legislation that included appropriations to the House and Senate for fiscal years 2018 and 2019. On May 30, 2017 the Governor of the State of Minnesota (the “Governor”) line-item vetoed these appropriations, which had included the funds necessary for the Senate to make rental payments under the Prior Lease, which payments had been assigned to the holders of certificates of participation in such Prior Lease (the “Prior Certificates”). The failure to make such an appropriation represented an event of nonappropriation under the Prior Lease, but the Lease Term of the Prior Lease was never terminated, all rental payments due under the Prior Lease were made on timely basis, and the Prior 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 Prior Lease. As a result of this appropriation, there was no longer an event of nonappropriation under the Prior Lease and the Prior Lease remained in full force and effect.

### **Lease Termination**

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

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

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

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

The executive branch has imposed unallotments in prior fiscal years, but not with respect to the payment of debt service. Over the past twenty years, the unallotment procedure has been used as follows: \$271 million of unallotments in 2008 and \$2.68 billion of unallotments in 2009. The 2009 unallotment was unique in that it resulted from the passage of appropriation bills for the fiscal biennium, but the then-Governor vetoed a tax bill that would have balanced the biennial budget by raising revenues

and shifting payments. In litigation challenging the 2009 unallotments, the Minnesota Supreme Court concluded that unallotment could not be used to balance the budget for an entire biennium when balanced spending and revenue had not been agreed upon by the legislature and the Governor. The Legislature and Governor subsequently agreed to a balanced budget for the biennium. While appropriations from the General Fund for payment of debt service have not previously been unallotted, there can be no assurance by the State that unallotment of the Rental Payments will not be imposed in any future year, resulting in the extraordinary mandatory redemption of the Certificates as described above.

#### **No Security Interest in Physical Assets**

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

#### **Other Risks**

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

### **FUTURE FINANCING**

The State does not anticipate the issuance of any additional debt within the next six months.

### **POSSIBLE SPECIAL LEGISLATIVE SESSION**

In light of several recent events in Minnesota, Governor Walz is considering convening a special legislative session. The legislative session could include a range of measures aimed at reducing gun violence. While the specifics of any legislation that would be considered has not been determined, it is possible there could be a bill or multiple bills adopted that impact the State's Current Biennium or Next Biennium's General Fund budget.

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

### **TAX EXEMPTION**

#### ***General***

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

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

### ***Arbitrage/Use of Proceeds***

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

### ***Original Issue Premium***

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

### ***Collateral Tax Matters***

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

- (1) Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain Social Security and Railroad Retirement benefits to take into account interest on the Certificates in determining the taxability of such benefits;
- (2) passive investment income, including interest on the Certificates, may be subject to taxation under Section 1375 of the Code and corresponding provisions of Minnesota law for an S corporation that has accumulated earnings and profits at the close of the taxable year if more than 25 percent of its gross receipts is passive investment income;
- (3) interest on the Certificates may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code;

- (4) in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Certificates that is received or accrued during the taxable year;
- (5) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Certificates, and Minnesota law similarly denies a deduction for such interest expense in the case of individuals, estates and trusts; indebtedness may be allocated to the Certificates for this purpose even though not directly traceable to the purchase of the Certificates;
- (6) federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Certificates;
- (7) in the case of a financial institution, no deduction is allowed under the Code for that portion of the holder's interest expense which is allocable to interest on the Certificates within the meaning of Section 265(b) of the Code; and
- (8) receipt of interest on the Certificates may affect taxpayers otherwise entitled to claim the earned income credit under Section 32 of the Code.

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

### ***Backup Withholding***

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

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

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

## **NOT QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## RATING

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

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

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

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

## LITIGATION

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

While at any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State’s expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 18 to the State Financial Statements for Fiscal Year Ended June 30, 2024, included as APPENDIX E hereto, and additional actions, if any, discussed below, no pending actions are likely to have a material adverse effect in excess of \$15 million on the State’s expenditures or revenues during the Current Biennium.

The following is a discussion of developments regarding the actions described in referenced Note 18 that have occurred and are subsequent to the date of the financial statements included in APPENDIX E hereto, and a description of additional actions which have been initiated against the State since the date of the financial statements included in APPENDIX E and are material for purposes of this Official Statement.

*AMRTC Appeal of Medicare Overpayments* (Office of Medicare Hearings and Appeals). The Centers for Medicare and Medicaid issued claim denial notices to the Department of Direct Care and Treatment (DCT) related to a number of Medicare claims for patients at Anoka Metro Regional Treatment Center. DCT appealed these denials to the Office of Medicare Hearings and Appeals, and the appeal remains pending. An adverse decision in DCT’s appeal could have a broad impact on other DCT Medicare claims, which could result in the State having to repay some amount that is estimated to be less than \$55 million.

*Dakota Drug, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). After the Minnesota Supreme Court decided the Dakota Drug case in favor of the taxpayer, the legislature passed a statute changing the definition of taxable gross revenues for the MinnesotaCare Tax to include rebates provided by a wholesale drug distributor, effectively reversing the court decision for revenues received on or after June 30, 2025.

*Abdikar Mohamed and Fowsiya Hassan v. Tim Walz, Minnesota Dept. of Human Services (DHS), et al.* (U.S. District Court, District of Minnesota). The Department of Human Services (now Department of Children, Youth, and Families) temporarily suspended Child Care Assistance Program payments to Plaintiffs, pending the outcome of a fraud investigation into childcare centers owned by Plaintiffs. Plaintiffs are now suing the State in federal court. Allegations include damages for loss of the Plaintiffs’ businesses, pain and suffering, and compensatory and special damages, totaling at least \$63.8 million.

*South Country Health Alliance et al. v. Minnesota Department of Human Services (DHS) et al.* (Ramsey County District Court). On August 14, 2023, the Court of Appeals held that DHS did not comply with Minnesota law when it denied Plaintiffs the Medicaid contracts they sought. DHS and the other co-defendants appealed the decision to the Minnesota Supreme Court. Oral arguments were heard by the Minnesota Supreme Court on June 3, 2024. On August 29, 2025, the Supreme Court dismissed the appeal, holding that the petition for review was improvidently granted. The matter will return to the district court to determine the scope of injunctive relief. The injunctive relief Plaintiffs originally sought could put at risk the federal government's share of the state's Medical Assistance program.

*Sporleder v. State, et al., Demars v. St. Louis County, et al.* (Ramsey County District Court). In accordance with the United States Supreme Court's decision in *Tyler v. Hennepin County*, defendants successfully reached a \$109 million settlement agreement with the class representatives, which the Legislature funded in May of 2024. The court gave final approval to the settlement in December 2024. The parties are now implementing the settlement, subject to court oversight.

## **MUNICIPAL ADVISOR**

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

Requests for information concerning the State should be addressed to PFM Financial Advisors LLC, 45 South 7<sup>th</sup> St., Suite 2950, Minneapolis, Minnesota 55402 (612/338-3535).

## **LEGAL MATTERS**

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

## **FINANCIAL INFORMATION**

General financial information relating to the State is set forth in the Official Statement, Appendices A through E, and is a part of this Official Statement. The State's most recent audited financial statements are included as APPENDIX E.

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

## **UNDERWRITING**

The Commissioner of MMB acting on behalf of the State has sold the Certificates at public sale to Wells Fargo Bank, National Association for a price of \$57,253,537.74 with the Certificates to bear interest at the rates set forth on the inside front cover page of the Final Official Statement.

## **MISCELLANEOUS**

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

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

### **STATE OF MINNESOTA**

By /s/ Erin Campbell  
Commissioner of Management and Budget

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**APPENDIX A**

**STATE GOVERNMENT AND FISCAL  
ADMINISTRATION**

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## **APPENDIX A**

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

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## **STATE GOVERNMENT AND FISCAL ADMINISTRATION**

### **State Government**

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

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

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

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

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

### **Fiscal Administration**

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

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

## **Accounting System**

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

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

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

## **Financial Reporting**

State law requires the Commissioner of Management and Budget to prepare an annual comprehensive financial report for each fiscal year of the State in conformance with generally accepted accounting principles by the December 31 following the end of the fiscal year. These reports are audited by the Legislative Auditor. The Legislative Auditor's opinion and the Fiscal Year 2024 basic financial statements are presented in APPENDIX E.

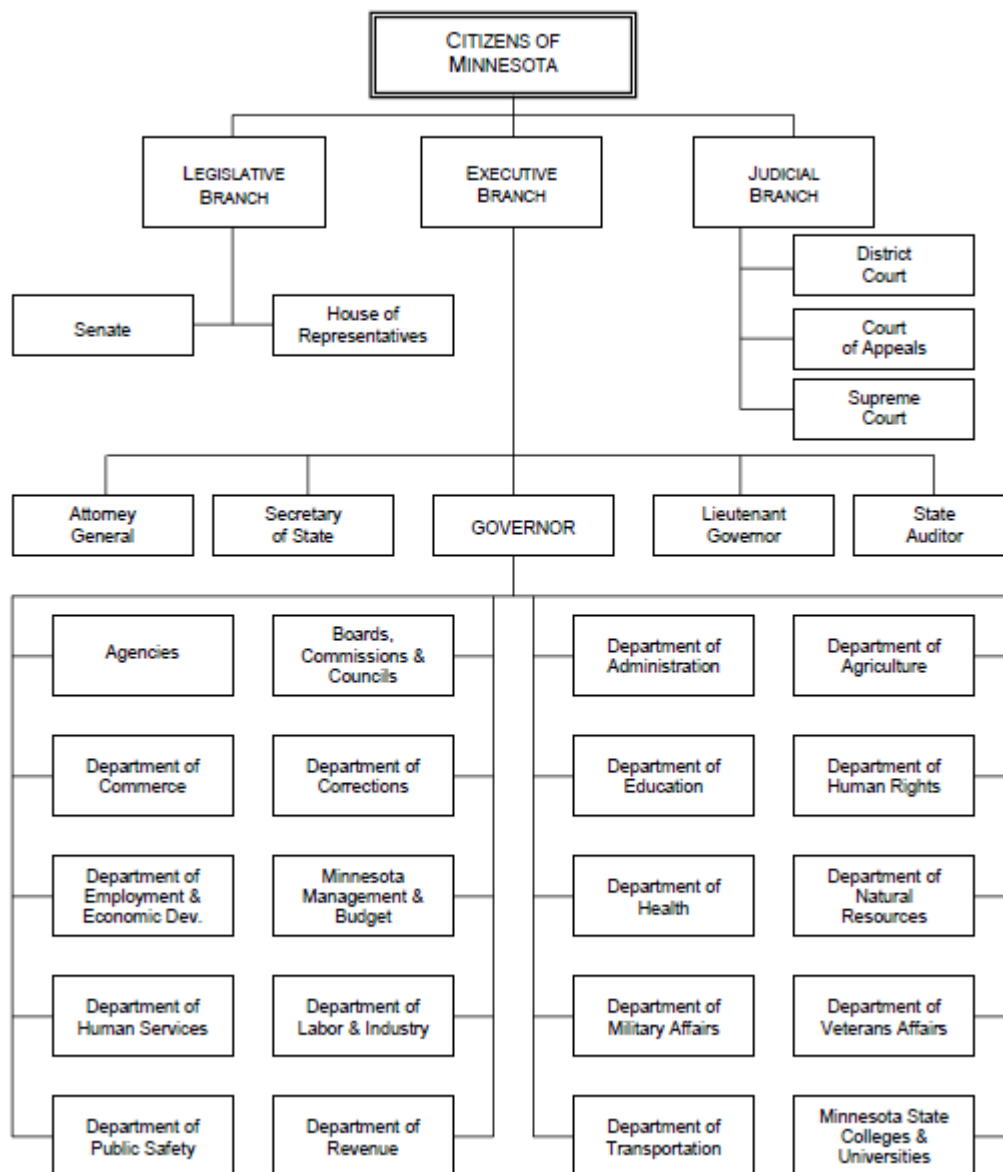
## **Investments**

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

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

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

A general organization chart of the State government is shown below. This diagram displays the various categories of the State's service functions and the organization units associated with the delivery of the service activities. The 2023 Legislature enacted legislation that will create two new state agencies. Effective July 1, 2024, the Department of Children, Youth and Families was established and combined functionally related divisions from multiple agencies. Effective January 1, 2025, the Direct Care and Treatment Executive Board was created from existing programs within the Department of Human Services.



## Revenues

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

The Department of Revenue administers taxes due to the State by collecting, among others, individual income and corporation taxes, sales and use taxes, estate taxes, motor fuel taxes and excise taxes on liquor, tobacco, and cannabis.

## Audit Control Procedures

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

## Status of Collective Bargaining and Compensation Plans

The State has a total of 21 bargaining units for State employees, including three faculty bargaining units whose labor contracts are negotiated and maintained by the Minnesota State Colleges and Universities System (“Minnesota State”) and three bargaining units whose labor contracts are negotiated and maintained by the Judicial Branch.

Each odd-numbered year, MMB negotiates the terms and conditions of employment with the eight exclusive representatives for State employees of the Executive Branch covered by one of the 15 non-faculty labor units listed in the table below. MMB also reviews compensation plans for employees not represented by a union. Under legislation adopted by the 2023 Legislature, the Legislature is no longer involved in the contract ratification process. Under legislation adopted by the 2024 Legislature, the Legislature is no longer involved in the approval of compensation plans. 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

| <u>Unit</u>                                                                                   | <u>Employees as of July 2025</u> |
|-----------------------------------------------------------------------------------------------|----------------------------------|
| American Federation of State, County and Municipal Employees (AFSCME)<br>(6 bargaining units) | 17,070                           |
| Law Enforcement Labor Services (LELS) (3 bargaining units)                                    | 168                              |
| MN Association of Professional Employees (MAPE)                                               | 18,504                           |
| Middle Management Association (MMA)                                                           | 3,872                            |
| MN Government Engineers Council (MGEC)                                                        | 1,261                            |
| MN Nurses Association (MNA)                                                                   | 1,029                            |
| MN Law Enforcement Association (MLEA)                                                         | 755                              |
| State Residential Schools Education Association (SRSEA)                                       | 175                              |
| State College Faculty Association (MSCF)                                                      | 3,638                            |
| State University Interfaculty Organization (IFO)                                              | 2,962                            |
| State University Admin and Service Faculty (MSUAASF)                                          | 787                              |
| Total Represented Employees                                                                   | <hr/> 50,221                     |
| Total State Employment                                                                        | 57,245                           |
| Percent of All Executive Branch Employees Unionized                                           | 88%                              |

Previous Biennium labor contracts for all Executive Branch bargaining units expired on June 30, 2025. By statute, these contracts remain in effect until subsequent agreements are reached or contracts are cancelled when the right to strike matures. As of the date of this Official Statement, the State has implemented new agreements with all of the AFSCME bargaining units and MAPE for employees in the Executive Branch for the Current Biennium. Negotiations have opened for an agreement with MMA. All remaining bargaining units will open over the upcoming months.

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

| <u>Unit</u>                                                                                                | <u>Employees as of June 2025</u> |
|------------------------------------------------------------------------------------------------------------|----------------------------------|
| American Federation of State, County and Municipal Employees (AFSCME), Councils 5 & 65 (1 bargaining unit) | 880                              |
| Teamsters Local 320 (2 bargaining units)                                                                   | <u>542</u>                       |
| Total Represented Employees                                                                                | <u>1,422</u>                     |
| <br>Total Judicial Branch Employees                                                                        | <br>3,410                        |
| Percent of All Judicial Branch Employees Unionized                                                         | 42%                              |

Previous Biennium labor contracts for the Judicial Branch expired on June 30, 2025. These contracts remain in effect until successor agreements are ratified, or contracts are canceled if the right to strike matures. Negotiations with the AFSCME and Teamsters bargaining units have opened or will be opening over the coming months for successor agreements.

## **Cybersecurity**

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

The Minnesota Department of Information Technology Services ("MNIT") is led by a Chief Information Officer, a Chief Information Security Officer, and Chief Business Technology Officers, who support individual State agency leadership. MNIT is responsible for maintaining the cybersecurity program, and among other duties, serving as a cyber risk advisor to the executive branch and training on cybersecurity practices, and has further implemented multifactor authentication and expanded and enhanced secure teleworking capabilities for the State's workforce. MNIT has also standardized the technology vendor and third-party security framework applied to all State agencies to ensure cybersecurity risk assessments are completed to have an effective risk management program in the supply chain of technology delivery. In the 2019 Legislative Sessions, the Legislature appropriated an additional \$5 million dollars per year to MNIT on an ongoing basis from the State's General Fund to support enhancements to the State's cybersecurity capabilities. This funding was renewed during the 2023 and 2025 Legislative Sessions and was incorporated into other General Fund appropriations received by the agency. The 2023 Legislature also appropriated an additional \$32 million dollars for cybersecurity at the state and local government level over the next four years. This funding enables Minnesota's whole-of-state cybersecurity defensive posture and delivery of advanced cybersecurity tools and capabilities to Minnesota government entities.

To provide advice and recommendations for improving the state of IT for Minnesotans, the Governor established a Blue-Ribbon Council on Information Technology ("IT Council") in February 2019 consisting of

executive branch representatives, county IT leaders, union representation, IT experts from the private sector, and State legislators. The IT 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 IT Council, and one of four subcommittees is focused solely on developing additional cybersecurity recommendations, as well as continuing to assess progress against previous recommendations in the cybersecurity arena. The TAC published reports in January 2023, February 2024, and January 2025 that continue to offer recommendations to modernize State agency operating models, transform how State government approaches cyber-projects, and prioritize ongoing funding for cybersecurity throughout the State.

The 2021 Legislature passed legislation creating a new legislative commission on cybersecurity (“LCCS”), consisting of 4 senators and 4 representatives. The commission provides oversight of the State’s cybersecurity measures, reviews State agency cybersecurity policies and practices, and can recommend changes in policy to protect the State from cybersecurity threats. The Minnesota Cybersecurity Task Force (“MCTF”) was created in 2023 to develop and guide the implementation of Minnesota’s Whole-of-State Cybersecurity Program. This program engages directly with schools, local governments, and tribal nations throughout Minnesota on cybersecurity risks and defensive capabilities – in many cases providing subsidized access to enterprise-grade cybersecurity tools and capabilities not generally attainable by under-resourced local governments. These local governments often provide the last mile delivery of key State services, so the MCTF sees these programs as essential to protecting Minnesota data and services statewide. The MCTF is comprised of IT, Cybersecurity, and other leaders from across Minnesota with members from state, county, municipal, tribal, national guard, public education, public health, critical infrastructure, and private industry to advise and guide effective use of State and federal funds allocated to the Whole-of-State programs.

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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, 2024, are included herein as APPENDIX E. These financial statements provide financial information for the State's General Fund, as defined by generally accepted accounting principles, as set forth in the audited financial statements included in APPENDIX E and other major funds; for all other funds, such information is combined into non-major governmental and non-major enterprise funds, which includes the Debt Service Fund. These financial statements have been examined by the Legislative Auditor, independent auditor for the State to the extent indicated in his report included in APPENDIX E. The Legislative Auditor's report and the financial statements, including the Notes, should be read in their entirety. Such financial statements have been included in APPENDIX E in reliance upon the report of the Legislative Auditor. The revenues and expenditures presented consistent with Generally Accepted Accounting Principles for Fiscal Years 2022 through 2024 are summarized on page B-9.

#### Past Financial Reports

The State's Annual Comprehensive Financial Reports, including information by individual fund for Fiscal Year 2024 and prior years are available at <https://mn.gov/mmb/accounting/reports/>.

### FINANCIAL INFORMATION

#### Budgeting Process

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

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

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

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

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

#### General Fund

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

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

### **Cash Flow Account**

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

### **Budget Reserve Account**

A budget reserve account (the "Budget Reserve Account") was established in the General Fund, as a special account (separate from the Cash Flow Account) that serves as a savings account to be used to offset budget shortfalls during economic downturns. Funds in the Budget Reserve Account may be spent in the event that projected General Fund receipts will be less than forecast, and the amount of resources available for the remainder of the biennium will be less than needed to cover authorized spending. Funds in the Budget Reserve Account may be used, after consultation with the Legislative Advisory Commission, to the extent needed to balance expenditures with revenues. The amount and use of funds from the Budget Reserve Account and its replenishment are governed by statute. Minnesota Statutes Section 16A.152 directs MMB to allocate funds to the Budget Reserve Account as part of the November budget forecast when the balance in the Budget Reserve Account is below the level recommended to adequately manage the volatility of the General Fund tax structure. If the Budget Reserve Accounts level is below the target and there is a positive forecast balance in the current biennium, up to thirty-three percent of the forecast balance is allocated to the Budget Reserve Account until the target level is reached. See "BIENNIUM BUDGETS – 2025 Legislative Sessions – Current Biennium" in this APPENDIX B.

### **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.

## **Federal Funding**

The State receives a significant amount of funding from the federal government which supports a wide range of services across the State, including, but not limited to, infrastructure, social services, health care, education, public safety and other critical areas. These funds are received through federal financial assistance agreements or jointly financed State-federal programs, each with specified purposes and conditions. Federal revenue is currently estimated to account for approximately 30% of the State's total revenue.

Federal funding levels are subject to change based on shifts in presidential administrations and congressional control. These changes can result in increased, decreased, delayed, or restricted funding, impacting State government and other local pass-through entities that receive federal funding. In 2023, a Federal Funds unit was established within MMB. This team provides centralized monitoring and coordination of emerging federal funding issues and collaborates directly with State and agency leadership on the related issues.

Recent federal policies, priorities and executive actions have introduced uncertainties regarding timing, availability and compliance requirements for federal funds. Proposed federal changes may affect funding in the Current Biennium, Next Biennium or in the future. The State has challenged some of these actions in court, and outcomes are still pending. To date, most of these disruptions are considered immaterial to the State's financial position.

On July 4, 2025, President Trump signed H.R. 1, a reconciliation law with significant provisions affecting tax, health care, nutrition and energy policy, among other areas. Due to the State's fixed-date conformity, most federal tax changes do not automatically impact state tax revenues. Legislative action is required to align State tax policy with new federal law. Various federal spending reductions, however, will impact the State General Fund. While not yet included in the official state expenditure forecast, preliminary State estimates suggest an approximately \$170 million impact to the State General Fund in the Current Biennium and \$131 million in the Next Biennium, primarily due to changes to Medicaid and the Supplemental Nutrition Assistance Program (SNAP). Some of these provisions will require changes to State law by the Legislature in order to comply with federal law. H.R. 1 will result in additional lost federal funding to health care providers, service partners, and program beneficiaries in the State. The State is not obligated to replace these federal dollars. However, it will create additional pressures on the State's health care and social service ecosystem.

The State continues to monitor and analyze potential risks to federally-supported State programs posed by executive action, federal legislation and policy, and other federal changes. There can be no assurance that future federal action will not further impact the State's financial situation. At this time, it is not possible to predict the impact, in terms of timing or scope, of shifts in federal policies or the full impact on the State's financial resources.

## **CLIMATE CHANGE AND RESILIENCY**

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

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

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

In July 2021, the Minnesota Pollution Control Agency adopted the Clean Cars Minnesota rule, which will apply the Low Emission Vehicle Standard and Zero Emission Standard to new cars sold in Minnesota. In December 2021, MPCA published an official notice that the rule would go into effect for the 2025 model year. The rule requires automobile manufacturers to deliver more zero emission vehicles and lower polluting vehicles to Minnesota.

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

The 2023 Legislature also enacted legislation that created and funded the Minnesota Climate Innovation Finance Authority ("MnCIFA"), as a public financing authority with the mission of accelerating the adoption of clean energy technology and greenhouse gas reduction projects. MnCIFA will seek to use public dollars through grants, loans, credit enhancements, and other financing mechanisms to leverage private investment and other sources of existing capital to reduce the upfront cost of qualified projects and to overcome financial barriers to project adoption, especially in low-income communities. For this purpose, legislation appropriated a total of \$45 million to MnCIFA for an initial round of funding for these financing mechanisms. Also included was the establishment of a \$100 million Resilient Communities grant and technical assistance program to help communities plan and implement projects that will prepare them for a warmer and wetter climate in Minnesota.

The 2024 Legislature passed legislation to appropriate an additional \$12 million across various State agencies to plant climate adapted trees in communities and public land across the State and funded a study to identify the projected costs of climate change adaptation and resilience in Minnesota.

## **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 revenue and expenditure forecasts. Assumptions about U.S. economic activity and federal tax and expenditure policy underlie these forecasts. The forecast assumes 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 economic and policy variables, as well as random external shocks, which can cause deviations between forecasts and actual revenues and expenditures.

### **Current Forecast Methods and Assumptions**

The baseline U.S. economic forecast which the State Economist uses in preparing the State revenue and expenditure forecast is provided by S&P Global Market Intelligence (“SPGMI”). SPGMI provides detailed monthly forecasts of U.S. national and regional economic indicators.

SPGMI’s forecasts are reviewed by Minnesota’s Council of Economic Advisors (the “Council”), a group of economists from the private sector, academia, and the Minneapolis Federal Reserve Bank. The Council provides an independent evaluation and critique of the SPGMI’s forecasts. If the Council determines that the SPGMI 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 SPGMI forecasts of national production, employment, and corresponding wage and salary earnings, by industrial sector. The SPGMI forecasts are used as inputs in a model of Minnesota’s economy developed and maintained by MMB, which produces state-specific forecasts of employment by major industry sector as well as wage and aggregate earnings. Non-wage income, itemized deductions and other adjustments to income are forecast using national data allocated to Minnesota. The forecasts of income, deductions and adjustments are used as inputs to a micro-simulation of the State’s individual income tax liability. Calendar year liabilities are converted into fiscal year income tax revenues, with consideration given to the timing of withholding tax receipts, quarterly estimated payments, refunds and final payments.

Capital gains realizations have become an increasingly larger share of Minnesota’s income tax base, and this has caused greater volatility in income tax receipts. Minnesota capital gains realizations are forecast using an econometric model where realizations depend on the growth in household holdings of equities, market interest rates, expectations for inflation, and anticipated changes in federal tax rates on capital gains. The model also uses a forecast of national capital gains realizations produced by the Congressional Budget Office (CBO). 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 SPGMI forecasts of major variables affecting pre-tax corporate profits. The volatility of corporate profits and the various loss carry-forward and carry-back provisions make this the most difficult revenue source to forecast accurately.

Sales tax receipts are estimated from a forecast of the Minnesota sales tax base. First, an historical U.S. sales tax base is constructed largely from national data for items that would be subject to tax if sold in Minnesota. To arrive at a Minnesota-specific sales tax base, the historical U.S. sales tax base is apportioned to Minnesota based on the State’s shares of national income and employment. The base is calibrated to historical collections using an estimated regression equation, which is then used to develop a forecast of the base into the future.

Numerous other general revenue sources are included in the forecast, some from MMB, and others from the agencies responsible for their collection. These other 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 economic fluctuations 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 2025. It was informed by the SPGMI's February 2025 baseline forecast, the scenario that SPGMI considered the most likely at the time the forecast was made. See "BIENNIUM BUDGETS – February 2025 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 2025 outlook, SPGMI estimated that U.S. real GDP grew 2.8 percent in 2024, a 0.1 percentage point increase from their November 2024 baseline forecast. In February, SPGMI expected GDP growth to decelerate to 2.3 percent in 2025, up from 2.0 percent in their November forecast. They forecast real GDP growth of 2.0 percent in 2026.

**SPGMI FEBRUARY 2025  
GROSS DOMESTIC PRODUCT (GDP)  
BASELINE FORECAST<sup>(1)</sup>  
(Chained Rates of Growth)**

|                          | Calendar Year<br>2024<br>Actual % | Calendar Year<br>2025<br>Forecast % | Calendar Year<br>2026<br>Forecast % | Calendar Year<br>2027<br>Forecast % | Calendar Year<br>2028<br>Forecast % |
|--------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Real GDP Growth Rate     | 2.8                               | 2.3                                 | 2.0                                 | 1.6                                 | 1.8                                 |
| GDP Deflator (Inflation) | 2.4                               | 3.0                                 | 3.1                                 | 2.3                                 | 2.2                                 |
| Nominal GDP Growth Rate  | 5.3                               | 5.3                                 | 5.1                                 | 4.0                                 | 4.0                                 |

<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 2025 forecast. See "FINANCIAL INFORMATION" in this APPENDIX B. The November 2025 SPGMI Baseline will be used as the baseline for the next revenue and expenditure forecast.

### October Revenue and Economic Update

Minnesota's net General Fund receipts for the first quarter of FY 2026 are now estimated to total \$7.721 billion, \$90 million (1.2 percent) less than projected in the February 2025 Forecast. Net receipts exceeded the forecast amounts for individual income tax, sales tax, and other revenues while corporate franchise tax revenues were below forecast.

Net individual income tax receipts were \$9 million (0.2 percent) more than forecast for the first three months of FY 2026. Higher than expected miscellaneous receipts were offset by lower than expected partnership and S corporation receipts and higher than expected refunds.

Income tax withholding receipts were \$2 million (0.1 percent) higher than forecast. Estimated income tax payments were less than \$1 million (0.03 percent) more than forecast. Miscellaneous receipts, composed of final tax payments and fiduciary payments, were \$37 million (26.7 percent) above forecast. Gross partnership and S corporation payments were \$16 million (2.7 percent) below forecast.

Income tax refunds, in total, were \$14 million (14.3 percent) above forecast. Individual, fiduciary, and other refunds were \$21 million (34.2 percent) above forecast while partnership and S corporation refunds were \$7 million (21.4 percent) below forecast.

Net sales tax receipts were \$9 million (0.4 percent) above the forecast. Lower than expected gross tax receipts were offset by lower than forecast sales tax refunds.

Net corporate tax receipts were \$173 million (21.6 percent) below the forecast. This was due to lower-than-expected corporate tax payments.

Net other revenues were \$64 million (9.1 percent) above the forecast. Higher than expected investment income and estate tax receipts, partially offset by lower than expected health care surcharge, were the principal contributors to this positive variance.

Minnesota's net General Fund receipts for FY 2025 are now estimated to total \$31.981 billion, \$914 million (2.9 percent) more than projected in the February 2025 Forecast. Net receipts from individual income taxes and other revenues were above forecast, offsetting lower than expected revenues from corporate franchise and sales tax. In the July 2025 Revenue and Economic Update, the State estimated that revenues would be \$847 million more than forecast. The positive variance is now \$67 million larger, because net revenues attributable to Fiscal Year 2025 that were received between the end of July and the official close were higher than the initial estimate. The next official forecast of revenues will be released in early December 2025.

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## **HISTORIC REVENUES AND EXPENDITURES**

The following table sets forth the State's General Fund revenues and expenditures for the Fiscal Years ended June 30, 2022 through 2024, 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> |                |                |
|-----------------------------------------------------------------|------------------------------------------|----------------|----------------|
|                                                                 | 2022                                     | 2023           | 2024           |
| Net Revenues:                                                   |                                          |                |                |
| Individual Income Taxes <sup>(2)</sup>                          | \$ 16,836,132                            | \$ 16,304,325  | \$ 16,633,430  |
| Corporate Income Taxes                                          | 2,848,019                                | 2,911,082      | 3,205,333      |
| Sales Taxes <sup>(3)</sup>                                      | 6,769,988                                | 7,538,069      | 7,593,195      |
| Property Taxes                                                  | 765,534                                  | 770,142        | 719,571        |
| Motor Vehicle Taxes                                             | 394,630                                  | 424,120        | 451,195        |
| Other Taxes <sup>(4)</sup>                                      | 3,277,382                                | 3,296,489      | 3,259,996      |
| Tobacco Settlement                                              | 192,965                                  | 179,497        | 165,053        |
| Federal Revenues                                                | 48,996                                   | 50,557         | 61,090         |
| Licenses and Fees                                               | 269,423                                  | 264,560        | 263,781        |
| Departmental Services                                           | 191,385                                  | 179,776        | 188,191        |
| Investment/Interest Income                                      | (350,456)                                | 1,033,719      | 1,398,513      |
| Other Revenues <sup>(5)</sup>                                   | 499,416                                  | 513,816        | 623,389        |
| Net Revenues                                                    | \$ 31,743,414                            | \$ 33,466,152  | \$ 34,562,737  |
| Expenditures:                                                   |                                          |                |                |
| Agricultural, Environmental and Energy Resources <sup>(6)</sup> | \$ 354,669                               | \$ 386,802     | \$ 491,047     |
| Economic and Workforce Development <sup>(7)</sup>               | 354,330                                  | 404,235        | 1,173,272      |
| General Education <sup>(8)</sup>                                | 10,032,021                               | 10,295,273     | 11,921,970     |
| General Government <sup>(9)</sup>                               | 904,011                                  | 1,016,072      | 2,339,791      |
| Health and Human Services <sup>(10)</sup>                       | 8,134,337                                | 9,382,910      | 11,739,746     |
| Higher Education <sup>(11)</sup>                                | 1,016,919                                | 985,891        | 1,146,680      |
| Intergovernmental Aid <sup>(12)</sup>                           | 2,011,024                                | 2,504,788      | 2,752,507      |
| Public Safety and Corrections <sup>(13)</sup>                   | 798,457                                  | 865,633        | 1,048,915      |
| Transportation <sup>(14)</sup>                                  | 582,994                                  | 613,082        | 638,509        |
| Total Current Expenditures                                      | \$ 24,188,762                            | \$ 26,454,686  | \$ 33,252,437  |
| Capital Outlay                                                  | 77,791                                   | 104,412        | 184,522        |
| Debt Service                                                    | 66,943                                   | 87,667         | 97,742         |
| Total Expenditures                                              | \$ 24,333,496                            | \$ 26,646,765  | \$ 33,534,701  |
| Excess of Revenues over (under) Expenditures                    | \$ 7,409,918                             | \$ 6,811,387   | \$ 1,028,036   |
| Other Financing Sources (Uses):                                 |                                          |                |                |
| Bond Issuance                                                   | \$ -                                     | \$ -           | \$ 37,395      |
| Loan Issuance                                                   | -                                        | 16,312         | 31,896         |
| Right-to-Use Issuance                                           | -                                        | 23,496         | 34,745         |
| Lease Financing                                                 | 8,986                                    | -              | -              |
| Bond Issuance Premium                                           | -                                        | -              | 4,751          |
| Transfers-In                                                    | 260,106                                  | 237,088        | 234,810        |
| Transfers-Out                                                   | (2,061,490)                              | (1,988,967)    | (4,152,577)    |
| Net Other Financing Sources (Uses)                              | \$ (1,792,398)                           | \$ (1,712,071) | \$ (3,808,980) |
| Net Change in Fund Balances                                     | \$ 5,617,520                             | \$ 5,107,316   | \$ (2,780,944) |

- (1) For Fiscal Years 2022, 2023, and 2024 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 2023, Individual Income Taxes revenue was lower than the prior year due to lower capital gains.
- (3) During Fiscal Year 2023, Sales Taxes revenue increased as inflation increased and individuals spent down savings that accumulated during the pandemic and the additional grants due to the frontline worker grants.
- (4) During Fiscal Year 2023, Other Taxes revenue increased due to increases in homes and automobile insurance premiums, hospital surcharge, and estates taxes. These increases were partially offset by decreases in cigarette, mortgage registration, and deed transfer taxes.
- (5) During Fiscal Year 2024, Other Revenues increased due to an increase in fees charged on child support received by parents receiving public assistance for childcare and revenue from Workers' Compensation Assigned Risk Plan (component unit). In addition, during Fiscal Year 2024, revenue was received from local governments for the Lewis and Clark Regional Water System project.
- (6) During Fiscal Year 2024, Agricultural, Environmental and Energy Resources spending increased due to program expansion and the rising health care costs for the reinsurance health care program.
- (7) During Fiscal Year 2024, Economic and Workforce Development function spending increased due to significant one-time grants to Housing Finance Agency (component unit) for housing projects, such as first-generation homebuyers down-payment assistance, housing infrastructure, community stabilization, and stable housing organization relief programs. During Fiscal Year 2023, Economic and Workforce Development function spending increased as a result of issuing recovery and economic development grants for main street businesses following the pandemic.
- (8) During Fiscal Year 2024, General Education function spending increased due to increased funding for special education and the four percent per pupil formula increase. During Fiscal Year 2023, General Education function spending remained fairly consistent with a slight increase due to a two percent per pupil formula increase.
- (9) During Fiscal Year 2024, General Government spending increased due to the State issuing \$989 million in one-time rebates of surplus funds to individuals and also funded a tax forfeiture lawsuit settlement against a county in Minnesota. During Fiscal Year 2023, General Government spending increased due to operating increases across many agencies, these included increases for the courts, public defense board, and attorney general's office to help recover from backlogs and operating needs.
- (10) During Fiscal Year 2024, Health and Human Services function spending increased due to the reduction of the federal participation rate for medical assistance for the first two quarters and the complete elimination for the last two quarters, which resulted in a shift of these costs from the Federal Fund back to the General Fund. Also, during Fiscal Year 2024, Health and Human Services function spending increased as a result of a new child tax credit and the creation of "Great Start" tax force tasked to develop a plan to accomplish the goal for "all families to have access to affordable, high-quality early care and education". During Fiscal Year 2023, Health and Human Services function spending increased from an increase in caseloads and service costs for medical assistance and due to COVID-19 related expenditures focused on recovery and preparedness by the implementation of testing and vaccine operations, outbreak management, public education, and health system support.
- (11) During Fiscal Year 2024, Higher Education function spending increased due to additional grants to the Office of Higher Education and the University of Minnesota (component units) for student tuition grants and operating support.
- (12) During Fiscal Year 2024, Intergovernmental Aid spending increased as a result of one-time aid to local governments for public safety and the one-time increases to the homestead credit refund and renters property tax refund programs. During Fiscal Year 2023, Intergovernmental Aid spending increased due to issuing one-time grants to individuals who worked on the frontlines during the COVID-19 peacetime emergency.
- (13) During Fiscal Year 2024, Public Safety and Corrections spending increased as a result of additional operating support at both the State and county level for investments in public safety. During Fiscal Year 2023, Public Safety and Corrections spending increased related to an increase in inmate healthcare and criminal apprehension as well as implementing a hometown hero's assistance program and installing new school bus cameras.
- (14) During Fiscal Year 2023, Transportation spending increased due to an increase in transportation infrastructure under the Transportation Infrastructures Finance and Innovation Act (TIFIA) loan program, which was partially offset by a decrease in transportation grants to Metropolitan Council (component unit).

## BIENNIUM BUDGETS

The biennium that began on July 1, 2023, and ended on June 30, 2025, is referred to herein as the “Previous Biennium.” The biennium that began on July 1, 2025, and will end on June 30, 2027, is referred to herein as the “Current Biennium.” The biennium that will begin on July 1, 2027, and will end on June 30, 2029, 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 2025 Forecast – Previous Biennium

The February 2025 Forecast projected that the Previous Biennium would end with an unobligated General Fund balance of \$3.742 billion. The February 2025 Forecast was the final forecast before the Current Biennium closed on June 30, 2025.

*Revenues:* Total General Fund revenues for the Previous Biennium were forecast to be \$61.728 billion, \$294 million (0.5 percent) more than in the November 2024 Forecast. Total tax revenues for the Previous Biennium were forecast to be \$58.088 billion, \$66 million (0.1 percent) above the November 2024 Forecast. The forecasts for individual income tax, the State general property tax, and other tax revenues were lower than previously estimated. These lower forecasts are offset by higher forecasts for corporate tax revenues and sales tax revenues.

*Expenditures:* Spending in the Previous Biennium was estimated to be \$70.975 billion, \$304 million (0.4 percent) higher than prior estimates. Driving the overall change was a \$284 million increase (1.4 percent) in Health and Human Services (HHS) due to higher medical assistance spending for basic care and long-term care along with a repayment for past overbilling to federal funding for tribal mental health facilities. Spending in all other areas was largely unchanged from prior estimates.

*Reserves:* The budget reserve balance of \$3.177 billion along with the \$350 million cash flow account balance were unchanged from prior estimates.

### 2025 Legislative Sessions – Previous Biennium

The 2025 Legislative Sessions made adjustments to the budget for the Previous Biennium. Revenue for the Previous Biennium was expected to total \$61.728 billion, a change of \$1 million compared to the February 2025 Forecast estimates. Spending for the Previous Biennium, after legislative changes, was expected to total \$70.780 billion, \$194 million (0.27 percent) lower than the February 2025 Forecast. Downward adjustments to appropriations in Health and Human Services (“HHS”), Transportation, Environment and Energy, Higher Education and Economic Development were made as part of the budget setting process for the Current Biennium. Reserve balances were unchanged from forecast levels.

### Actual Closing Balance – Previous Biennium

MMB certified the actual closing balance for the Previous Biennium in October 2025. The Previous Biennium ended with a balance \$941 million higher than estimated at the end of the 2025 Legislative Sessions.

*Revenues:* Final revenue, including taxes, other revenue and accounting adjustments from prior fiscal years, for the Previous Biennium totaled \$63.042 billion, \$1.313 billion (2.1 percent) higher than prior estimates.

*Expenditures:* Final spending for the Previous Biennium totaled \$69.285 billion, \$1.495 billion (2.1 percent) lower than estimates. However, this variance is more than offset by \$1.859 billion in unspent appropriations allowed to carry forward for spending in the subsequent biennium. These appropriations are legally allowed to be spent in the Current Biennium and thus do not fall to the bottom line because they are not available to be appropriated for other purposes. After adjusting for appropriation carryforward, total spending was \$364 million (0.5 percent) higher than projected at the end of the 2025 Legislative Sessions. Much of this \$364 million is the spending of encumbrances released and carried forward from prior fiscal years, resulting in no net effect to the General Fund.

*Reserves:* The Budget Reserve Account closed the Previous Biennium with a balance of \$3.186 billion, a \$9 million increase compared to prior estimates. The increase is due to a statutory allocation to the account from excess surplus in the Minnesota Workers' Compensation Assigned Risk Plan. The Cash Flow Account balance of \$350 million was unchanged from prior estimates.

At the close of a biennium, any unrestricted balance carries into the next biennium and is available for appropriation. At the end of the 2025 Legislative Sessions, it was estimated that \$3.937 billion would carryforward from the Previous Biennium into the Current Biennium. In the actual ending balance, that amount is now known to be \$4.878 billion. The difference between the estimated and actual ending balance, \$941 million, will be added to the projected surplus for the Current Biennium, which was estimated to be \$1.886 billion at the end of the 2025 Legislative Sessions. (See "BIENNIUM BUDGETS – 2025 Legislative Sessions – Current Biennium" in this Appendix B.) The full November Budget and Economic Forecast will be released in early December, and the estimated balance for the Current Biennium, including the addition of \$941 million from the Previous Biennium, will be revised at that time.

### **February 2025 Forecast – Current Biennium**

The February 2025 Forecast projected an available balance of \$616 million for the Current Biennium budget. Upward revisions in the spending forecast, partially offset by increases to revenue forecast, resulted in an available balance of \$456 million for the Current Biennium, \$160 million less than prior estimates.

*Revenues:* Total revenues for the Current Biennium were estimated to be \$64.494 billion, an increase of \$2.766 billion (4.5 percent) from the forecast for Current Biennium. Total tax revenues for the Current Biennium were estimated to be \$61.795 billion, an increase of \$3.707 billion (6.4 percent) over the Previous Biennium forecast revenues. The growth of individual income tax revenue accounted for 69.4 percent of the biennial tax revenue change, and sales tax revenue growth accounts for 25.4 percent of the biennial tax revenue change. All major tax types except corporate tax revenues showed an anticipated increase in projected revenues from the Previous Biennium to the Current Biennium.

*Expenditures:* Forecast expenditures in the Current Biennium were expected to reach \$67.780 billion, a reduction of \$3.195 billion (4.5 percent) from the Previous Biennium. Significant one-time spending in the Previous Biennium resulted in temporarily elevated spending levels. As a result, total General Fund spending was projected to decline from the Previous Biennium to the Current Biennium. The reduction, however, is not uniform across program areas. Spending for HHS, E-12 education, and debt service were projected to grow from the Previous Biennium to the Current Biennium, while spending for property tax aids and credits and other areas of the State budget were projected to decline due to significant one-time spending in the Current Biennium. Included in spending projections for the Next Biennium was \$1.145 billion for discretionary inflation to reflect future cost pressures in programs without an automatic inflation factor. This general estimate was not included in the appropriation base for any specific budget area.

*Reserves:* The Budget Reserve Account balance remained at \$3.177 billion. The Cash Flow Account remained at \$350 million.

### **2025 Legislative Sessions – Current Biennium**

During the 2025 Legislative Sessions, the Legislature enacted significant revenue and expenditure measures in the General Fund for the Current Biennium. Legislation impacting revenue resulted in an estimated \$329 million (0.5 percent) increase in projected revenue compared to February 2025 Forecast estimates and enacted appropriations resulted in a \$906 million (1.3 percent) reduction compared to base spending estimates. The Cash Flow and Budget Reserve Accounts were unchanged from the February 2025 Forecast estimate. After accounting for all changes after enactment of the budget, the Current Biennium is expected to end with a balance of \$1.886 billion.

*Revenues in Enacted Budget:* The approved budget reflects changes in General Fund revenues from the February 2025 Forecast for the Current Biennium. Net General Fund Revenues total \$64.823 billion, \$329 million higher than February 2025 Forecast estimates.

**Tax Revenues:** The Legislature enacted minor tax changes in the 2025 Legislative Sessions. In total, net tax revenues were projected to be \$209 million higher than forecast. Changes included an increase to the cannabis gross receipts tax, redirection of local cannabis tax receipts to the State General Fund, a repeal of the sales tax exemptions for electricity purchases for qualified data centers, changes to the distribution of the auto parts sales tax and new nursing facility surcharges.

Non-Tax and Transfers: Non-tax revenues and transfers were adjusted from prior estimates. In total, non-tax revenue and transfers are projected to be \$2.820 billion in the Current Biennium, \$120 million higher than February 2025 Forecast estimates.

*Expenditures in Enacted Budget:* After completion of the enacted budget, General Fund expenditures in the Current Biennium are expected to total \$66.874 billion, \$906 million lower than the February 2025 Forecast estimates. Appropriations in State and local programs were made across all areas of the State budget.

The \$1.145 billion estimate for discretionary inflation included in the February 2025 Forecast to reflect future cost pressures is no longer included as a line item with the budget enacted for the Current Biennium. The enacted budget reflects the Legislature's spending decisions for the Current Biennium and sets a new base. With the enacted budget, total spending is estimated to be \$906 million lower than the February 2025 Forecast base, however, if the \$1.145 billion general estimate for discretionary inflation were excluded from the February 2025 Forecast base for comparison purposes, the State budget increased \$240 million across all budget areas.

E-12 education expenditures are estimated to be \$25.697 billion, \$134 million higher than previously forecast in the February 2025 Forecast. Funding increases included aids to school districts for pension contribution costs, and one-time funding for unemployment insurance costs. Partially offsetting the increased total funding was reductions in special education aids.

Health and Human Services ("HHS") funding for the Current Biennium was set at \$23.999 billion, \$148 million lower than February 2025 Forecast estimates. Savings in the HHS area were largely associated with changes made to limit growth in Medical Assistance funding for long-term care services.

Spending in all other areas of the budget totaled \$17.178 billion, \$253 million higher than February 2025 Forecast projections. Funding increases were largely to cover general cost increases for State agency operations, partially offset by reduced General Fund appropriations for transit system operations and the removal of assumed future capital budget authorizations from the General Fund forecast.

*Reserves in Enacted Budget:* The Budget Reserve Account balance remained at \$3.177 billion. The Cash Flow Account remained at \$350 million.

**PREVIOUS BIENNIUM  
GENERAL FUND – BUDGETARY BASIS  
ESTIMATES OF REVENUE AND EXPENDITURES  
END OF 2025 LEGISLATIVE SESSIONS  
(\$'s in Thousands)<sup>(1)</sup>**

|                                                | <b>Actual<br/>FY 2024</b> | <b>Enacted<br/>FY 2025</b> | <b>Biennial Total<br/>FY 2024-25</b> |
|------------------------------------------------|---------------------------|----------------------------|--------------------------------------|
| <b><u>Actual &amp; Estimated Resources</u></b> |                           |                            |                                      |
| Balance Forward From Prior Year                | \$16,516,196              | \$11,805,735               | \$16,516,196                         |
| Current Resources:                             |                           |                            |                                      |
| Tax Revenues                                   | 28,561,655                | 29,526,082                 | 58,087,737                           |
| Non-Tax Revenues                               | 1,746,604                 | 1,541,091                  | 3,287,695                            |
| Subtotal - Non-Dedicated Revenue               | 30,308,259                | 31,067,173                 | 61,375,432                           |
| Dedicated Revenue                              | 2,027                     | 1,920                      | 3,947                                |
| Transfers In                                   | 107,244                   | 31,142                     | 138,386                              |
| Prior Year Adjustments                         | 154,348                   | 56,447                     | 210,795                              |
| Subtotal - Other Revenue                       | 263,619                   | 89,509                     | 353,128                              |
| Budget Changes - Taxes                         | 0                         | 0                          | 0                                    |
| Budget Changes - Non-Taxes                     | 0                         | 1,000                      | 1,000                                |
| Subtotal-Current Resources                     | 30,571,878                | 31,156,682                 | 61,728,560                           |
| <b>Total Resources Available</b>               | <b>\$47,088,074</b>       | <b>\$42,962,417</b>        | <b>\$78,244,756</b>                  |
| <b><u>Actual &amp; Estimated Spending</u></b>  |                           |                            |                                      |
| E-12 Education                                 | \$11,969,194              | \$12,575,221               | \$24,544,415                         |
| Higher Education                               | 2,062,335                 | 2,121,510                  | 4,183,845                            |
| Property Tax AISs & Credits                    | 2,820,234                 | 2,736,011                  | 5,556,245                            |
| Health & Human Services                        | 9,934,317                 | 11,274,808                 | 21,209,125                           |
| Public Safety & Judiciary                      | 1,680,712                 | 1,965,420                  | 3,646,132                            |
| Transportation                                 | 429,839                   | 881,882                    | 1,311,721                            |
| Environment & Energy                           | 391,201                   | 670,670                    | 1,061,871                            |
| Jobs, Commerce, Ag and Housing                 | 2,664,693                 | 1,234,482                  | 3,899,175                            |
| State Government & Veterans                    | 1,616,036                 | 1,387,714                  | 3,003,750                            |
| Debt Service                                   | 507,577                   | 558,601                    | 1,066,178                            |
| Capital Projects & Grants                      | 1,206,201                 | 140,622                    | 1,346,823                            |
| Estimated Cancellations                        | 0                         | -49,000                    | -49,000                              |
| <b>Total Expenditures &amp; Transfers</b>      | <b>\$35,282,339</b>       | <b>\$35,497,941</b>        | <b>\$70,780,280</b>                  |
| <b>Balance Before Reserves</b>                 | <b>\$11,805,735</b>       | <b>\$7,464,476</b>         | <b>\$7,464,476</b>                   |
| Cash Flow Account                              | 350,000                   | 350,000                    | 350,000                              |
| Budget Reserve                                 | 2,925,308                 | 3,177,370                  | 3,177,370                            |
| Appropriations Carried Forward                 | 2,633,945                 | 0                          | 0                                    |
| <b>Budgetary Balance</b>                       | <b>\$5,896,482</b>        | <b>\$3,937,106</b>         | <b>\$3,937,106</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 Previous Biennium, presented on a budgetary basis.

**PREVIOUS BIENNIUM  
GENERAL FUND – BUDGETARY BASIS  
ESTIMATES OF NONDEDICATED REVENUES  
END OF 2025 LEGISLATIVE SESSIONS  
(\$'s in Thousands)<sup>(1)</sup>**

|                                         | <b>Fiscal Year<br/>2024</b> | <b>Fiscal Year<br/>2025</b> | <b>Previous<br/>Biennium</b> |
|-----------------------------------------|-----------------------------|-----------------------------|------------------------------|
| <b>Non-Dedicated Revenues</b>           |                             |                             |                              |
| Individual Income Tax                   | \$14,873,007                | \$15,552,979                | \$30,425,986                 |
| Corporate Income Tax                    | 3,171,237                   | 3,304,391                   | 6,475,628                    |
| Sales Tax                               | 7,546,416                   | 7,561,682                   | 15,108,098                   |
| Cannabis Gross Receipts Tax             | 9,302                       | 12,900                      | 22,202                       |
| Statewide Property Tax                  | 717,866                     | 744,389                     | 1,462,255                    |
| Estate Tax                              | 285,885                     | 344,100                     | 629,985                      |
| Liquor, Wine & Beer Tax                 | 111,468                     | 111,190                     | 222,658                      |
| Cigarette & Tobacco Products Tax        | 517,905                     | 505,500                     | 1,023,405                    |
| Taconite Occupation Tax                 | 23,028                      | 8,900                       | 31,928                       |
| Mortgage Registry Tax                   | 97,428                      | 112,173                     | 209,601                      |
| Deed Transfer Tax                       | 138,816                     | 149,101                     | 287,917                      |
| Insurance Gross Earn & Fire Marshall    | 572,634                     | 581,594                     | 1,154,228                    |
| Controlled Substance Tax                | 0                           | 1                           | 1                            |
| Other Gross Earnings                    | 56                          | 55                          | 111                          |
| Lawful Gambling Taxes                   | 194,658                     | 191,800                     | 386,458                      |
| Medical Assistance Surcharges           | 312,047                     | 351,328                     | 663,375                      |
| Other Tax Refunds                       | (10,098)                    | (6,001)                     | (16,099)                     |
| Investment Income                       | 811,378                     | 675,000                     | 1,486,378                    |
| Lottery Revenue                         | 93,868                      | 74,953                      | 168,821                      |
| Tobacco Settlements                     | 165,053                     | 166,111                     | 331,164                      |
| Elective Pay                            | 0                           | 2,268                       | 2,268                        |
| Departmental Earnings                   | 218,175                     | 235,444                     | 453,619                      |
| DHS MSOP Collections                    | 20,154                      | 22,400                      | 42,554                       |
| DHS SOS Collections                     | 135,960                     | 115,000                     | 250,960                      |
| Fines & Surcharges                      | 70,778                      | 61,786                      | 132,564                      |
| All Other Non-Dedicated Revenue         | 231,238                     | 188,129                     | 419,367                      |
| Transfer and Adjustments                | 263,619                     | 89,509                      | 353,128                      |
| <b>Total Net Non-Dedicated Revenues</b> | <b>\$30,571,878</b>         | <b>\$31,156,682</b>         | <b>\$61,728,560</b>          |

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

**CURRENT BIENNIUM  
GENERAL FUND – BUDGETARY BASIS  
ESTIMATES OF REVENUE AND EXPENDITURES  
END OF 2025 LEGISLATIVE SESSIONS  
(\$'s in Thousands)<sup>(1)</sup>**

|                                                | Enacted<br>FY 2026  | Enacted<br>FY 2027  | Biennial Total<br>FY 2026-27 |
|------------------------------------------------|---------------------|---------------------|------------------------------|
| <b><u>Actual &amp; Estimated Resources</u></b> |                     |                     |                              |
| Balance Forward From Prior Year                | \$7,464,476         | \$6,693,125         | \$7,464,476                  |
| Current Resources:                             |                     |                     |                              |
| Tax Revenues                                   | 30,582,616          | 31,420,694          | 62,003,310                   |
| Non-Tax Revenues                               | 1,242,126           | 1,117,051           | 2,359,177                    |
| Subtotal - Non-Dedicated Revenue               | 31,824,742          | 32,537,745          | 64,362,487                   |
| Dedicated Revenue                              | 1,614               | 1,599               | 3,213                        |
| Transfers In                                   | 358,471             | 30,135              | 388,606                      |
| Prior Year Adjustments                         | 34,358              | 34,129              | 68,487                       |
| Subtotal - Other Revenue                       | 394,443             | 65,863              | 460,306                      |
| Budget Changes - Taxes                         | 55,650              | 153,149             | 208,799                      |
| Budget Changes - Non-Taxes                     | 79,715              | 40,573              | 120,288                      |
| Subtotal-Current Resources                     | 32,219,185          | 32,603,608          | 64,822,793                   |
| <b>Total Resources Available</b>               | <b>\$39,683,661</b> | <b>\$39,296,733</b> | <b>\$72,287,269</b>          |
| <b><u>Actual &amp; Estimated Spending</u></b>  |                     |                     |                              |
| E-12 Education                                 | \$12,635,064        | \$13,061,467        | \$25,696,531                 |
| Higher Education                               | 2,007,355           | 2,006,835           | 4,014,190                    |
| Property Tax Aids & Credits                    | 2,329,120           | 2,425,711           | 4,754,831                    |
| Health & Human Services                        | 11,792,426          | 12,206,545          | 23,998,971                   |
| Public Safety & Judiciary                      | 1,769,193           | 1,749,532           | 3,518,725                    |
| Transportation                                 | 185,085             | 190,446             | 375,531                      |
| Environment & Energy                           | 239,996             | 232,807             | 472,803                      |
| Jobs, Commerce, Ag and Housing                 | 439,862             | 394,043             | 833,905                      |
| State Government & Veterans                    | 889,169             | 895,820             | 1,784,989                    |
| Debt Service                                   | 581,182             | 624,098             | 1,205,280                    |
| Capital Projects & Grants                      | 145,084             | 145,214             | 290,298                      |
| Estimated Cancellations                        | -23,000             | -49,000             | -72,000                      |
| <b>Total Expenditures &amp; Transfers</b>      | <b>\$32,990,536</b> | <b>\$33,883,518</b> | <b>\$66,874,054</b>          |
| <b>Estimated Inflation</b>                     | <b>0</b>            | <b>0</b>            | <b>0</b>                     |
| <b>Balance Before Reserves</b>                 | <b>\$6,693,125</b>  | <b>\$5,413,215</b>  | <b>\$5,413,215</b>           |
| Cash Flow Account                              | 350,000             | 350,000             | 350,000                      |
| Budget Reserve                                 | 3,177,370           | 3,177,370           | 3,177,370                    |
| <b>Budgetary Balance</b>                       | <b>\$3,165,755</b>  | <b>\$1,885,845</b>  | <b>\$1,885,845</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 2025 LEGISLATIVE SESSIONS  
(\$'s in Thousands)<sup>(1)</sup>**

|                                         | <b>Fiscal Year<br/>2026</b> | <b>Fiscal Year<br/>2027</b> | <b>Current<br/>Biennium</b> |
|-----------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Non-Dedicated Revenues</b>           |                             |                             |                             |
| Individual Income Tax                   | \$16,331,771                | \$16,665,933                | \$32,997,704                |
| Corporate Income Tax                    | 3,162,046                   | 3,173,099                   | 6,335,145                   |
| Sales Tax                               | 7,906,228                   | 8,233,395                   | 16,139,623                  |
| Cannabis Gross Receipts Tax             | 63,000                      | 108,100                     | 171,100                     |
| Statewide Property Tax                  | 746,604                     | 745,029                     | 1,491,633                   |
| Estate Tax                              | 270,700                     | 280,400                     | 551,100                     |
| Liquor, Wine & Beer Tax                 | 114,040                     | 116,790                     | 230,830                     |
| Cigarette & Tobacco Products Tax        | 499,350                     | 493,250                     | 992,600                     |
| Taconite Occupation Tax                 | 10,400                      | 10,400                      | 20,800                      |
| Mortgage Registry Tax                   | 129,530                     | 141,289                     | 270,819                     |
| Deed Transfer Tax                       | 172,783                     | 194,317                     | 367,100                     |
| Insurance Gross Earn & Fire Marshall    | 602,386                     | 624,323                     | 1,226,709                   |
| Controlled Substance Tax                | 1                           | 1                           | 2                           |
| Other Gross Earnings                    | 55                          | 55                          | 110                         |
| Lawful Gambling Taxes                   | 183,250                     | 190,750                     | 374,000                     |
| Medical Assistance Surcharges           | 396,973                     | 450,164                     | 847,137                     |
| Other Tax Refunds                       | (6,501)                     | (6,601)                     | (13,102)                    |
| Investment Income                       | 438,600                     | 261,300                     | 699,900                     |
| Lottery Revenue                         | 72,190                      | 73,511                      | 145,701                     |
| Tobacco Settlements                     | 160,391                     | 210,488                     | 370,879                     |
| Tyler Settlement County Reimbursement   | 6,907                       | 6,907                       | 13,814                      |
| Departmental Earnings                   | 218,078                     | 223,732                     | 441,810                     |
| DHS MSOP Collections                    | 23,653                      | 24,149                      | 47,802                      |
| DHS SOS Collections                     | 127,104                     | 128,629                     | 255,733                     |
| Fines & Surcharges                      | 63,189                      | 63,421                      | 126,610                     |
| All Other Non-Dedicated Revenue         | 132,014                     | 124,914                     | 256,928                     |
| Transfer and Adjustments                | 394,443                     | 65,863                      | 460,306                     |
| <b>Total Net Non-Dedicated Revenues</b> | <b>\$32,219,185</b>         | <b>\$32,603,608</b>         | <b>\$64,822,793</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. Information is provided by major revenue and expenditure categories based on end of 2025 Legislative Sessions.

### HISTORICAL AND PROJECTED REVENUE GROWTH GENERAL FUND END OF 2025 LEGISLATIVE SESSIONS (\$'s in Millions)<sup>(1)</sup>

|                               | Actual<br>FY 2022 | Actual<br>FY 2023 | Actual<br>FY 2024 | Enacted<br>FY 2025 | Enacted<br>FY 2026 | Enacted<br>FY 2027 | Planning<br>FY 2028 | Planning<br>FY 2029 | Average<br>Annual |
|-------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|---------------------|---------------------|-------------------|
| <b>Individual Income Tax</b>  | \$ 16,873         | \$ 15,778         | \$ 14,873         | \$ 15,553          | \$ 16,332          | \$ 16,666          | \$ 17,533           | \$ 18,204           |                   |
| \$ change                     | 2,640             | (1,095)           | (905)             | 680                | 779                | 334                | 867                 | 671                 |                   |
| % change                      | 18.6%             | -6.5%             | -5.7%             | 4.6%               | 5.0%               | 2.0%               | 5.2%                | 3.8%                | 1.1%              |
| <b>Sales Tax</b>              | \$ 6,644          | \$ 7,446          | \$ 7,546          | \$ 7,562           | \$ 7,906           | \$ 8,233           | \$ 8,444            | \$ 8,681            |                   |
| \$ change                     | 474               | 802               | 100               | 15                 | 345                | 327                | 211                 | 237                 |                   |
| % change                      | 7.7%              | 12.1%             | 1.3%              | 0.2%               | 4.6%               | 4.1%               | 2.6%                | 2.8%                | 3.9%              |
| <b>Corporate Tax</b>          | \$ 2,823          | \$ 2,929          | \$ 3,171          | \$ 3,304           | \$ 3,162           | \$ 3,173           | \$ 3,198            | \$ 3,279            |                   |
| \$ change                     | 564               | 106               | 242               | 133                | (142)              | 11                 | 25                  | 81                  |                   |
| % change                      | 25.0%             | 3.8%              | 8.3%              | 4.2%               | -4.3%              | 0.3%               | 0.8%                | 2.5%                | 2.2%              |
| <b>Statewide Property Tax</b> | \$ 774            | \$ 765            | \$ 718            | \$ 744             | \$ 747             | \$ 745             | \$ 745              | \$ 745              |                   |
| \$ change                     | (29)              | (9)               | (47)              | 27                 | 2                  | (2)                | 0                   | 0                   |                   |
| % change                      | -3.6%             | -1.2%             | -6.2%             | 3.7%               | 0.3%               | -0.2%              | 0.0%                | 0.0%                | -0.5%             |
| <b>Other Tax Revenue</b>      | \$ 2,277          | \$ 2,221          | \$ 2,253          | \$ 2,363           | \$ 2,436           | \$ 2,603           | \$ 2,701            | \$ 2,796            |                   |
| \$ change                     | 80                | (56)              | 32                | 110                | 73                 | 167                | 98                  | 95                  |                   |
| % change                      | 3.6%              | -2.5%             | 1.4%              | 4.9%               | 3.1%               | 6.9%               | 3.8%                | 3.5%                | 3.0%              |
| <b>Total Tax Revenue</b>      | \$ 29,390         | \$ 29,139         | \$ 28,562         | \$ 29,526          | \$ 30,583          | \$ 31,421          | \$ 32,621           | \$ 33,705           |                   |
| \$ change                     | 3,730             | (251)             | (577)             | 964                | 1,057              | 838                | 1,200               | 1,084               |                   |
| % change                      | 14.5%             | -0.9%             | -2.0%             | 3.4%               | 3.6%               | 2.7%               | 3.8%                | 3.3%                | 2.0%              |
| <b>Non-Tax Revenues</b>       | \$ 927            | \$ 1,346          | \$ 1,747          | \$ 1,541           | \$ 1,242           | \$ 1,117           | \$ 952              | \$ 947              |                   |
| \$ change                     | 5                 | 419               | 401               | (206)              | (299)              | (125)              | (165)               | (5)                 |                   |
| % change                      | 0.5%              | 45.3%             | 29.8%             | -11.8%             | -19.4%             | -10.1%             | -14.8%              | -0.5%               | 0.3%              |
| <b>Transfers, All Other</b>   | \$ 313            | \$ 162            | \$ 264            | \$ 90              | \$ 394             | \$ 66              | \$ 66               | \$ 65               |                   |
| \$ change                     | (434)             | (151)             | 102               | (174)              | 305                | (329)              | (0)                 | (0)                 |                   |
| % change                      | -58.1%            | -48.2%            | 62.7%             | -66.0%             | 340.7%             | -83.3%             | -0.3%               | -0.3%               | -20.0%            |
| <b>Total Revenue</b>          | \$ 30,629         | \$ 30,647         | \$ 30,572         | \$ 31,157          | \$ 32,219          | \$ 32,604          | \$ 33,639           | \$ 34,717           |                   |
| \$ change                     | 3,301             | 18                | (75)              | 585                | 1,063              | 384                | 1,035               | 1,079               |                   |
| % change                      | 12.1%             | 0.1%              | -0.2%             | 1.9%               | 3.4%               | 1.2%               | 3.2%                | 3.2%                | 1.8%              |

<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 2025 LEGISLATIVE SESSIONS  
(\$'s in Millions)<sup>(1)</sup>**

|                                      | Actual<br>FY 2022 | Actual<br>FY 2023 | Actual<br>FY 2024 | Enacted<br>FY 2025 | Enacted<br>FY 2026 | Enacted<br>FY 2027 | Planning<br>FY 2028 | Planning<br>FY 2029 | Average<br>Annual |
|--------------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|---------------------|---------------------|-------------------|
| <b>E-12 Education</b>                | \$ 9,779          | \$ 10,204         | \$ 11,969         | \$ 12,575          | \$ 12,635          | \$ 13,061          | \$ 13,262           | \$ 13,618           |                   |
| \$ change                            | 43                | 425               | 1,765             | 606                | 60                 | 426                | 200                 | 356                 |                   |
| % change                             | 0.4%              | 4.3%              | 17.3%             | 5.1%               | 0.5%               | 3.4%               | 1.5%                | 2.7%                | 4.8%              |
| <b>Higher Education</b>              | \$ 1,750          | \$ 1,768          | \$ 2,062          | \$ 2,122           | \$ 2,007           | \$ 2,007           | \$ 1,988            | \$ 1,988            |                   |
| \$ change                            | 36                | 18                | 294               | 59                 | (114)              | (1)                | (18)                | -                   |                   |
| % change                             | 2.1%              | 1.0%              | 16.6%             | 2.9%               | -5.4%              | 0.0%               | -0.9%               | 0.0%                | 1.8%              |
| <b>Prop. Tax Aids &amp; Credits</b>  | \$ 2,053          | \$ 2,569          | \$ 2,820          | \$ 2,736           | \$ 2,329           | \$ 2,426           | \$ 2,447            | \$ 2,484            |                   |
| \$ change                            | 27                | 516               | 251               | (84)               | (407)              | 97                 | 21                  | 37                  |                   |
| % change                             | 1.3%              | 25.1%             | 9.8%              | -3.0%              | -14.9%             | 4.1%               | 0.9%                | 1.5%                | 2.8%              |
| <b>Health &amp; Human Services</b>   | \$ 6,923          | \$ 8,215          | \$ 9,934          | \$ 11,275          | \$ 11,792          | \$ 12,207          | \$ 12,738           | \$ 13,533           |                   |
| \$ change                            | 312               | 1,292             | 1,719             | 1,340              | 518                | 414                | 531                 | 795                 |                   |
| % change                             | 4.7%              | 18.7%             | 20.9%             | 13.5%              | 4.6%               | 3.5%               | 4.4%                | 6.2%                | 10.1%             |
| <b>Public Safety &amp; Judiciary</b> | \$ 1,292          | \$ 1,430          | \$ 1,681          | \$ 1,965           | \$ 1,769           | \$ 1,750           | \$ 1,755            | \$ 1,750            |                   |
| \$ change                            | (21)              | 138               | 251               | 285                | (196)              | (20)               | 6                   | (5)                 |                   |
| % change                             | -1.6%             | 10.6%             | 17.5%             | 16.9%              | -10.0%             | -1.1%              | 0.3%                | -0.3%               | 4.4%              |
| <b>Debt Service</b>                  | \$ 592            | \$ 548            | \$ 508            | \$ 559             | \$ 581             | \$ 624             | \$ 623              | \$ 607              |                   |
| \$ change                            | 77                | (44)              | (40)              | 51                 | 23                 | 43                 | (1)                 | (16)                |                   |
| % change                             | 14.9%             | -7.5%             | -7.4%             | 10.1%              | 4.0%               | 7.4%               | -0.2%               | -2.5%               | 0.4%              |
| <b>All Other</b>                     | \$ 2,116          | \$ 2,509          | \$ 6,308          | \$ 4,266           | \$ 1,876           | \$ 1,809           | \$ 1,886            | \$ 1,852            |                   |
| \$ change                            | 569               | 393               | 3,799             | (2,042)            | (2,390)            | (67)               | 77                  | (34)                |                   |
| % change                             | 36.8%             | 18.6%             | 151.4%            | -32.4%             | -56.0%             | -3.6%              | 4.2%                | -1.8%               | -1.9%             |
| <b>Total Spending</b>                | \$ 24,505         | \$ 27,243         | \$ 35,282         | \$ 35,498          | \$ 32,991          | \$ 33,884          | \$ 34,698           | \$ 35,833           |                   |
| \$ change                            | 1,042             | 2,738             | 8,039             | 216                | (2,507)            | 893                | 815                 | 1,135               |                   |
| % change                             | 4.4%              | 11.2%             | 29.5%             | 0.6%               | -7.1%              | 2.7%               | 2.4%                | 3.3%                | 5.6%              |

<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 2025 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.

The February 2025 Forecast projected that biennial spending growth would exceed biennial revenue growth throughout the Current and Next Biennium budget planning horizon. Revenue growth was expected to average 2.3 percent annually, while spending growth was expected to average 3.8 percent annually before inclusion of discretionary inflation, and 4.7 percent per year with discretionary inflation. Spending growth exceeding revenue growth resulted in a projected structural deficit in the Next Biennium of \$3.980 billion before the addition of discretionary inflation and \$6.450 billion with discretionary inflation added to spending estimates for the Next Biennium.

Action taken during the 2025 Legislative Sessions had a significant impact on revenue and spending in the Next Biennium. For revenues, legislative action resulted in \$474 million more revenue than projected in the February 2025 Forecast. Including the impacts of discretionary inflation, base level spending was reduced by \$2.985 billion compared to the February 2025 Forecast. If the impacts of discretionary spending are excluded, base level spending was reduced by \$1.331 billion compared to the February 2025 Forecast. With legislative changes included, the projected structural deficit in the Next Biennium is \$2.175 billion before the addition of discretionary inflation and \$2.991 billion with discretionary inflation added to spending estimates for the Next Biennium.

General Fund revenues, including the impact of legislative changes, in the Next Biennium are estimated to be \$68.356 billion, \$3.533 billion (5.5 percent) higher than estimates for the Current Biennium. Projected base level spending, including the impact of legislative changes, in the Next Biennium is now estimated to be \$71.347 billion, \$4.473 billion (6.7 percent) lower than estimates for the Current Biennium. Spending projections 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. In addition, spending estimates include an aggregate discretionary inflationary adjustment of \$816 million intended to represent the added cost of maintaining current service levels for programs that do not have inflationary growth built into their statutory funding formula. Inflation estimates, like base level spending estimates, are not yet appropriated for the Next Biennium; the 2027 Legislature will set legal appropriation levels for the Next Biennium.

The General Fund Budget Reserve Account and Cash Flow Account balances are not expected to change from the Current Biennium.

Revenue, spending and reserve estimates for the Next Biennium will be updated in the November 2025 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 2025 consist of four income brackets having tax rates of 5.35 percent, 6.80 percent, 7.85 percent and 9.85 percent as shown below. The tax brackets are indexed annually for inflation, as measured by the national chained consumer price index. The starting point for computing tax liability is federal adjusted gross income (FAGI), per the Internal Revenue Code as of 1986, as amended through May 1, 2023. In computing taxable income, Minnesota allows a similar standard deduction to the IRS. Itemized deductions are similar to federal itemized deductions, with some exceptions. For very high-income taxpayers the standard and itemized deductions phase out. Minnesota allows for dependent exemptions (not taxpayer and spouse exemptions) that match the federal amount prior to 2018. Minnesota requires numerous other additions, exemptions, and subtractions to FAGI to arrive at taxable income. There is a subtraction for social security benefits included in FAGI. The subtraction phases out for higher-income taxpayers and was increased in the 2023 Legislative Session to 100 percent of taxable benefits for many taxpayers. The phase-out thresholds are indexed annually for inflation. The 2023 Legislature also created a similar subtraction for public pension payments. Two earner couples are entitled to a non-refundable credit against tax liability to offset the additional tax liability that results from the "married joint" filing status as opposed to the "single" filing status. The maximum credit per return to offset this "marriage penalty" is \$1,801.30. The State tax code contains a refundable child credit of \$1,750 per child under 18 and a working family credit of 4 percent on earned income up to \$9,220. The working family credit is increased for taxpayers with qualifying children aged 18 or older. The child credit and the working family credit phase out jointly at incomes of \$36,880 or \$31,090 depending on filing status. The phase-out thresholds are indexed annually for inflation beginning in tax year 2024. The child credit amount will be indexed annually for inflation beginning in tax year 2026. Beginning in tax year 2025, eligible taxpayers will have the opportunity to opt into advance payments of the child credit and will be eligible for a minimum credit if they qualified in the previous year. A refundable \$1,500 per child education credit targeted at low-income parents, and families is part of the code. A refundable dependent care credit targeted at low- and moderate-income parents for childcare expenses is part of the code. An alternative minimum tax is imposed on Minnesota alternative minimum taxable income, or AMTI (which is similar to federal alternative minimum taxable income) at a flat rate of 6.75 percent on AMTI in excess of an exemption amount, to the extent the minimum tax exceeds the regular tax. Beginning in tax year 2024, a 1 percent tax is imposed on net investment income in excess of one million dollars.

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

### SINGLE FILER

| Taxable Income                                | Tax   |
|-----------------------------------------------|-------|
| on the first \$31,690                         | 5.35% |
| on all over \$31,690, but not over \$104,090  | 6.80% |
| on all over \$104,090, but not over \$193,240 | 7.85% |
| on all over \$193,240                         | 9.85% |

## MARRIED FILING JOINTLY

| Taxable Income                                | Tax   |
|-----------------------------------------------|-------|
| on the first \$46,330                         | 5.35% |
| on all over \$46,330, but not over \$184,040  | 6.80% |
| on all over \$184,040, but not over \$321,450 | 7.85% |
| on all over \$321,450                         | 9.85% |

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

## HEAD OF HOUSEHOLD

| Taxable Income                                | Tax   |
|-----------------------------------------------|-------|
| on the first \$39,010                         | 5.35% |
| on all over \$39,010, but not over \$156,760  | 6.80% |
| on all over \$156,760, but not over \$256,880 | 7.85% |
| on all over \$256,880                         | 9.85% |

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

**Sales and Use Tax:** The current state sales tax rate of 6.875 percent is applicable to most retail sales of goods except for food (grocery items), most clothing, and prescription and over-the-counter drugs. Purchases made by non-profit organizations, the federal government, other states or their political divisions, all local governments and school districts are also generally exempt from sales tax. 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, to its current rate of 6.875 percent. 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 3/8 of 1 percent point increment will be in place through 2034.

In the 2025 Legislative Sessions, there were no significant changes to the State sales tax affecting the State’s General Fund. However, in the 2023 Legislative Session, the Legislature imposed two sales taxes on the seven-county metropolitan area that are in addition to the State General Fund sales tax and are collected with it. One is a 0.25 percent sales tax to fund affordable housing programs in the metro area, and the other is a 0.75 percent sales tax to support transportation in the metro areas.

**Statewide Property Tax:** A State general property tax is levied on commercial and industrial property, public utility property, unmined iron ore property, and seasonal recreational property, including cabins. There are separate rates for commercial-industrial property and residential-recreational property. Electric generation attached machinery and property located at the Minneapolis-St. Paul International Airport and the St. Paul Airport are exempt from this tax. Effective beginning with taxes payable in 2023, the first \$150,000 of commercial-industrial property is exempt. The

taxes are levied at a uniform rate across the State. For taxes payable in 2025, the commercial-industrial rate is 28.875 percent, and the residential-recreational rate is 10.010 percent. The levy amount used to determine the commercial-industrial rate is \$716.99 million, and the levy amount used to determine the residential-recreational rate is \$41.69 million.

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

Beginning in 2014, corporations apportion their income to Minnesota solely based on sales in Minnesota. An alternative minimum tax is imposed on Minnesota alternative minimum taxable income (which is similar to federal alternative minimum taxable income) at a flat rate of 5.8 percent, to the extent the minimum tax exceeds the regular tax.

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

A fee is imposed as a part of the franchise tax liability. The fee is in addition to the regular and alternative minimum tax. The amount of the fee is based on the sum of Minnesota property, payroll and sales. The 2013 Legislature adjusted the fee schedule and indexed the dollar amounts for inflation, based on the consumer price index. The chained consumer price index is used beginning in 2020. The fee schedule for tax year 2025 is shown below:

| Fee Basis                    | Amount of Fee |
|------------------------------|---------------|
| Less than \$1,220,000        | \$0           |
| \$1,220,000 to \$2,440,000   | \$250         |
| \$2,440,000 to \$12,200,000  | \$730         |
| \$12,200,000 to \$24,390,000 | \$2,440       |
| \$24,390,000 to \$48,780,000 | \$4,890       |
| \$48,780,000 or more         | \$12,200      |

The 2023 Legislature made significant changes to the Minnesota Corporate Franchise Tax. A tax is imposed on foreign income designated as Global Intangible Low-taxed Income; the amount included in taxable income will be eligible for a deduction for dividends received. The dividend received deduction was reduced from 80 to 50 percent for dividends received where the receiving corporation owns 20 percent of the stock of the sending corporation. The dividend received deduction is lowered from 70 to 40 percent where the receiving corporation owns less than 20 percent of the stock of the sending corporation. The percentage of prior years’ net operating losses that could be deducted from current year income was reduced from 80 to 70 percent of current year income. The 2024 Legislature delayed the effective date for this reduced limit from tax year 2023 to tax year 2024.

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

|       |                                                                                                                     |
|-------|---------------------------------------------------------------------------------------------------------------------|
| 1.5%  | Life insurance                                                                                                      |
| 1.26% | Mutual property and casualty companies with assets in excess of \$5 million but less than \$1.6 billion on 12/31/89 |
| 1.0%  | Mutual property and casualty companies with assets less than \$5 million; town and farmers’ mutual companies        |
| 1.0%  | Health Maintenance Organizations (“HMOs”) and nonprofit health service plan corporations                            |
| 3.0%  | Surplus line agents                                                                                                 |
| 2.0%  | All other insurance                                                                                                 |
| 0.65% | Fire safety surcharge on homeowner’s insurance, commercial fire and commercial nonliability insurance               |
| 2.0%  | Surcharge on fire premiums for property located in cities of the first class                                        |

**Liquor, Wine and Fermented Malt Beverages Tax:** Liquor is taxed at \$5.03 per gallon. Wine is taxed at rates that vary from \$0.30 per gallon to \$3.52 per gallon, depending on the alcohol content. Beer is taxed at \$2.40 per 31-gallon barrel for beer with alcoholic contents of 3.2 percent by volume or less, and \$4.60 per 31-gallon barrel for strong beer.

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

**Cigarette and Tobacco Products Tax:** The cigarette tax is \$3.04 per pack. The 2017 Legislature repealed the annual inflationary adjustment. In addition, a pack is subject to a tax in lieu of sales tax of 73.9 cents for 2024. The in-lieu sales tax rate is determined annually based on 6.5 percent 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 percent to 16 percent 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:

|                                                                                                                                          | <b>FY 26</b> |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 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                                                                                                                        | 8.0%         |
| Over \$87,500, but not over \$122,500                                                                                                    | 17.0%        |
| Over \$122,500, but not over \$157,500                                                                                                   | 25.0%        |
| Over \$157,500                                                                                                                           | 33.5%        |
| 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.

**Cannabis Tax:** The 2023 Legislative Session legalized the use, possession, or transport of adult-use cannabis, cannabis products, and cannabis accessories by individuals 21 years or older. Starting in July 2025, the gross receipts tax on the retail sale of cannabis and cannabis products sales will increase from 10 percent to 15 percent. The tax is also imposed on low-potency, hemp-derived edible cannabinoid products. The legislation dedicates 20 percent of revenues from the gross receipts tax to the established Local Government Cannabis Aid Account in the Special Revenue Fund. The remaining 80 percent of revenues from the gross receipts tax is deposited in the General Fund. It should be noted that retail sales of cannabis are subject to state and local sales taxes.

## Other Sources

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

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

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

## Tobacco Settlement

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

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

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

Payments required to be made by the Settling Defendants are calculated by reference to the Settling Defendants’ respective share of sales of cigarettes (which in practice have been measured by shipments) by unit for consumption in the United States (excluding Puerto Rico). Payments to be made by the Settling Defendants are recalculated each year, based on the market share of each individual Settling Defendant for the prior year. A significant loss of market share by the Settling Defendants could have a material adverse effect on the payments by the Settling Defendants under the Minnesota Agreement. The Minnesota Agreement does not contain any terms providing for a process to dispute the calculation of Annual Payments or any adjustments to such payments.

The Settling Defendants have made all of the Initial Payments and have made Annual Payments from 1998 through 2025 and certain other amounts pursuant to the Minnesota Agreement totaling approximately \$5.756 billion to date. However, the Annual Payment amounts are the subject of current litigation, where the State has filed a motion seeking recovery of past underpayment and an adjustment of the payment formula. The Settling Defendants continue to make Annual Payments at the lower rate while litigation continues.

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<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.

|                              | <b>Unadjusted Minnesota Agreement<br/>Applicable Base Payment</b> | <b>State's<br/>Actual Receipts<sup>(1)</sup></b> |
|------------------------------|-------------------------------------------------------------------|--------------------------------------------------|
| <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> | 204,000,000                                                       | 192,965,398                                      |
| <b>FY2023 Annual Payment</b> | 204,000,000                                                       | 179,497,118                                      |
| <b>FY2024 Annual Payment</b> | 204,000,000                                                       | 165,052,365                                      |
| <b>FY2025 Annual Payment</b> | <b>204,000,000</b>                                                | <b>151,850,505</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 2025, FY 2026 and FY 2027 based on the end of 2025 Legislative Sessions. The table for FY 2025 represents actual Statutory General Fund cash flow balances through June 30, 2025. The tables for FY 2026 and FY 2027 represents projected Statutory General Fund cash flow balance for each fiscal year. The projected monthly cash flow analyses have been formatted to include transfers in and transfers out to more accurately reflect State operations. The payment of debt service is included in transfers out for each fiscal year. Please note that monthly cash flow projections are subject to a high level of variability.

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

**STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS**  
**END OF 2025 LEGISLATIVE SESSIONS**  
**ACTUALS FOR FISCAL YEAR ENDED JUNE 30, 2025 (\$'s in Thousands)**

|                                  | <u>Jul-24</u><br><u>Act</u> | <u>Aug-24</u><br><u>Act</u> | <u>Sep-24</u><br><u>Act</u> | <u>Oct-24</u><br><u>Act</u> | <u>Nov-24</u><br><u>Act</u> | <u>Dec-24</u><br><u>Act</u> | <u>Jan-25</u><br><u>Act</u> | <u>Feb-25</u><br><u>Act</u> | <u>Mar-25</u><br><u>Act</u> | <u>Apr-25</u><br><u>Act</u> | <u>May-25</u><br><u>Act</u> | <u>Jun-25</u><br><u>Act</u> |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Beginning Cash Balance           | 20,662,613                  | 18,714,595                  | 17,717,617                  | 18,287,889                  | 18,738,448                  | 17,759,643                  | 18,469,236                  | 19,362,027                  | 18,009,839                  | 17,685,420                  | 18,846,001                  | 17,996,994                  |
| Individual Income Tax            | 1,024,986                   | 1,089,497                   | 1,800,454                   | 1,263,213                   | 893,106                     | 1,774,958                   | 1,999,264                   | 393,290                     | 1,105,645                   | 2,594,998                   | 1,035,085                   | 1,699,599                   |
| Corporate Tax                    | 126,155                     | 52,332                      | 588,586                     | 88,493                      | 74,279                      | 666,152                     | 81,819                      | 71,633                      | 439,202                     | 356,260                     | 80,479                      | 574,346                     |
| Sales Tax                        | 658,620                     | 678,650                     | 689,727                     | 687,771                     | 652,524                     | 600,992                     | 736,254                     | 529,750                     | 497,765                     | 591,397                     | 600,254                     | 677,312                     |
| Property Tax                     | 27,020                      | (0)                         | 557                         | 150,588                     | 146,381                     | 15,221                      | 4,364                       | 2,241                       | (633)                       | 1                           | 197,978                     | 195,729                     |
| Tobacco Tax                      | 5,362                       | 60,852                      | 46,214                      | 47,884                      | 54,015                      | 50,993                      | 64,381                      | 32,010                      | 32,430                      | 36,175                      | 42,047                      | 72,624                      |
| Insurance Tax                    | 4,571                       | 26,503                      | 141,316                     | 2,881                       | 4,882                       | 144,378                     | 5,766                       | 51,333                      | 188,595                     | 3,367                       | 4,884                       | 143,012                     |
| Excise Tax                       | 278,496                     | 235,344                     | 116,261                     | 276,320                     | 132,059                     | 153,520                     | 266,723                     | 168,097                     | 178,472                     | 297,814                     | 145,681                     | 165,481                     |
| Investment Earnings              | 89,263                      | 120,706                     | 91,245                      | 96,659                      | 48,688                      | 76,061                      | 86,366                      | 92,316                      | 66,546                      | 72,338                      | 81,706                      | 89,432                      |
| Interagency Grants               | (28,170)                    | 32,683                      | 17,833                      | 21,161                      | 6,859                       | 20,732                      | 17,395                      | 25,628                      | 17,225                      | 22,980                      | 29,106                      | 23,510                      |
| Other Revenue                    | 417,793                     | 563,512                     | 499,724                     | 433,614                     | 507,129                     | 528,599                     | 717,303                     | 332,127                     | 425,521                     | 349,624                     | 411,297                     | 475,370                     |
| Total Revenue                    | 2,604,095                   | 2,860,080                   | 3,991,915                   | 3,068,584                   | 2,519,922                   | 4,031,606                   | 3,979,634                   | 1,698,426                   | 2,950,769                   | 4,324,954                   | 2,628,515                   | 4,116,414                   |
| Transfer In                      | 8,292,107                   | 1,113,059                   | 294,591                     | 184,576                     | 245,200                     | 592,240                     | 192,796                     | 133,980                     | 147,173                     | 123,876                     | 154,192                     | 287,832                     |
| Total Sources                    | 10,896,201                  | 3,973,139                   | 4,286,505                   | 3,253,161                   | 2,765,122                   | 4,623,846                   | 4,172,430                   | 1,832,406                   | 3,097,941                   | 4,448,830                   | 2,782,708                   | 4,404,246                   |
| Compensation                     | 427,056                     | 422,909                     | 431,805                     | 445,230                     | 627,359                     | 449,002                     | 434,529                     | 449,583                     | 455,807                     | 458,197                     | 649,372                     | 456,554                     |
| Agency Operations                | 450,000                     | 414,621                     | 337,822                     | 328,744                     | 295,058                     | 332,585                     | 351,701                     | 235,782                     | 330,768                     | 298,419                     | 294,480                     | 345,488                     |
| Aid to Schools                   | 262,290                     | 1,545,893                   | 1,225,234                   | 707,039                     | 380,775                     | 934,024                     | 1,219,130                   | 1,184,830                   | 1,395,133                   | 1,394,076                   | 1,213,619                   | 615,894                     |
| Aid to Cities & Towns            | 433,005                     | 28,718                      | 153,574                     | 39,423                      | 32,755                      | 370,637                     | 31,490                      | 21,470                      | 84,363                      | 15,824                      | 29,319                      | 21,687                      |
| Aid to Counties                  | 433,413                     | 45,503                      | 57,705                      | 53,969                      | 30,811                      | 247,557                     | 39,203                      | 32,638                      | 21,304                      | 41,710                      | 28,911                      | 23,850                      |
| Aid to Higher Ed                 | 117,940                     | 142,470                     | 189,205                     | 96,516                      | 90,708                      | 108,556                     | 230,514                     | 152,030                     | 90,744                      | 84,221                      | 92,732                      | 114,404                     |
| Aid to Non-Gov't                 | 76,247                      | 172,690                     | 62,227                      | 72,414                      | 64,476                      | 69,889                      | 73,002                      | 64,063                      | 64,087                      | 75,783                      | 76,423                      | 53,040                      |
| Aid to Other Gov't               | 60,108                      | 24,188                      | 39,984                      | 18,167                      | 13,520                      | 50,057                      | 17,854                      | 17,452                      | 11,931                      | 18,620                      | 10,685                      | 13,881                      |
| DHS Payments to Individuals      | 1,774,185                   | 617,622                     | 669,291                     | 710,809                     | 819,579                     | 1,200,334                   | 636,033                     | 810,793                     | 746,724                     | 740,251                     | 1,031,716                   | 1,096,762                   |
| Children, Youth and Families Aid | 104,622                     | 34,185                      | 25,812                      | 51,920                      | 28,885                      | 35,695                      | 33,963                      | 32,809                      | 36,659                      | 4,585                       | 28,631                      | 33,928                      |
| Other Aid to Individuals         | 115,015                     | 516,366                     | 273,058                     | 82,618                      | 45,441                      | 13,974                      | 8,899                       | 13,839                      | 14,828                      | 14,717                      | 4,385                       | 5,958                       |
| Other Expenditures               | (69,671)                    | 617                         | (10,049)                    | 13,371                      | 12,239                      | (27,669)                    | (20,771)                    | (10,960)                    | 18,500                      | 17,400                      | (13,996)                    | 41,630                      |
| Total Expenditures               | 4,184,210                   | 3,965,782                   | 3,455,669                   | 2,620,221                   | 2,441,607                   | 3,784,640                   | 3,055,546                   | 3,004,329                   | 3,270,848                   | 3,163,804                   | 3,446,279                   | 2,823,076                   |
| Transfer Out                     | 8,660,009                   | 1,004,336                   | 260,565                     | 182,381                     | 743,719                     | 129,612                     | 224,093                     | 180,266                     | 151,512                     | 124,445                     | 185,435                     | 261,291                     |
| Transfer Out Debt Service        | 0                           | 0                           | 0                           | 0                           | 558,601                     | 0                           | 0                           | 0                           | 0                           | 0                           | 0                           | 0                           |
| Total Uses                       | 12,844,219                  | 4,970,118                   | 3,716,234                   | 2,802,602                   | 3,743,927                   | 3,914,252                   | 3,279,640                   | 3,184,595                   | 3,422,360                   | 3,288,249                   | 3,631,714                   | 3,084,367                   |
| Sources Less Uses                | (1,948,018)                 | (996,979)                   | 570,272                     | 450,559                     | (978,805)                   | 709,593                     | 892,790                     | (1,352,189)                 | (324,419)                   | 1,160,582                   | (849,006)                   | 1,319,879                   |
| High Point                       | 19,652,043                  | 18,875,000                  | 19,091,116                  | 18,796,643                  | 19,181,291                  | 18,841,455                  | 20,053,868                  | 19,568,786                  | 18,437,249                  | 19,721,384                  | 19,000,239                  | 20,163,604                  |
| Low Point                        | 18,587,948                  | 17,592,262                  | 17,220,758                  | 17,496,535                  | 17,759,641                  | 17,473,773                  | 18,230,088                  | 18,007,616                  | 17,043,241                  | 16,921,828                  | 17,547,088                  | 18,016,193                  |
| Ending Cash Balance              | 18,714,595                  | 17,717,616                  | 18,287,888                  | 18,738,448                  | 17,759,643                  | 18,469,236                  | 19,362,027                  | 18,009,838                  | 17,685,420                  | 18,846,001                  | 17,996,994                  | 19,316,873                  |

**STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS**  
**END OF 2025 LEGISLATIVE SESSIONS**

**ESTIMATES FOR FISCAL YEAR ENDING JUNE 30, 2026**

(\$'s in Thousands)

|                                  | <u>Jul-25</u><br><u>Est</u> | <u>Aug-25</u><br><u>Est</u> | <u>Sep-25</u><br><u>Est</u> | <u>Oct-25</u><br><u>Est</u> | <u>Nov-25</u><br><u>Est</u> | <u>Dec-25</u><br><u>Est</u> | <u>Jan-26</u><br><u>Est</u> | <u>Feb-26</u><br><u>Est</u> | <u>Mar-26</u><br><u>Est</u> | <u>Apr-26</u><br><u>Est</u> | <u>May-26</u><br><u>Est</u> | <u>Jun-26</u><br><u>Est</u> |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Beginning Cash Balance           | 19,316,873                  | 18,053,061                  | 17,066,929                  | 17,709,157                  | 17,805,394                  | 17,519,621                  | 17,726,887                  | 18,426,242                  | 16,865,838                  | 16,534,270                  | 17,320,406                  | 15,512,441                  |
| Individual Income Tax            | 1,243,119                   | 1,054,368                   | 1,900,985                   | 1,320,311                   | 856,545                     | 1,722,987                   | 2,041,232                   | 273,035                     | 1,224,069                   | 2,317,427                   | 800,126                     | 1,577,566                   |
| Corporate Tax                    | 115,649                     | 65,814                      | 618,519                     | 96,726                      | 86,114                      | 595,125                     | 90,567                      | 17,417                      | 441,128                     | 404,974                     | 69,557                      | 560,456                     |
| Sales Tax                        | 716,459                     | 715,212                     | 714,703                     | 742,430                     | 691,188                     | 659,655                     | 760,404                     | 603,913                     | 562,675                     | 633,606                     | 666,798                     | 638,980                     |
| Property Tax                     | 14,969                      | (0)                         | 0                           | 157,179                     | 157,179                     | 18,712                      | 3,742                       | 0                           | 0                           | 0                           | 201,136                     | 193,687                     |
| Tobacco Tax                      | 5,700                       | 47,850                      | 67,283                      | 41,866                      | 43,550                      | 50,778                      | 70,767                      | 23,857                      | 27,177                      | 34,189                      | 37,151                      | 79,008                      |
| Insurance Tax                    | 5,135                       | 18,602                      | 152,711                     | 928                         | 9,429                       | 143,869                     | 4,011                       | 42,390                      | 206,127                     | 2,665                       | 6,256                       | 162,146                     |
| Excise Tax                       | 249,889                     | 190,163                     | 134,828                     | 274,207                     | 151,535                     | 138,785                     | 309,627                     | 179,514                     | 190,334                     | 344,228                     | 185,536                     | 236,580                     |
| Investment Earnings              | 4,806                       | 58,219                      | 43,547                      | 42,938                      | 42,598                      | 42,506                      | 40,133                      | 42,854                      | 42,109                      | 43,172                      | 45,215                      | 80,523                      |
| Interagency Grants               | 12,458                      | 17,902                      | 6,283                       | 16,490                      | 5,541                       | 12,991                      | 19,761                      | 15,251                      | 11,652                      | 11,814                      | 18,835                      | 7,493                       |
| Other Revenue                    | 361,084                     | 510,048                     | 590,768                     | 387,565                     | 369,733                     | 580,290                     | 621,459                     | 355,454                     | 434,647                     | 372,398                     | 545,839                     | 370,388                     |
| Total Revenue                    | 2,729,268                   | 2,678,180                   | 4,229,628                   | 3,080,639                   | 2,413,412                   | 3,965,699                   | 3,961,703                   | 1,553,684                   | 3,139,919                   | 4,164,473                   | 2,576,449                   | 3,906,828                   |
| Transfer In                      | 7,946,264                   | 373,681                     | 240,834                     | 231,600                     | 135,277                     | 168,044                     | 109,518                     | 85,612                      | 123,577                     | 196,726                     | 88,706                      | 86,919                      |
| Total Sources                    | 10,675,532                  | 3,051,860                   | 4,470,462                   | 3,312,238                   | 2,548,689                   | 4,133,743                   | 4,071,221                   | 1,639,296                   | 3,263,496                   | 4,361,199                   | 2,665,156                   | 3,993,747                   |
| Compensation                     | 459,607                     | 414,406                     | 446,047                     | 673,996                     | 461,050                     | 482,160                     | 411,620                     | 460,130                     | 437,532                     | 421,385                     | 707,680                     | 472,178                     |
| Agency Operations                | 370,081                     | 305,134                     | 245,459                     | 303,074                     | 204,261                     | 251,450                     | 309,169                     | 228,109                     | 289,591                     | 265,243                     | 640,057                     | 245,266                     |
| Aid to Schools                   | 312,988                     | 1,781,713                   | 1,257,157                   | 753,403                     | 307,882                     | 976,041                     | 1,295,501                   | 1,264,920                   | 1,575,190                   | 1,511,109                   | 1,280,946                   | 666,980                     |
| Aid to Cities & Towns            | 310,095                     | 53,634                      | 80,593                      | 51,120                      | 20,717                      | 385,363                     | 11,768                      | 8,965                       | 15,070                      | 5,861                       | 16,420                      | 6,047                       |
| Aid to Counties                  | 300,094                     | 44,503                      | 48,090                      | 84,451                      | 35,301                      | 316,196                     | 30,431                      | 38,718                      | 35,838                      | 48,581                      | 35,499                      | 25,451                      |
| Aid to Higher Ed                 | 64,991                      | 77,389                      | 119,532                     | 71,503                      | 60,661                      | 65,009                      | 116,541                     | 92,013                      | 59,199                      | 56,955                      | 83,528                      | 87,709                      |
| Aid to Non-Gov't                 | 188,844                     | 58,603                      | 50,897                      | 24,562                      | 41,251                      | 84,958                      | 78,480                      | 77,498                      | 61,545                      | 75,025                      | 116,005                     | 17,766                      |
| Aid to Other Gov't               | 34,397                      | 18,764                      | 21,497                      | 44,725                      | 23,435                      | 47,550                      | 16,662                      | 21,633                      | 19,467                      | 20,803                      | 16,534                      | 16,183                      |
| DHS Payments to Individuals      | 1,797,785                   | 681,335                     | 731,716                     | 777,912                     | 871,398                     | 1,288,331                   | 633,117                     | 792,803                     | 836,035                     | 827,671                     | 1,254,950                   | 469,312                     |
| Children, Youth and Families Aid | 148,075                     | 55,826                      | 43,778                      | 42,828                      | 42,522                      | 41,735                      | 48,201                      | 44,290                      | 42,251                      | 44,164                      | 168,338                     | 49,311                      |
| Other Aid to Individuals         | 24,193                      | 128,596                     | 457,302                     | 149,143                     | 13,626                      | 27,450                      | 23,232                      | 10,574                      | 28,332                      | 18,075                      | 9,166                       | 37,216                      |
| Other Expenditures               | 3,905                       | (27,037)                    | (30,556)                    | 40,938                      | (15,713)                    | 111,305                     | 220,891                     | (4,704)                     | (7,634)                     | 17,839                      | (18,673)                    | 12,117                      |
| Total Expenditures               | 4,015,055                   | 3,592,869                   | 3,471,514                   | 3,017,654                   | 2,066,389                   | 4,077,547                   | 3,195,614                   | 3,034,949                   | 3,392,415                   | 3,312,710                   | 4,310,449                   | 2,105,535                   |
| Transfer Out                     | 7,924,289                   | 445,123                     | 356,721                     | 198,347                     | 186,890                     | (151,070)                   | 176,252                     | 164,751                     | 202,650                     | 262,353                     | 162,671                     | 171,101                     |
| Transfer Out Debt Service        | 0                           | 0                           | 0                           | 0                           | 581,182                     |                             | 0                           | 0                           | 0                           | 0                           | 0                           | 0                           |
| Total Uses                       | 11,939,344                  | 4,037,992                   | 3,828,235                   | 3,216,001                   | 2,834,462                   | 3,926,477                   | 3,371,866                   | 3,199,700                   | 3,595,064                   | 3,575,063                   | 4,473,120                   | 2,276,636                   |
| Sources Less Uses                | (1,263,812)                 | (986,132)                   | 642,228                     | 96,237                      | (285,773)                   | 207,266                     | 699,354                     | (1,560,404)                 | (331,568)                   | 786,136                     | (1,807,964)                 | 1,717,111                   |
| High Point                       | 18,971,111                  | 18,033,808                  | 18,693,831                  | 18,194,515                  | 18,546,032                  | 18,775,504                  | 19,269,160                  | 18,429,676                  | 17,376,982                  | 17,955,293                  | 17,078,314                  | 17,316,218                  |
| Low Point                        | 17,934,902                  | 16,926,278                  | 16,805,419                  | 17,165,227                  | 17,159,991                  | 16,873,822                  | 17,803,102                  | 16,865,838                  | 16,270,872                  | 15,880,850                  | 14,994,162                  | 15,181,015                  |
| Ending Cash Balance              | 18,053,061                  | 17,066,929                  | 17,709,157                  | 17,805,394                  | 17,519,621                  | 17,726,887                  | 18,426,242                  | 16,865,838                  | 16,534,270                  | 17,320,406                  | 15,512,441                  | 17,229,552                  |

**STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS**  
**END OF 2025 LEGISLATIVE SESSIONS**  
**ESTIMATES FOR FISCAL YEAR ENDING JUNE 30, 2027**

|                                  | <u>Jul-26</u><br><u>Est</u> | <u>Aug-26</u><br><u>Est</u> | <u>Sep-26</u><br><u>Est</u> | <u>Oct-26</u><br><u>Est</u> | <u>Nov-26</u><br><u>Est</u> | <u>Dec-26</u><br><u>Est</u> | <u>Jan-27</u><br><u>Est</u> | <u>Feb-27</u><br><u>Est</u> | <u>Mar-27</u><br><u>Est</u> | <u>Apr-27</u><br><u>Est</u> | <u>May-27</u><br><u>Est</u> | <u>Jun-27</u><br><u>Est</u> |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Beginning Cash Balance           | 17,229,552                  | 16,471,374                  | 15,077,975                  | 15,440,604                  | 15,453,315                  | 15,072,492                  | 15,005,684                  | 15,855,314                  | 14,292,885                  | 13,626,269                  | 14,276,989                  | 13,037,520                  |
| Individual Income Tax            | 1,159,172                   | 1,205,337                   | 1,960,872                   | 1,101,455                   | 1,155,410                   | 1,536,431                   | 1,845,768                   | 480,204                     | 954,564                     | 2,451,386                   | 1,035,954                   | 1,779,379                   |
| Corporate Tax                    | 116,817                     | 66,288                      | 620,986                     | 96,412                      | 88,322                      | 586,840                     | 94,199                      | 21,099                      | 449,419                     | 409,346                     | 68,422                      | 554,950                     |
| Sales Tax                        | 758,579                     | 743,872                     | 740,412                     | 765,242                     | 709,958                     | 682,651                     | 807,844                     | 649,725                     | 584,684                     | 669,985                     | 688,841                     | 680,285                     |
| Property Tax                     | 14,899                      | (0)                         | 0                           | 156,439                     | 156,439                     | 18,624                      | 3,725                       | (0)                         | 0                           | 0                           | 201,177                     | 193,726                     |
| Tobacco Tax                      | 5,572                       | 46,989                      | 62,707                      | 45,787                      | 42,897                      | 49,899                      | 69,148                      | 24,047                      | 27,000                      | 33,863                      | 36,705                      | 78,462                      |
| Insurance Tax                    | 5,310                       | 19,239                      | 154,102                     | 7,304                       | 9,752                       | 156,427                     | 4,180                       | 46,620                      | 202,881                     | 1,967                       | 6,491                       | 167,831                     |
| Excise Tax                       | 400,596                     | 242,844                     | 167,823                     | 423,284                     | 155,271                     | 209,007                     | 421,688                     | 224,777                     | 224,193                     | 437,666                     | 222,300                     | 286,933                     |
| Investment Earnings              | 2,585                       | 30,384                      | 30,518                      | 29,986                      | 31,347                      | 31,702                      | 41,544                      | 31,721                      | 32,382                      | 32,449                      | 32,438                      | 50,560                      |
| Interagency Grants               | 5,771                       | 18,711                      | 23,688                      | 7,418                       | 6,272                       | (1,898)                     | 22,309                      | 15,491                      | 18,794                      | 12,981                      | 6,815                       | 13,838                      |
| Other Revenue                    | 393,152                     | 483,137                     | 518,250                     | 385,530                     | 504,621                     | 570,144                     | 632,097                     | 438,079                     | 419,593                     | 414,459                     | 455,918                     | 361,229                     |
| Total Revenue                    | 2,862,453                   | 2,856,800                   | 4,279,359                   | 3,018,855                   | 2,860,290                   | 3,839,827                   | 3,942,502                   | 1,931,763                   | 2,913,512                   | 4,464,103                   | 2,755,061                   | 4,167,191                   |
| Transfer In                      | 7,954,217                   | 163,863                     | 166,011                     | 316,217                     | 81,111                      | 82,892                      | 77,053                      | 105,626                     | 88,412                      | 115,831                     | 77,570                      | 129,507                     |
| Total Sources                    | 10,816,669                  | 3,020,663                   | 4,445,370                   | 3,335,072                   | 2,941,400                   | 3,922,720                   | 4,019,554                   | 2,037,389                   | 3,001,923                   | 4,579,935                   | 2,832,631                   | 4,296,698                   |
| Compensation                     | 447,832                     | 415,428                     | 449,566                     | 670,648                     | 454,754                     | 456,531                     | 411,456                     | 467,031                     | 463,180                     | 686,597                     | 463,860                     | 470,541                     |
| Agency Operations                | 390,994                     | 368,478                     | 340,752                     | 261,528                     | 304,427                     | 302,705                     | 330,408                     | 294,663                     | 397,221                     | 297,310                     | 286,895                     | 306,951                     |
| Aid to Schools                   | 336,500                     | 1,862,662                   | 1,309,716                   | 784,590                     | 317,349                     | 1,009,000                   | 1,344,733                   | 1,314,855                   | 1,643,620                   | 1,571,466                   | 1,329,792                   | 691,085                     |
| Aid to Cities & Towns            | 374,655                     | 49,637                      | 89,533                      | 58,488                      | 22,715                      | 385,658                     | 14,082                      | 15,515                      | 23,971                      | 14,056                      | 11,618                      | 20,622                      |
| Aid to Counties                  | 307,040                     | 32,964                      | 61,612                      | 60,774                      | 25,715                      | 304,024                     | 24,270                      | 30,787                      | 50,086                      | 29,974                      | 65,369                      | 23,213                      |
| Aid to Higher Ed                 | 87,927                      | 87,943                      | 126,205                     | 79,535                      | 64,541                      | 91,266                      | 131,093                     | 82,665                      | 65,286                      | 63,642                      | 91,553                      | 74,769                      |
| Aid to Non-Gov't                 | 67,918                      | 28,737                      | 40,765                      | 43,523                      | 26,557                      | 28,703                      | 29,981                      | 26,379                      | 35,754                      | 64,394                      | 31,755                      | 29,341                      |
| Aid to Other Gov't               | 31,690                      | 9,956                       | 35,485                      | 19,396                      | 23,748                      | 49,016                      | 12,582                      | 15,175                      | 12,932                      | 10,388                      | 11,502                      | 12,189                      |
| DHS Payments to Individuals      | 1,635,574                   | 989,693                     | 927,012                     | 897,991                     | 982,860                     | 1,462,014                   | 643,306                     | 1,105,660                   | 795,478                     | 938,713                     | 1,460,821                   | (31,512)                    |
| Children, Youth and Families Aid | 162,245                     | 67,850                      | 52,137                      | 52,735                      | 50,776                      | 48,681                      | 53,821                      | 52,250                      | 51,510                      | 51,949                      | 158,073                     | 78,438                      |
| Other Aid to Individuals         | 14,883                      | 138,206                     | 481,414                     | 158,720                     | 13,942                      | 12,813                      | 25,270                      | 12,466                      | 26,033                      | 23,348                      | 8,544                       | 29,316                      |
| Other Expenditures               | 5,808                       | 170,843                     | (4,740)                     | (57,827)                    | 10,928                      | 6,076                       | 24,303                      | 19,278                      | (25,561)                    | 8,487                       | 15,152                      | 94,756                      |
| Total Expenditures               | 3,863,066                   | 4,222,397                   | 3,909,458                   | 3,030,102                   | 2,298,311                   | 4,156,486                   | 3,045,304                   | 3,436,724                   | 3,539,509                   | 3,760,323                   | 3,934,932                   | 1,799,709                   |
| Transfer Out                     | 7,711,781                   | 191,665                     | 173,282                     | 292,259                     | 399,815                     | (166,959)                   | 124,620                     | 163,094                     | 129,031                     | 168,892                     | 137,168                     | 354,283                     |
| Transfer Out Debt Service        | 0                           | 0                           | 0                           | 0                           | 624,098                     |                             | 0                           | 0                           | 0                           | 0                           | 0                           | 0                           |
| Total Uses                       | 11,574,847                  | 4,414,062                   | 4,082,741                   | 3,322,361                   | 3,322,224                   | 3,989,528                   | 3,169,924                   | 3,599,817                   | 3,668,539                   | 3,929,215                   | 4,072,099                   | 2,153,992                   |
| Sources Less Uses                | (758,178)                   | (1,393,399)                 | 362,629                     | 12,711                      | (380,823)                   | (66,808)                    | 849,630                     | (1,562,429)                 | (666,616)                   | 650,719                     | (1,239,468)                 | 2,142,706                   |
| High Point                       | 17,618,943                  | 16,757,952                  | 16,449,244                  | 16,131,394                  | 16,044,088                  | 16,271,445                  | 16,455,448                  | 16,094,790                  | 14,620,770                  | 15,448,784                  | 14,279,193                  | 15,180,226                  |
| Low Point                        | 16,180,428                  | 15,077,975                  | 14,804,098                  | 14,697,578                  | 14,744,211                  | 14,417,228                  | 15,057,657                  | 14,289,478                  | 13,612,704                  | 12,839,326                  | 13,037,520                  | 12,700,098                  |
| Ending Cash Balance              | 16,471,374                  | 15,077,975                  | 15,440,604                  | 15,453,315                  | 15,072,492                  | 15,005,684                  | 15,855,314                  | 14,292,885                  | 13,626,269                  | 14,276,989                  | 13,037,520                  | 15,180,226                  |

## HEALTH CARE ACCESS FUND

The Health Care Access Fund (the “HCAF”) was established to account for revenues and expenditures for initiatives that promote access to and contain the cost of health care. Initially, the HCAF financed MinnesotaCare, a State health insurance program for working Minnesotans with incomes too high to qualify for Minnesota’s Medicaid program, Medical Assistance, as well as funding for other health-related programs at the Departments of Human Services, Health, and several other agencies. Over time, MinnesotaCare coverage evolved with changes in economic conditions, interactions with other public health insurance programs, evolution of private insurance coverage, and changes in federal legislation. Since January 1, 2015, MinnesotaCare has operated as a Basic Health Program (“BHP”), an alternative health insurance coverage program available to states under the Affordable Care Act (“ACA”). As a BHP, Minnesota receives federal funding to provide MinnesotaCare coverage of individuals with incomes between 138 percent and 200 percent of the Federal Poverty Guidelines. These individuals do not qualify for Medical Assistance and would otherwise be eligible to purchase coverage through MNsure, Minnesota’s health insurance marketplace.

The largest sources of revenues into the HCAF are 1) a 1.8 percent provider tax on gross revenues of health providers, including hospitals, ambulatory surgical centers and wholesale drug distributors, and 2) a 1.0 percent gross premium tax on nonprofit health service and managed care plans. The tax rate for the provider tax was lowered from 2 percent to 1.8 percent on January 1, 2020, and was temporarily reduced to 1.6 percent on January 1, 2023, as a result of a provision of law which lowers the tax for a year if revenues exceed 125 percent of expenditures from the HCAF. The rate returned to 1.8 percent on January 1, 2024, as the conditions of this trigger were not met.

Expenditures from the HCAF still support MinnesotaCare, but the largest expenses paid from the HCAF are for Medical Assistance, as well as funding for other health-related activities and programs at the Departments of Human Services, Health, and several other agencies.

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, 2025          | \$ 483       |
| Revenues                                               | <u>2,137</u> |
| Total Resources                                        | \$ 2,619     |
| <b>Expenditures</b>                                    | <u>2,435</u> |
| <b>Projected Unreserved Balance Before Transfers</b>   | \$184        |
| <b>Transfers to Other Funds</b>                        | <u>164</u>   |
| <b>Projected Unrestricted Balance at June 30, 2027</b> | <u>\$ 21</u> |

Recent State legislation has affected the HCAF. Laws enacted during the 2025 Sessions have diminished the expected unrestricted balance at the end of the Current Biennium by \$217 million, including a one-time transfer of \$145 million in Fiscal Year 2026 from the HCAF to the State’s premium security plan account to help fund the State’s reinsurance program for calendar year 2026. This reinsurance program ensures that marketplace health insurance is affordable for lower- and middle-income Minnesotans. Additionally, the Legislature increased by \$139 million the State share of Medicaid expenses the HCAF pays and passed a \$25 million increase in funding to Federally Qualified Health Centers (FQHCs). These increases were partially offset by a \$24 million increase in provider tax revenues to reverse a 2024 tax court decision. Additionally, the Legislature enacted a \$82 million decrease in spending, including a \$57 million decrease in expenses by repealing MinnesotaCare® coverage for undocumented adults, and the repeal of a \$21 million contingent to implement a Minnesota public option health care plan.

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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 2024, 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 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

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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/>.

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. The 2023 Legislature lowered the investment return assumption to 7.0 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2023 and years thereafter. In Fiscal Year 2024, MSRS, PERA, and TRA also utilized a discount rate of 7.0 percent for GASB reporting purposes. See “Retirement Systems Funding” in this APPENDIX B for additional information regarding statutory and financial reporting discount rates. 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, 2024, are available from the following public web sites:

MSRS: <https://www.msrs.state.mn.us/annual-reports-fy-2024>  
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, 2024, are available from the following public web sites:

MSRS: <https://www.msrs.state.mn.us/annual-reports-fy-2024>  
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 E-91 through E-110) and Required Supplementary Information (pages E-160 through E-194) in the State Financial Statements in APPENDIX E. Pension disclosures in the State’s Financial Statements differ from the Retirement Systems’ financial statements. The State’s Financial Statements disclosures only include the State’s proportionate share and there is a one year lag in the disclosures statements in State’s Financial Statements compared to the Systems’ Annual Comprehensive Financial Reports.

See “Pension Obligation Reporting: GASB Statements 67 and 68” and “MSRS – GASB Statements No. 67 and

*No. 68 Actuarial Valuation Results” in this APPENDIX B for GASB 67 reporting information.*

### **Overview – MSRS**

MSRS provides retirement coverage for 61,241 active employees, 55,123 retirees, disabilitants, and beneficiaries, and 33,863 members who no longer contribute, but are eligible for future monthly benefits or a refund of their contributions, as of June 30, 2025. These members participate in five unique defined benefit retirement funds. The largest funds include the State Employees Retirement Fund, Correctional Employees Retirement Fund and State Patrol Retirement Fund, which represents 98.6 percent of total assets for MSRS’ defined benefit funds.

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

The State Employees Retirement Fund includes the General Employees Retirement Plan, a multiple-employer, cost-sharing plan, and three special groups: 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.

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Membership statistics for each of the MSRS funds, as of June 30, 2024, follow:

|                           | State<br>Employees<br>Retirement<br>Fund | State Patrol<br>Retirement<br>Fund | Correctional<br>Employees<br>Retirement<br>Fund | Judges<br>Retirement<br>Fund | Legislators<br>Retirement<br>Fund | Totals                 |
|---------------------------|------------------------------------------|------------------------------------|-------------------------------------------------|------------------------------|-----------------------------------|------------------------|
| Benefit Recipients:       |                                          |                                    |                                                 |                              |                                   |                        |
| Retirees                  | 42,537                                   | 916                                | 3,574                                           | 336                          | 249                               | 47,612                 |
| Beneficiaries             | 4,770                                    | 158                                | 326                                             | 77                           | 85                                | 5,416                  |
| Disabilitants             | 1,649                                    | 98                                 | 338                                             | 10                           | 0                                 | 2,095                  |
| Terminated members:       |                                          |                                    |                                                 |                              |                                   |                        |
| Vested, no benefits       | 18,827                                   | 79                                 | 1,649                                           | 21                           | 16                                | 20,592                 |
| Non-Vested                | 11,689                                   | 64                                 | 1,517                                           | 1                            | 0                                 | 13,271                 |
| Active members:           |                                          |                                    |                                                 |                              |                                   |                        |
| Vested                    | 40,653                                   | 632                                | 2,885                                           | 288                          | 7                                 | 44,465                 |
| Non-Vested                | 14,800                                   | 355                                | 1,591                                           | 30                           | 0                                 | 16,776                 |
| Total Membership          | 134,925                                  | 2,302                              | 11,880                                          | 763                          | 357                               | 150,227                |
| <i>Annualized Payroll</i> | <i>\$4,062,909,000</i>                   | <i>\$113,331,000</i>               | <i>\$331,010,000</i>                            | <i>\$58,849,000</i>          | <i>\$422,000</i>                  | <i>\$4,566,521,000</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, 2024, for the defined contribution funds total \$12,811,919,000.

### **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, 2024, PERA's three multi-employer, cost-sharing, defined benefit plans cover 180,132 members currently employed and earning benefits; 171,501 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 136,730 persons currently receiving benefits. These three plans represent 99.5 percent of PERA's defined benefit plan assets. In addition, PERA's multi-employer agent defined benefit plan for volunteer firefighters covers 4,919 active members, 1,415 members eligible for future benefits and 137 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, 2024, follow:

|                            | <b>General<br/>Employees<br/>Retirement<br/>Fund<br/>(GERF)</b> | <b>Public<br/>Employees<br/>Police &amp; Fire<br/>Fund<br/>(PEPFF)</b> | <b>Public<br/>Employees<br/>Correctional<br/>Fund<br/>(PECF)</b> | <b>Totals</b>          |
|----------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------|------------------------|
| <b>Benefit Recipients:</b> |                                                                 |                                                                        |                                                                  |                        |
| Retirees                   | 108,878                                                         | 8,680                                                                  | 1,605                                                            | 119,163                |
| Beneficiaries              | 9,807                                                           | 2,026                                                                  | 105                                                              | 11,938                 |
| Disabilitants              | 3,195                                                           | 2,186                                                                  | 248                                                              | 5,629                  |
|                            |                                                                 |                                                                        |                                                                  |                        |
| <b>Terminated Members:</b> |                                                                 |                                                                        |                                                                  |                        |
| Vested, no benefits        | 71,542                                                          | 1,940                                                                  | 4,637                                                            | 78,119                 |
| Non Vested                 | 89,853                                                          | 894                                                                    | 2,635                                                            | 93,382                 |
|                            |                                                                 |                                                                        |                                                                  |                        |
| <b>Active Members:</b>     |                                                                 |                                                                        |                                                                  |                        |
| Vested                     | 104,850                                                         | 9,203                                                                  | 1,986                                                            | 116,039                |
| Non Vested                 | 59,374                                                          | 2,791                                                                  | 1,928                                                            | 64,093                 |
|                            |                                                                 |                                                                        |                                                                  |                        |
| <b>Total Membership</b>    | <b>447,499</b>                                                  | <b>27,720</b>                                                          | <b>13,144</b>                                                    | <b>488,363</b>         |
|                            |                                                                 |                                                                        |                                                                  |                        |
| <i>Annualized Payroll</i>  | <i>\$8,018,431,000</i>                                          | <i>\$1,296,322,000</i>                                                 | <i>\$254,735,000</i>                                             | <i>\$9,569,488,000</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 595 reporting employer units, 85,962 active members and a total of 70,480 retirees, survivors, beneficiaries and disabilitants who were receiving monthly benefits, as of June 30, 2024.

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, 2024, follow:

|                           |                        |
|---------------------------|------------------------|
| Benefit Recipients:       |                        |
| Retirees                  | 63,128                 |
| Disabilitants             | 432                    |
| Beneficiaries             | 6,920                  |
|                           |                        |
| Terminated Members:       |                        |
| Vested, deferred          | 20,606                 |
| Non Vested                | 41,476                 |
|                           |                        |
|                           |                        |
| Active Members:           |                        |
| Vested                    | 69,058                 |
| Non Vested                | 16,904                 |
|                           |                        |
| Total Membership          | 218,524                |
|                           |                        |
| <i>Annualized Payroll</i> | <i>\$6,501,070,000</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 \$93.68 billion, as of June 30, 2024. The Combined Funds market value was \$101.22 billion, as of June 30, 2025 (unaudited).

### ***Assumed Return***

Employee and employer contribution rates are specified in State statute as a percentage of an employee’s salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of promised pension benefits. In order to meet these projected pension costs, Minnesota Statutes specify the annual investment return the retirement fund assets are assumed to earn. The 2012 Legislature modified the investment earnings assumption to a “select and ultimate” method, effective for the July 1, 2013 actuarial valuation report. At that time, the “select” annualized assumed investment return was 8.0 percent for Fiscal Year 2013 through Fiscal Year 2017 and the “ultimate” annualized assumed investment return rate was 8.5 percent for Fiscal Year 2018 and years thereafter, with the exception of the Legislators and Elective State Officers Retirement Funds, which changed from 8.5 percent to 0 percent for all years. The 2015 Legislature reduced the annualized assumed investment return from 8.5 percent to 8.0 percent for MSRS, PERA, and SPTRFA for Fiscal Year 2016 and years thereafter; however, TRA was statutorily required to continue to use the “select and ultimate” method. (For additional information on the select and ultimate method and recent legislative changes, see “Pension Legislation and Litigation” in this APPENDIX B.) The 2018 Legislature reduced the annualized assumed investment return to 7.5 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2018 and years thereafter. The 2023 Legislature further reduced the annualized assumed investment return to 7.0 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2023 and thereafter. Normally, pension assets will accumulate in the Combined Funds for 30 to 40 years during an employee’s years of active service. A typical retiree can be expected to draw benefits for an additional 15 to 20 years or longer. This provides the Combined Funds with a long investment time horizon and permits the SBI to take advantage of the return opportunities offered by common stocks and other equity investments in order to meet the annualized assumed investment return. In Fiscal Year 2024, the 7.0 percent discount rate required by statute aligned with GASB reporting for all three retirement systems in Minnesota. 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 public equity, fixed income, private market 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 public equity 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.

The target allocation to each asset class as of June 2025 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% |

In October 2025, the SBI approved an update to the asset allocation policy. While keeping the total Fixed Income allocation at 25 percent of the portfolio, the Core Bonds allocation was increased to 12 percent and Cash was decreased to 3 percent. 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). As of June 2025, the uncommitted allocation in Private Markets was invested in Public Equity within the Private

Markets allocation. Under the updated asset allocation policy approved in October 2025, the uncommitted allocation in Private Markets will be invested 80 percent in Public Equity and 20 percent in Core Bonds. The SBI recognizes that in some market situations the allocation to Private Markets may exceed 25 percent but may not exceed 32 percent. An increase to the maximum allowable allocation to Private Markets from 25 to 32 percent was approved at the March 2023 SBI meeting.

The following table represents the actual asset allocation and the market value for the Combined Funds as of June 30, 2024 and June 30, 2025 (unaudited).

**COMBINED FUNDS INVESTMENTS**  
**PERIODS ENDING JUNE 30, 2024 AND JUNE 30, 2025 (UNAUDITED)**  
(\$'s in Millions)

|                                                                   | <b>Target<br/>Allocation as<br/>of June 30,<br/>2024</b> | <b>Actual Mix<br/>6/30/2024</b> | <b>Market<br/>Value<br/>6/30/2024<sup>(1)</sup></b> | <b>Target<br/>Allocation as<br/>of June 30,<br/>2025</b> | <b>Actual Mix<br/>6/30/2025<br/>(unaudited)</b> | <b>Market<br/>Value<br/>6/30/2025<sup>(1)</sup><br/>(unaudited)</b> |
|-------------------------------------------------------------------|----------------------------------------------------------|---------------------------------|-----------------------------------------------------|----------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------|
| Public Equities                                                   | <b>50%</b>                                               | 50.53%                          | \$47,340                                            | 50%                                                      | 51.96%                                          | \$52,596                                                            |
| Total Fixed Income                                                | <b>25</b>                                                | 24.86                           | 23,284                                              | 25                                                       | 24.81                                           | 25,111                                                              |
| Private Markets                                                   | <b>25</b>                                                | 24.61                           | 23,055                                              | 25                                                       | 23.23                                           | 23,514                                                              |
| <i>Invested Private<br/>Markets</i>                               |                                                          | 24.37                           | 22,833                                              |                                                          | 22.04                                           | 22,306                                                              |
| <i>Uninvested<br/>Allocation Invested<br/>in Cash Equivalents</i> |                                                          | 0.24                            | 222                                                 |                                                          | 1.19                                            | 1,208                                                               |
| <b>Total</b>                                                      | <b>100%</b>                                              | <b>100%</b>                     | <b>\$93,679</b>                                     | <b>100%</b>                                              | <b>100%</b>                                     | <b>\$101,221</b>                                                    |

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

Source: SBI Quarterly Board Book Performance and SBI staff, periods ended June 30, 2024, and June 30, 2025 (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 12.3 percent for the Fiscal Year ending June 30, 2024. The rate of return in the Combined Funds was 10.9 percent for the one-year period that began on July 1, 2024 and ended June 30, 2025 (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.

|                       | <u>2020</u>                                           | <u>2021</u> | <u>2022</u> | <b><i>Period Ending June 30, 2024</i></b> |             |              |              |               |               |               |
|-----------------------|-------------------------------------------------------|-------------|-------------|-------------------------------------------|-------------|--------------|--------------|---------------|---------------|---------------|
|                       |                                                       |             |             | <u>2023</u>                               | <u>2024</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> | 4.2%                                                  | 30.3%       | -6.4%       | 8.9%                                      | 12.3%       | 4.6%         | 9.2%         | 8.3%          | 8.3%          | 8.8%          |
| Composite Index       | 4.0%                                                  | 28.8%       | -6.3%       | 8.7%                                      | 11.9%       | 4.4%         | 8.8%         | 8.0%          | 8.1%          | 8.5%          |
|                       | <b><i>Period Ending June 30, 2025 (unaudited)</i></b> |             |             |                                           |             |              |              |               |               |               |
|                       | <u>2021</u>                                           | <u>2022</u> | <u>2023</u> | <u>2024</u>                               | <u>2025</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> | 30.3%                                                 | -6.4%       | 8.9%        | 12.3%                                     | 10.9%       | 10.7%        | 10.6%        | 8.9%          | 8.3%          | 8.6%          |
| Composite Index       | 28.8%                                                 | -6.3%       | 8.7%        | 11.9%                                     | 10.9%       | 10.5%        | 10.2%        | 8.7%          | 8.1%          | 8.3%          |

Source: SBI Quarterly Board Book for the periods ended June 30, 2024 and June 30, 2025 (unaudited).

Actual Combined Funds returns relative to the total fund composite index are shown above. For the 10-year

period ending June 30, 2025 (unaudited), the Combined Funds outperformed the composite index by 0.2 percent points. For the 20-year period ending June 30, 2025 (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, 2025 (unaudited).

Comparing the Actual Combined Funds returns relative to the 7.0 percent annualized investment return assumption for the period ended June 30, 2025 (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 2024 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 Fiscal Year 2024 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 2024 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                                                     | \$250,935                                                         |
| <b>Correctional Employees Retirement Fund</b>         | <b>Multiple employer, cost-sharing plans</b> | Yes                                 | No                                                     | \$62,250                                                          |
| <b>Judges Retirement Fund</b>                         | <b>Single employer, State plan</b>           | Yes                                 | No                                                     | \$13,241                                                          |
| <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                                                     | \$34,064                                                          |
| Unclassified Employees Retirement Fund                | Defined Contribution                         | Yes                                 | No                                                     | \$10,35                                                           |
| 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 2024 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                                                    | \$1,737                                                           |
| <b>Public Employees Police and Fire Fund</b>          | <b>Multiple employer, cost-sharing plan</b>  | No                                  | Yes <sup>(4)</sup>                                     | \$571                                                             |
| <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 2024 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>                                     | \$20,062 <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, 2024; PERA, Schedule Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only, Fiscal Year ended June 30, 2024; TRA, Schedule of Employer and Non-Employer Allocations, Fiscal Year ended June 30, 2024.

### 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 100 percent funded on an actuarial value of assets basis. 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 110 percent funded on an actuarial value of assets basis for three consecutive years. 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 both the PERA Public Employees Police and Fire Fund and the MSRS State Patrol Retirement Fund becoming 100 percent funded on an actuarial value of assets basis. 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 help support retirement

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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.

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 Judges Retirement Fund becomes 110 percent funded on an actuarial value of assets basis for three consecutive years.

*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. Legislation enacted in 2025 amended the sunset of this and other direct state aids. See “Recent Pension Legislation” in this APPENDIX B for additional information regarding these changes.

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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 Legislators Retirement Fund <sup>(5)</sup> | MSRS Judges Retirement Fund (JRF) | PERA Public Employees Police and Fire Fund (PEPFF) | Total    |
|-----------------------------|----------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------|--------------------------------------------------------|---------------------------|-------------------------------------------------|-----------------------------------|----------------------------------------------------|----------|
| 2015                        | \$24,000                                                             | \$15,454                          | \$9,827                                                   | \$6,000                                                | \$14,377                  | \$3,964                                         | \$ -                              | \$ -                                               | \$73,622 |
| 2016                        | 6,000                                                                | 29,831                            | 9,827                                                     | -                                                      | -                         | 5,177                                           | -                                 | -                                                  | 50,835   |
| 2017                        | 6,000                                                                | 29,831                            | 9,827                                                     | -                                                      | -                         | 8,936                                           | 3,000                             | -                                                  | 57,594   |
| 2018                        | 16,000                                                               | 29,831                            | 9,827                                                     | -                                                      | -                         | 8,961                                           | 6,000                             | -                                                  | 70,619   |
| 2019                        | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 8,909                                           | 6,000                             | 4,500                                              | 80,067   |
| 2020                        | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 8,850                                           | 6,000                             | 4,500                                              | 80,008   |
| 2021                        | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 8,761                                           | 6,000                             | 9,000                                              | 84,419   |
| 2022                        | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 8,886                                           | 6,000                             | 9,000                                              | 84,379   |
| 2023                        | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 8,758                                           | 6,000                             | 9,000                                              | 84,553   |
| 2024                        | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 8,753                                           | 6,000                             | 9,000                                              | 84,411   |
| *2025                       | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 8,974                                           | 6,000                             | 9,000                                              | 84,632   |
| *2026                       | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 9,075                                           | 6,000                             | 9,000                                              | 84,733   |
| *2027                       | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 9,188                                           | 6,000                             | 9,000                                              | 84,846   |
| *2028                       | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 9,304                                           | 6,000                             | 9,000                                              | 84,962   |
| *2029                       | 16,000                                                               | 29,831                            | 14,827                                                    | -                                                      | -                         | 9,420                                           | 6,000                             | 9,000                                              | 85,078   |

<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 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 2025-FY 2029 as of the end of the 2025 Legislative Session.  
Source: MMB General Fund balance analysis

The following table summarizes the one-time direct state aids appropriated by the 2023 and 2024 Legislatures, in addition to those included in the table above.

**ONE-TIME DIRECT STATE AIDS TO PENSION FUNDS**

(\$'s in Thousands)

| <b>Plan</b>                                | <b>FY 2024</b>   | <b>FY 2025</b>  |
|--------------------------------------------|------------------|-----------------|
| MSRS General Employees Retirement Plan     | \$76,440         | \$ -            |
| MSRS Correctional Employees Plan           | 10,446           | -               |
| MSRS State Patrol Retirement Plan          | 11,971           | -               |
| MSRS Legislators Retirement Plan           | 91               | -               |
| MSRS Judges Retirement Plan                | 293              | -               |
| PERA General Employees Retirement Fund     | 170,093          | -               |
| PERA Public Employees Police and Fire Plan | 19,397           | -               |
| PERA Public Employees Correctional Fund    | 5,256            | -               |
| TRA                                        | 176,167          | 28,462          |
| SPTRFA                                     | 15,747           | 1,538           |
| Total                                      | <u>\$485,900</u> | <u>\$30,000</u> |

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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 2025 through Fiscal Year 2029.

**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> |
|------------------------------------|--------------------------------------------------------------|------------------------------------------------------------|-------------------------------|-------------------------------------|------------------------------------|--------------------------------------------------------------|--------------|
| 2015                               | \$93,936                                                     | \$2,729                                                    | \$14,146                      | \$625                               | \$2,094                            | \$15,498                                                     | \$129,028    |
| 2016                               | 98,468                                                       | 2,729                                                      | 14,090                        | 531                                 | 2,094                              | 15,498                                                       | 133,410      |
| 2017                               | 102,204                                                      | 2,729                                                      | 14,068                        | 584                                 | 2,094                              | 15,473                                                       | 137,152      |
| 2018                               | 105,252                                                      | 2,729                                                      | 14,065                        | 629                                 | 2,094                              | 15,498                                                       | 140,267      |
| 2019                               | 110,058                                                      | 2,729                                                      | 13,919                        | 705                                 | 2,094                              | 15,498                                                       | 145,003      |
| 2020                               | 115,461                                                      | 2,729                                                      | 13,900                        | 606                                 | 2,094                              | 15,495                                                       | 150,285      |
| 2021                               | 121,295                                                      | 2,729                                                      | 0                             | 637                                 | 2,094                              | 15,500                                                       | 142,255      |
| 2022                               | 121,776                                                      | 2,729                                                      | 0                             | 607                                 | 2,094                              | 15,500                                                       | 142,706      |
| 2023                               | 129,930                                                      | 2,729                                                      | 0                             | 707                                 | 2,094                              | 15,500                                                       | 150,890      |
| 2024                               | 141,769                                                      | 2,729                                                      | 0                             | 517                                 | 2,094                              | 15,500                                                       | 162,609      |
| *2025                              | 163,650                                                      | 2,729                                                      | 0                             | 517                                 | 2,094                              | 15,500                                                       | 184,490      |
| *2026                              | 171,880                                                      | 2,729                                                      | 0                             | 615                                 | 2,094                              | 15,500                                                       | 192,818      |
| *2027                              | 180,440                                                      | 2,729                                                      | 0                             | 615                                 | 2,094                              | 15,500                                                       | 201,378      |
| *2028                              | 189,410                                                      | 2,729                                                      | 0                             | 615                                 | 2,094                              | 15,500                                                       | 210,348      |
| *2029                              | 198,830                                                      | 2,729                                                      | 0                             | 615                                 | 2,094                              | 15,500                                                       | 219,768      |

<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 2025-FY 2029 as of the end of the 2025 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 a new 30-year period. The 2024 Legislature clarified in statute that the fixed amortization date can only be adjusted if a calculation required in Minnesota Statutes, Section 356.215, Subdivision 11 following a change in the benefit plan, a change in plan actuarial assumptions, or a change in plan actuarial methods results in an earlier established date for full funding. The statutory funding dates for each plan were no later than July 1, 2048 in the July 1, 2024 actuarial valuations.

| <u>Retirement System</u> | <u>Fund</u>                            | <u>Statutory Funding<br/>Date as of the<br/>July 1, 2024,<br/>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                                                                                  |

The 2025 Legislature removed the fixed date amortization periods in statute and replaced it with a layered amortization approach beginning with July 1, 2025 actuarial valuations. These changes adopted recommendations from a legislative work group established in 2024 to suggest amendments to the statute governing actuarial valuations to conform to current actuarial best practices for amortizing liabilities. With a few exceptions, each Retirement System’s unfunded actuarial liability as of July 1, 2024, will continue to be amortized through July 1, 2048, and for future changes to plan benefits, actuarial assumptions or actuarial methods, statute now lists different amortization periods that apply to changes in unfunded actuarial accrued liabilities, depending on the reason for the change, as shown below:

- Experience gain or loss: 15 years
- Assumption or method changes: 20 years
- Benefit change for active members: 15 years
- Long-term benefit change for inactive members: 15 years
- Short-term benefit change for inactive members: the number of years during which the benefit change will be in effect
- An annual contribution that is more or less than the actuarially determined contribution: 15 years

Exceptions include the Legislators Retirement Plan, which is a pay-as-you-go plan, and certain benefit improvements enacted in 2025 for the State Patrol Retirement Fund, the Public Employees Police and Fire Fund, and the Teachers Retirement Association, which will be amortized using the existing June 30, 2048 amortization date rather than the new 15 year amortization period for active member benefit improvements.

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 meet the funding requirements. If the contributions are not increased in Minnesota Statutes to match the funding requirements determined by the actuarial consultants, deficiencies are created and those deficiencies may become worse over time. The actuarial value of plan assets is smoothed over the most recent five-year period to reduce volatility of both the funding ratio and required contribution rates.

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

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

The most recently adopted four-year experience study for MSRS' State Employees Retirement Fund covered the period July 1, 2018 through June 30, 2022, and was completed June 29, 2023 and approved by the LCPR on February 12, 2024. Based on the results of this study, several changes in economic and demographic actuarial assumptions were recommended, including:

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

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

Experience studies for MSRS' State Patrol, Correctional Employees, and Judges Retirement Funds for the period July 1, 2019 through June 30, 2023, were completed on June 30, 2024. Based on the results of these studies, several changes in economic and demographic actuarial assumptions were recommended, including:

- adjusting assumed retirement ages;
- adjusting disability rates;
- adjusting merit and seniority pay increase rates;
- adjusting retirement and withdrawal rates;
- minor changes to spouse age difference, percent married, and form of payment assumptions; and
- changing base mortality tables to more closely match experience.

For MSRS' State Patrol, Correctional Employees, and Judges Retirement Funds, the MSRS Board approved the changes in the actuarial assumptions on September 19, 2024. The LCPR adopted the same proposed changes in the actuarial assumptions April 22, 2025.

The most recent actuarial experience study for PERA's GEF covered the period July 1, 2018, through June 30, 2022, and was completed in 2023. As a result of the study, several demographic assumption changes were recommended. These changes were adopted by the PERA Board of Trustees at the August 10, 2023 board meeting and the LCPR approved the

recommended changes at the February 16, 2024 meeting for implementation in the July 1, 2024 actuarial valuation.

PERA's actuaries completed experience studies for PEPFF and PECF in 2024, each covering the period from July 1, 2019 through June 30, 2023. Several assumption changes were recommended for PEPFF and PECF, including disability rates, retirement rates, and termination rates. For PEPFF, the higher disability rate assumption drove an increase in the estimated actuarially required contribution, resulting in a projected contribution deficiency of 1.58 percent from a contribution sufficiency of 1.51 percent. The LCPR approved the proposed assumption changes for both plans at its April 22, 2025 meeting, and the new assumptions will first be reflected in the July 1, 2025 valuations.

The July 1, 2018 through June 30, 2022, experience study for TRA was completed in August 2023. The report contained recommendations to update certain demographic assumptions, including the mortality tables used for pre-retirement members, healthy retirees, beneficiaries, and disabled members, changes to the rate of early reduced benefits, unreduced benefits, and the form of payment selected at time of retirement, changes to the rates of termination of employment, and changes to disability rates at age 45 and older to better match experience. The report contained a recommendation to lower the investment return assumption from 7.5 percent to 7.0 percent, which the Legislature enacted in the 2023 Legislative Session. The demographic assumption changes, not including the investment return assumption that was already enacted by the 2023 Legislature, are estimated to decrease required contributions by 1.12 percent of active member covered payroll. These changes were approved by the TRA Board of Trustees at their September 13, 2023 meeting and passed by the LCPR on February 19, 2024. The changes will become effective with the July 1, 2024, actuarial valuation.

### **Actuarial Valuation Requirements**

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

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

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

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

The actuarial valuations of the pension funds use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the pension funds. For example, the pension funds use an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a five-year period to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2024, the aggregate market value of all of the assets of the Retirement Systems, as determined by the Retirement Systems' actuaries, was approximately \$92.830 billion. As of June 30, 2024, the aggregate actuarial value of all assets of the Retirement Systems was \$95.359 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, 2024, based on the respective annual actuarial valuation reports.

**STATUTORY METHOD**  
**FUNDING STATUS OF DEFINED BENEFIT PENSION FUNDS TO WHICH MINNESOTA PROVIDES**  
**GENERAL FUND RESOURCES AS OF JUNE 30, 2024<sup>(1)</sup>**

(\$'s in millions)

|                                                              | Actuarial Value                                |                                                       |                                                           |                               | Market Value                       |                       |                  | Membership        |                  |
|--------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------|-------------------------------|------------------------------------|-----------------------|------------------|-------------------|------------------|
|                                                              | Actuarial<br>Accrued<br>Liability <sup>2</sup> | Actuarial<br>Value of<br>Assets<br>(AVA) <sup>3</sup> | Unfunded<br>Actuarial<br>Liability<br>(UAAL) <sup>4</sup> | Funding<br>Ratio <sup>6</sup> | Value<br>of<br>Assets <sup>8</sup> | Unfunded<br>Liability | Funding<br>Ratio | Active<br>Members | Other<br>Members |
| <b>1. Funds Where the State Has Custodial Responsibility</b> |                                                |                                                       |                                                           |                               |                                    |                       |                  |                   |                  |
| <b>Minnesota State Retirement System (MSRS):</b>             |                                                |                                                       |                                                           |                               |                                    |                       |                  |                   |                  |
| — State Employees Retirement Fund                            | \$18,172                                       | \$17,658                                              | \$514                                                     | 97.17%                        | \$18,138                           | \$33                  | 99.82%           | 55,453            | 79,472           |
| — State Patrol Retirement Fund                               | 1,208                                          | 1,025                                                 | 183                                                       | 84.86%                        | 1,053                              | 155                   | 87.20%           | 987               | 1,315            |
| — Correctional Employees Retirement Fund                     | 2,264                                          | 1,745                                                 | 519                                                       | 77.08%                        | 1,793                              | 472                   | 79.17%           | 4,476             | 7,404            |
| — Judges Retirement Fund                                     | 447                                            | 287                                                   | 160                                                       | 64.23%                        | 295                                | 152                   | 65.98%           | 318               | 445              |
| — Legislators Retirement Fund <sup>(7)</sup>                 | 146                                            | 0                                                     | 146                                                       | N/A                           | 0                                  | 146                   | N/A              | 7                 | 350              |
| Subtotal                                                     | \$22,236                                       | \$20,715                                              | \$1,521                                                   |                               | \$21,279                           | \$957                 |                  | 61,241            | 88,986           |
| <b>Public Employees Retirement Association (PERA):</b>       |                                                |                                                       |                                                           |                               |                                    |                       |                  |                   |                  |
| — General Employees Fund                                     | \$33,859                                       | \$29,355                                              | \$4,504                                                   | 86.70%                        | \$30,162                           | \$3,697               | 89.08%           | 164,224           | 283,275          |
| — PERA Police & Fire Fund                                    | 13,381                                         | 11,744                                                | 1,637                                                     | 87.77%                        | 12,065                             | 1,316                 | 90.17%           | 11,994            | 15,726           |
| — Local Correctional Service Fund                            | 1,239                                          | 1,176                                                 | 63                                                        | 94.93%                        | 1,208                              | 30                    | 97.54%           | 3,914             | 9,230            |
| Subtotal                                                     | \$48,479                                       | \$42,275                                              | \$6,203                                                   |                               | \$43,436                           | \$5,043               |                  | 180,132           | 308,231          |
| <b>Teachers' Retirement Association (TRA):</b>               | \$35,447                                       | \$28,323                                              | \$7,124                                                   | 79.90%                        | \$29,092                           | \$6,354               | 82.07%           | 85,962            | 132,562          |
| Custodial Subtotal                                           | \$106,161                                      | \$91,313                                              | \$14,848                                                  |                               | \$93,807                           | \$12,354              |                  | 327,335           | 529,779          |
| <b>2. Other Funds to Which the State Contributes</b>         |                                                |                                                       |                                                           |                               |                                    |                       |                  |                   |                  |
| Local Police & Fire Associations <sup>(8)</sup>              | \$187                                          | \$218                                                 | \$(31)                                                    | 116.35%                       | \$218                              | \$(31)                | 116.35%          | 97                | 142              |
| St. Paul Teachers' Retirement Fund                           | 1,933                                          | 1,300                                                 | 633                                                       | 67.24%                        | 1,335                              | 598                   | 69.06%           | 3,366             | 10,271           |
| Other Contribution Subtotal                                  | \$2,120                                        | \$1,517                                               | \$603                                                     |                               | \$1,553                            | \$567                 |                  | 3,463             | 10,413           |
| <b>TOTAL</b>                                                 | <b>\$108,281</b>                               | <b>\$92,830</b>                                       | <b>\$15,451</b>                                           |                               | <b>\$95,359</b>                    | <b>\$12,922</b>       |                  | <b>330,798</b>    | <b>540,192</b>   |

(1) The information provided in this table reflects the condition of all funds as of June 30, 2024 and is derived from actuarial valuation results as of July 1, 2024. For additional information on the State's pension systems, see "APPENDIX E – State Financial Statements Note 8 – Pension and Investment Trust Funds" (see pages E-91 through F-110) and "Required Supplementary Information" (see pages E-160 through E-194).

(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, 2024 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, 2023 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, 2024; St. Paul Teachers' Retirement Fund Association actuarial valuation report, Fiscal Year ended June 30, 2024; Bloomington Fire Relief Association actuarial valuation report, calendar year ended December 31, 2023.

## **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 2023, the statutorily required discount rate was reduced to 7.0 percent and the discount rate for GASB reporting was 7.0 percent.

The Fiscal Year 2024 GASB 67 Reports are based on June 30, 2024 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, 2024. 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 2024 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 12.3 percent for Fiscal Year 2024. 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, 2024**  
(\$'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          | \$18,171,621                   | \$18,138,356                                   | \$33,265       | 99.82%                                                                            | \$4,062,909                        | 0.82%                                         |
| State Patrol             | 1,207,559                      | 1,052,966                                      | 154,593        | 87.20%                                                                            | 113,331                            | 136.41%                                       |
| State Correctional       | 2,264,140                      | 1,792,602                                      | 471,538        | 79.17%                                                                            | 331,010                            | 142.45%                                       |
| Judges                   | 446,640                        | 294,703                                        | 151,937        | 65.98%                                                                            | 58,849                             | 258.18%                                       |
| Legislators <sup>3</sup> | <u>100,461</u>                 | <u>0</u>                                       | <u>100,461</u> | <u>0.00%</u>                                                                      | <u>422</u>                         | <u>23,805.92%</u>                             |
| MSRS Totals              | \$22,190,421                   | \$21,278,627                                   | \$911,794      | 95.89%                                                                            | \$4,566,521                        | 19.97%                                        |
| TRA                      | \$35,446,800                   | \$29,092,479                                   | \$6,354,321    | 82.07%                                                                            | \$6,094,735                        | 104.26%                                       |
| PERA:                    |                                |                                                |                |                                                                                   |                                    |                                               |
| General Employees        | \$33,858,933                   | \$30,162,004                                   | \$3,696,929    | 89.08%                                                                            | \$8,018,431                        | 46.11%                                        |
| Police and Fire          | 13,380,841                     | 12,065,232                                     | 1,315,609      | 90.17%                                                                            | 1,296,500                          | 101.47%                                       |
| Local Government         | <u>1,238,891</u>               | <u>1,208,413</u>                               | <u>30,478</u>  | <u>97.54%</u>                                                                     | <u>254,734</u>                     | <u>11.96%</u>                                 |
| Correctional             |                                |                                                |                |                                                                                   |                                    |                                               |
| Total PERA               | \$48,478,665                   | \$43,435,649                                   | \$5,043,016    | 89.60%                                                                            | \$9,569,665                        | 52.70%                                        |

<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, 2024.

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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 2024 are as follows:

**MINNESOTA RETIREMENT SYSTEMS**  
**SENSITIVITY OF THE FISCAL YEAR 2024 NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT**  
**RATE**  
**USING GASB STATEMENT NO. 67**  
**Actuarial Valuation Date as of July 1, 2024**  
(\$'s in Thousands)

|                    | With 1% Decrease |              | Current Discount Rate |             | With 1% Increase |               |
|--------------------|------------------|--------------|-----------------------|-------------|------------------|---------------|
|                    | Rate             | NPL          | Rate                  | NPL         | Rate             | NPL           |
| MSRS               |                  |              |                       |             |                  |               |
| State Employees    | 6.00%            | \$2,288,831  | 7.00%                 | \$33,265    | 8.00%            | \$(1,840,252) |
| State Patrol       | 6.00%            | \$310,979    | 7.00%                 | \$154,593   | 8.00%            | \$26,120      |
| State Correctional | 6.00%            | \$806,352    | 7.00%                 | \$471,538   | 8.00%            | \$199,690     |
| Judges             | 6.00%            | \$196,045    | 7.00%                 | \$151,937   | 8.00%            | \$114,030     |
| Legislators        | 2.97%            | \$109,332    | 3.97%                 | \$100,461   | 4.97%            | \$92,801      |
| TRA                | 6.00%            | \$11,190,331 | 7.00%                 | \$6,354,321 | 8.00%            | \$2,374,170   |
| PERA               |                  |              |                       |             |                  |               |
| General Employees  | 6.00%            | \$8,074,688  | 7.00%                 | \$3,696,929 | 8.00%            | \$95,823      |
| Police and Fire    | 6.00%            | \$3,109,041  | 7.00%                 | \$1,315,609 | 8.00%            | \$(157,174)   |
| Local Government   | 6.00%            | \$247,671    | 7.00%                 | \$30,478    | 8.00%            | \$(142,550)   |
| Correctional       |                  |              |                       |             |                  |               |

Source. Retirement Systems' GASB 67 and 68 Accounting reports, Fiscal Year ended June 30, 2024.

*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 Litigation

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.

## Recent Pension Legislation

The State has a history of periodically enacting legislation impacting the Retirement System's plans. 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>1</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>2</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. The 2018 Legislature unanimously passed the 2018 Omnibus Retirement Act (Laws of Minnesota 2018, Chapter 211) ("2018 Act"). The 2018 Act was signed by the then Governor Dayton on May 31, 2018. It contained a comprehensive set of reforms intended to improve the funding status of Minnesota's public pension funds. Based on estimates provided to the LCPR by the Retirement Systems, the 2018 Act immediately reduced the actuarial accrued liabilities of the three Retirement Systems by approximately \$3.3 billion. The description below, adapted from a summary published by the LCPR, provides information about the enacted changes:<sup>3</sup>

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

The 2018 Act also reduced or temporarily suspended the COLA increases automatically applied to retiree pension benefits and, for two pension plans administered by PERA, changed the method for determining the amount of COLA increases to tie them to COLA increases on federal Social Security pensions.

The COLA-related changes in the 2018 Act were the following:

- *COLA triggers repealed:* Prior to the 2018 Act, Minnesota Statutes provided automatic increases to the COLA rates established in law if a plan reached a specified funding ratio. The 2018 Act removed these automatic modifications to post retirement pension benefit adjustments for all plans.
- *COLA percentage reduced:* The percentage of automatic increase was modified for these plans:
  - MSRS General Plan: From 2 percent (applicable prior to the 2018 Act) to 1 percent through calendar year 2023, then 1.5 percent thereafter.
  - MSRS Correctional Plan: From 2 percent (applicable prior to the 2018 Act) to 1.5 percent.
  - TRA: From 2 percent (applicable prior to the 2018 Act) to 1 percent through calendar year 2023, then the rate would increase by 0.1 percent each year until it reached 1.5 percent, and remain at 1.5 percent thereafter.
  - SPTRFA: No COLA increase for calendar years 2019 and 2020, then 1 percent thereafter.

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<sup>1</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>2</sup> Then Governor Dayton's veto letter regarding Chapter 2 (S.F. 3) can be found here:

[https://www.leg.state.mn.us/archive/vetoes/2017\\_sp1veto\\_ch2.pdf](https://www.leg.state.mn.us/archive/vetoes/2017_sp1veto_ch2.pdf)

<sup>3</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)

- *COLA tied to SSA COLAs:* For the PERA General and Correctional Plans, the COLA became tied to the COLA as announced each year by the federal Social Security Administration.  
PERA General Plan: The increase as of a January 1, 2019, is 50 percent of the increase announced by the SSA, but no less than 1 percent and no greater than 1.5 percent.  
PERA Correctional Plan: The increase as of a January 1, 2019, is equal to the increase announced by the SSA, but no less than 1 percent and no greater than 2.5 percent. When the plan's funded ratio is less than 85 percent for two years or less than 80 percent for one year, the 2.5 percent maximum is reduced to 1.5 percent and remains at 1.5 percent thereafter.
- *First COLA postponed until normal retirement age:* For members who retire before normal retirement age (at an early retirement age), the member's pension benefit will not be increased by a COLA until the member reaches normal retirement age. This change is to take effect for retirements that occur after January 1, 2024, and affects MSRS General, PERA General, TRA, and SPTRFA.

The 2018 Act updated the annualized assumed investment return and re-set the amortization period for each pension fund except the Legislators Retirement Fund to a new 30-year period, extending the period until 2048. The 2018 Act removed the assumptions for payroll growth and salary increases and added references to an appendix to the Standards for Actuarial Work, published by the LCPR, where these assumptions will be reported and updated.

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

Employers and employees are required under Minnesota Statutes to contribute a specified percentage of pay to the pension plan in which they participate. The 2018 Act imposed contribution increases for the following plans, with increases to be phased in over a period of years:

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

The 2018 Act also required the State to make annual payments each October 1 directly to the PERA Public Employees Police and Fire Plan and to SPTRFA starting in Fiscal Year 2019. The amounts shown in Fiscal Year 2021 reflect the annual State direct aid payment amount for each year thereafter.

#### DIRECT STATE AID (\$ IN MILLIONS)

|        | FY19  | FY20  | FY21 |
|--------|-------|-------|------|
| PEPFF  | \$4.5 | \$4.5 | \$9  |
| SPTRFA | \$5   | \$5   | \$5  |

The 2018 Act also amended all the statutes that provide for direct state aid payments to the pension plans to add an expiration date that is, generally, the earlier of attainment of a funded ratio of 100 percent or July 1, 2048.

Finally, the 2018 Act provided funding to executive branch State agencies and school districts to offset expected costs related to the employer contribution rate increases. It amended the statute providing for pension adjustment revenue to school districts by adding a formula intended to reimburse school districts for the employer contribution increases to TRA and SPTRFA. Pension adjustment revenue is based on salaries paid to teachers. The 2018 Act also provided direct appropriations to executive branch State agencies to offset the estimated cost of the increased employer contribution rates.

The 2019 Legislature restored the annual state aid to PERA related to the merger of MERF that was reduced by the 2017 Legislature. The 2019 legislation increased the annual state aid amount from \$6 million to \$16 million beginning Fiscal

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

The 2021 Legislature reduced the postretirement adjustment rate for retirees in the MSRS Judges Retirement Plan from 1.75 percent per year to 1.5 percent per year and removed the automatic triggers that would increase the annual postretirement adjustment rate to 2 percent when the plan reaches a funded ratio of 70 percent in two consecutive years and to 2.5 percent when the plan reaches a funded ratio of 90 percent in two consecutive years. The 2021 Legislature also delayed by one year the implementation of a higher employee contribution rate for the SPTRFA which was set to increase from 7.5 percent to 7.75 percent on July 1, 2022. The increase will now go into effect on July 1, 2023. The change aligns with the timing of employee contribution rate increases for the TRA from the 2018 pension bill.

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

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

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

| <u>Retirement Plan</u> | <u>Amount</u> |
|------------------------|---------------|
| MSRS                   | \$99,239,947  |
| PERA                   | 194,746,328   |
| TRA                    | 176,166,838   |
| SPTRFA                 | 15,746,887    |

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

The 2024 Legislature amended statute to resolve a conflict between the fixed amortization periods and the separate calculation in Minnesota Statutes, Section 356.215, Subdivision 11 by making the fixed amortization date the established date for full funding unless the calculation in Minnesota Statutes, Section 356.215, Subdivision 11 results in an earlier established date for full funding. The statutory funding dates for each plan were no later than July 1, 2048 in the July 1, 2024 actuarial valuations.

The 2024 Legislature also changed the start date of the reduction in normal retirement age for TRA from July 1, 2025 to July 1, 2024 and repealed the pending extension of TRA's fixed amortization period to 2053. Separately, the employee contribution for SPTRFA members was reduced by 0.25 percent for two years beginning July 1, 2024. One-time direct state

aids of \$28,462,000 and \$1,538,000 were appropriated to TRA and SPTRFA, respectively, to more than cover the costs of these changes. Existing ongoing direct state aids to MSRS, TRA, and PERA were amended so that they continue until the later of 2048 or until three consecutive years of full funding, rather than the later of 2048 or one year of full funding.

The 2025 Legislature amended statute to convert fixed date amortization periods to a layered amortization approach. See “Retirement Systems Funding” in this APPENDIX B for additional information regarding layered amortization. The sunset of existing direct state aids to the State Patrol Retirement Fund, Judges Retirement Fund, and Public Employees Police and Fire Fund were amended to allow the aids to continue until specific funding thresholds are achieved, rather than the earlier of those funding thresholds or June 30, 2048. Similarly, sunsets for existing supplemental employer contribution rates to the Correctional Employees Retirement Fund and the State Patrol Retirement Fund were amended to allow these to continue until the funds’ market value of assets equals or exceeds 110 percent of actuarial accrued liabilities.

The 2025 Legislature also enacted benefit improvements. The State Employees Retirement Fund benefit multiplier was increased prospectively from 1.7 percent to 1.9 percent and the postretirement adjustment was increased from 1.5 percent to 1.75 percent. These improvements were absorbed by the plan’s sufficiency. The General Employees Retirement Fund postretirement adjustment was increased prospectively from a maximum of 1.5 percent to a maximum of 1.75 percent, absorbed by the plan’s contribution sufficiency. The State Patrol Retirement Fund postretirement adjustment was prospectively increased from 1.0 percent to 1.25 percent, funded by an annual \$2.3 million State aid through 2048. The Public Employees Police and Fire Fund will receive a one-time, compounded 3.0 percent postretirement adjustment in calendar year 2026, funded by an annual \$17.7 million State aid through 2048. Finally, TRA’s early retirement discounts were reduced for employees who are at least age 60 with at least 30 years of service, partially offset by a 0.31 percent increase in the employer contribution and by expanding the delay in postretirement adjustments for all members until they attain normal retirement age.

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

### **MSRS – Statutory Funding Actuarial Valuations**

While MSRS administers five defined benefit pension funds, the three largest funds, the State Employees Retirement Fund, the Correctional Employees Retirement Fund, and the State Patrol Retirement Fund, represent over 98.6 percent of total assets for MSRS’s defined benefit funds. Refer to the MSRS Annual Comprehensive Financial Report for further discussion of actuarial valuations for the MSRS defined benefit pension funds as of June 30, 2024.

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 97.17 percent funded, with the actuarial value of assets totaling \$17.658 billion, and the actuarial accrued liability totaling \$18.171 billion, as of July 1, 2024. 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 94.54 percent as of the July 1, 2023 actuarial valuation to 99.82 percent as of the July 1, 2024, actuarial valuation. The increase is primarily due to higher-than-assumed investment returns and a contribution sufficiency.

The actuarial valuation also calculates the required contribution rates that are necessary to ensure that the MSRS funds become fully funded. The July 1, 2024 actuarial valuation for the State Employees Retirement Fund calculated that statutory contributions currently received from members and employers are 1.66 percent of payroll above the amount required to fully fund the retirement plan by the current amortization date. The contribution changed from a sufficiency of 3.19 percent of payroll as of July 1, 2023, to a sufficiency of 1.66 percent of payroll as of July 1, 2024 (projected annual payroll for the fiscal year beginning on the July 1, 2024 actuarial valuation date was \$4.1 billion). The primary reason for the decrease was a one-time State aid of \$76.4 million in 2023.

Actuarial valuation results as of July 1, 2024 show that the MSRS Correctional Employees Retirement Fund is 77.08 percent funded, with the actuarial value of assets totaling \$1.745 billion, and the actuarial accrued liability totaling \$2.264 billion. The contribution sufficiency of 3.55 percent of payroll as of July 1, 2023 decreased during the fiscal year, resulting in a contribution sufficiency of 1.05 percent of payroll as of July 1, 2024. Funding status, determined on a market value of assets basis, increased from 74.77 percent as of the July 1, 2023, actuarial valuation to 79.17 percent as of the July 1, 2024. The increase is primarily due to higher-than-assumed investment returns.

The State Patrol Retirement Fund is 84.86 percent funded, with the actuarial value of assets totaling \$1.025 billion, and the actuarial accrued liability totaling \$1.208 billion based on July 1, 2024 actuarial valuation results. The contribution sufficiency decreased from 17.94 percent of payroll as of July 1, 2023 to 9.51 percent of payroll as of July 1, 2024 as a result of the one-time direct state aid in 2023. Annual State contributions of \$1 million are reflected in the computations of the contribution sufficiency as of the July 1, 2023 and the July 1, 2024 actuarial valuation dates. The funding status, determined on a market value of assets basis, increased from 80.59 percent as of the July 1, 2023, actuarial valuation to 87.20 percent as of the July 1, 2024 actuarial valuation as a result of the higher-than-assumed investment returns.

The Judges Retirement Fund is 64.23 percent funded, with the actuarial value of assets totaling \$287 million and the actuarial accrued liability totaling \$447 million based on July 1, 2024 actuarial valuation results. The contribution sufficiency for the plan of 3.55 percent of payroll as of the July 1, 2023 actuarial valuation decreased, resulting in a contribution sufficiency of 1.05 percent of payroll as of the July 1, 2024 actuarial valuation. The decrease was due to the one-time State aid in 2023. Funding status, determined on a market value of assets basis, increased from 62.48 percent as of the July 1, 2023 actuarial valuation to 65.98 percent as of the July 1, 2024 actuarial valuation due to the higher-than-assumed investment return.

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 calculated actuarially required contribution of the MSRS General Employees Retirement Plan, the largest State funded plan, was determined using the methods and assumptions listed below for FY 2024.

#### **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 | 7.0% 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 2018-2022                                                                                                                                                                                                                                                                                                                                                                  |
| 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, 2024  | \$480,272                                                                                                                                                                                                                                                                                                                                                                                              |

Sources: MSRS Annual Comprehensive Report, June 30, 2024, and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2024.

#### **MSRS - Historical Funding**

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

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

| <i>For the Fiscal<br/>Year ended June<br/>30<sup>th</sup></i> | <i>Statutory Actual Contribution Rates</i> |                 |                       | <i>Actuarial<br/>Recommended<br/>Rate</i> | <i>Sufficiency/<br/>Deficiency<br/>Employee</i> |
|---------------------------------------------------------------|--------------------------------------------|-----------------|-----------------------|-------------------------------------------|-------------------------------------------------|
|                                                               | <i>Employee</i>                            | <i>Employer</i> | <i>Total</i>          |                                           |                                                 |
| 2015                                                          | 5.50%                                      | 5.50%           | 11.00%                | 12.44%                                    | (1.44)%                                         |
| 2016                                                          | 5.50%                                      | 5.50%           | 11.00%                | 14.49%                                    | (3.49)%                                         |
| 2017                                                          | 5.50%                                      | 5.50%           | 11.00%                | 13.24%                                    | (2.24)%                                         |
| 2018                                                          | 5.75%                                      | 5.88%           | 11.63%                | 11.53%                                    | 0.10%                                           |
| 2019                                                          | 6.00%                                      | 6.25%           | 12.25%                | 11.58%                                    | 0.67%                                           |
| 2020                                                          | 6.00%                                      | 6.25%           | 12.25%                | 10.56%                                    | 1.69%                                           |
| 2021                                                          | 6.00%                                      | 6.25%           | 12.25%                | 9.13%                                     | 3.12%                                           |
| 2022                                                          | 6.00%                                      | 6.25%           | 12.25%                | 8.33%                                     | 3.92%                                           |
| 2023                                                          | 5.50%                                      | 6.25%           | 13.75% <sup>(1)</sup> | 10.56%                                    | 3.19%                                           |
| 2024                                                          | 5.50%                                      | 6.25%           | 11.75%                | 10.09%                                    | 1.66%                                           |

Sources: MSRS Annual Comprehensive Financial Reports (2015-2024) – Schedule of Actual Contribution Rates as Compared to Actuarially Recommended Rates.

<sup>(1)</sup> Fiscal Year 2024 Total includes one-time State aid.

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<br/>Fiscal<br/>Year<br/>ended<br/>June 30<sup>th</sup></i> | <i>Aggregate Accrued Liabilities</i>               |                                               |                                              | <i>Reported<br/>Assets</i> | <i>Portion Covered by<br/>Reported Assets</i> |                  |                  | <i>Funding<br/>Ratio<br/>(%)</i> |
|-----------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------|----------------------------------------------|----------------------------|-----------------------------------------------|------------------|------------------|----------------------------------|
|                                                                       | <i>Active<br/>Member<br/>Contributions<br/>(1)</i> | <i>Retirees and<br/>Beneficiaries<br/>(2)</i> | <i>Employer<br/>Financed<br/>Portion (3)</i> |                            | <i>%<br/>(1)</i>                              | <i>%<br/>(2)</i> | <i>%<br/>(3)</i> |                                  |
| 2015                                                                  | \$1,161,369                                        | \$6,949,000                                   | \$4,982,333                                  | \$11,223,285               | 100                                           | 100              | 62.5             | 85.7                             |
| 2016                                                                  | 1,206,968                                          | 7,746,511                                     | 5,363,407                                    | 11,676,370                 | 100                                           | 100              | 50.8             | 81.6                             |
| 2017                                                                  | 1,260,721                                          | 8,207,943                                     | 5,040,486                                    | 12,364,957                 | 100                                           | 100              | 57.5             | 85.2                             |
| 2018                                                                  | 1,309,528                                          | 8,512,016                                     | 4,857,945                                    | 13,035,350                 | 100                                           | 100              | 66.2             | 88.8                             |
| 2019                                                                  | 1,365,782                                          | 8,974,283                                     | 4,839,075                                    | 13,489,773                 | 100                                           | 100              | 65.1             | 88.9                             |
| 2020                                                                  | 1,429,966                                          | 9,117,035                                     | 4,636,842                                    | 13,954,562                 | 100                                           | 100              | 73.5             | 91.9                             |
| 2021                                                                  | 1,493,476                                          | 9,563,516                                     | 4,589,409                                    | 15,197,610                 | 100                                           | 100              | 90.2             | 97.1                             |
| 2022                                                                  | 1,539,574                                          | 9,977,891                                     | 4,551,293                                    | 16,045,475                 | 100                                           | 100              | 99.5             | 99.9                             |
| 2023                                                                  | 1,610,978                                          | 10,740,811                                    | 5,254,020                                    | 16,745,486                 | 100                                           | 100              | 83.6             | 95.1                             |
| 2024                                                                  | 1,711,335                                          | 10,867,182                                    | 5,593,104                                    | 17,658,084                 | 100                                           | 100              | 90.8             | 97.2                             |

Source: MSRS Annual Comprehensive Report, June 30, 2024 – 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, 2024. 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, 2024.

### 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>                      | <p>Employees: 6.00 percent of payroll.</p> <p>Employers: 6.25 percent of payroll.</p> <p>Employee contributions are “picked up” according to the provisions of Internal Revenue Code 414(h).</p> <p>Beginning July 1, 2023, employee contributions are reduced to 5.50 percent of payroll for two years. The rate will return to 6.00 percent after June 30, 2025.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <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 and terminated before July 1, 2023; actively employed on July 1, 2023 with at least three years before application for retirement; three years of service if employed after June 30, 2023; or</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 2024 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, 2024. 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 2024, when excluding component units that submit contributions to MSRS separately from the state payroll, approximately 48 percent of State employer contributions came from the General Fund, 14 percent from the Trunk Highway Fund and 6 percent from federal funds. All other State employer contributions were from 96 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<br>Fiscal Year<br>Ended<br>(June 30 <sup>th</sup> ) | Employer Contributions <sup>(1)</sup> |                                                 |                                             |                                                  |                                    | Total     |
|-------------------------------------------------------------|---------------------------------------|-------------------------------------------------|---------------------------------------------|--------------------------------------------------|------------------------------------|-----------|
|                                                             | State Employees<br>Retirement<br>Fund | Correctional<br>Employees<br>Retirement<br>Fund | Judges<br>Retirement<br>Fund <sup>(3)</sup> | Legislators<br>Retirement<br>Fund <sup>(2)</sup> | State Patrol<br>Retirement<br>Fund |           |
| 2015                                                        | \$146,333                             | \$29,480                                        | \$9,776                                     | \$3,216                                          | \$13,763 <sup>(4)</sup>            | \$202,568 |
| 2016                                                        | 151,168                               | 30,678                                          | 10,219                                      | 5,087                                            | 13,938 <sup>(4)</sup>              | 211,090   |
| 2017                                                        | 158,352                               | 31,763                                          | 10,758                                      | 8,716                                            | 15,783 <sup>(4)</sup>              | 225,372   |
| 2018                                                        | 164,233                               | 32,893                                          | 11,027                                      | 8,856                                            | 15,952 <sup>(4)</sup>              | 232,961   |
| 2019                                                        | 182,939                               | 38,245                                          | 11,287                                      | 8,798                                            | 19,479 <sup>(4)</sup>              | 260,748   |
| 2020                                                        | 204,006                               | 43,658                                          | 11,767                                      | 8,764                                            | 21,975 <sup>(4)</sup>              | 290,170   |
| 2021                                                        | 206,381                               | 48,823                                          | 11,916                                      | 8,639                                            | 24,809 <sup>(4)</sup>              | 300,568   |
| 2022                                                        | 212,759                               | 55,104                                          | 12,248                                      | 8,682                                            | 32,258 <sup>(4)</sup>              | 321,051   |
| 2023                                                        | 227,175                               | 58,521                                          | 12,245                                      | 8,699                                            | 31,537                             | 338,177   |
| 2024                                                        | 252,540                               | 62,332                                          | 13,241                                      | 8,813                                            | 34,064                             | 370,990   |

- <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> 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 annually beginning 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 (2015-2024).

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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, Housing Finance Agency, Agricultural and Economic Development Board, Minnesota Comprehensive Health Association, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, Rural Finance Authority, Minnesota Sports Facilities Authority, and the Workers' Compensation Assigned Risk Plan, as reported in the MSRS Annual Comprehensive Financial Report as of June 30, 2024.

### ***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 2024**

|                           |                                                                                                                                                                                                                                       |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method     | Entry Age Normal                                                                                                                                                                                                                      |
| Asset Valuation Method    | Fair Value of Assets                                                                                                                                                                                                                  |
| Long-term Expected Return | 7.00 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-2021. Rates are multiplied by a factor of 1.04 for males and 1.10 for females                                                                 |

Sources: MSRS Annual Comprehensive Financial Report, June 30, 2024 and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2024.

GASB Statements No. 67 and No. 68 actuarial valuation results show that as of June 30, 2023, employers contributing to the MSRS' largest cost-sharing fund, the State Employees Retirement Fund (the General Employees Retirement Plan), incurred NPL of \$33 million. Actuaries determined this amount assuming a long-term expected single discount rate of return of 7.00 percent, an inflation rate of 2.25 percent, a payroll growth rate of 3.00 percent and salary increase assumptions based on service related rates (rates that are dependent on the number of years employed). As a result, employers will report pension expense of \$34.0 million. Lastly, as of the June 30, 2024 measurement date, Fiduciary Net Position as a percentage of the Total Pension Liability was 99.82 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 2024, 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, 2024**  
(\$ 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>FY 2024 Pension Expense / (Income)</b> | <b>State’s Share of Pension Expense/ (Income)</b> |
|------------------------|--------------------------------------|------------------------------------------|------------------------------------|-------------------------------|------------------------------------|-----------------------------|-------------------------------------------|---------------------------------------------------|
| State                  |                                      |                                          |                                    |                               |                                    |                             |                                           |                                                   |
| Employees              | \$18,171,621                         | \$18,138,356                             | \$33,265                           | 99.82%                        | 99.376%                            | 33,057                      | \$33,995                                  | \$(32,997)                                        |
| State Patrol           | 1,207,559                            | 1,052,966                                | 154,593                            | 87.20%                        | 100.000%                           | 154,593                     | 21,030                                    | 21,030                                            |
| Correctional           |                                      |                                          |                                    |                               |                                    |                             |                                           |                                                   |
| Employees              | 2,264,140                            | 1,792,602                                | 471,538                            | 79.17%                        | 99.910%                            | 471,114                     | 72,201                                    | 72,136                                            |
| Judges                 | 446,640                              | 294,703                                  | 151,937                            | 65.98%                        | 100.000%                           | 151,937                     | 13,200                                    | 13,200                                            |
| Legislators            | <u>100,460</u>                       | <u>0</u>                                 | <u>100,460</u>                     | <u>0.00%</u>                  | 100.000%                           | <u>100,460</u>              | <u>877</u>                                | <u>877</u>                                        |
| Totals                 | \$22,190,420                         | \$21,278,627                             | \$911,793                          | 95.59%                        |                                    | \$911,161                   | \$141,303                                 | \$74,246                                          |

Source: MSRS 2024 Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2024.

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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)<br>Correctional Employees Retirement Fund (CERF)<br>Judges Retirement Fund (JRF)<br>Legislators Retirement Fund (LRF)<br>State Patrol Retirement Fund (SPRF) |
| Public Employees Retirement Association (PERA) | General Employees Retirement Fund (GERF)<br>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<br>As of June 30, 2024<br>(\$'s in Thousands)                                                                                                                                                                                                                                    |                     |                     |                     |                     |                    |                        |                    |                    |                     |                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|------------------------|--------------------|--------------------|---------------------|---------------------|
|                                                                                                                                                                                                                                                                                                                   | State Administered  |                     |                     |                     |                    | Non-State Administered | State Administered |                    |                     |                     |
|                                                                                                                                                                                                                                                                                                                   | 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> | Total for All Plans |
| State's Proportionate Share of the Net Pension Liability as an:                                                                                                                                                                                                                                                   |                     |                     |                     |                     |                    |                        |                    |                    |                     |                     |
| Employer                                                                                                                                                                                                                                                                                                          | \$ 734,188          | \$ 537,961          | \$ 14,125           | \$ 4,467            | \$ 293,451         | \$ 250                 | \$ 161,539         | \$ 108,397         | \$ 227,097          | \$ 2,081,475        |
| Non-Employer Contributing Entity                                                                                                                                                                                                                                                                                  | -                   | -                   | 150,014             | 66,866              | 472,132            | 195,832                | -                  | -                  | -                   | 884,844             |
| Total                                                                                                                                                                                                                                                                                                             | <u>\$ 734,188</u>   | <u>\$ 537,961</u>   | <u>\$ 164,139</u>   | <u>\$ 71,333</u>    | <u>\$ 765,583</u>  | <u>\$ 196,082</u>      | <u>\$ 161,539</u>  | <u>\$ 108,397</u>  | <u>\$ 227,097</u>   | <u>\$ 2,966,319</u> |
| State's Proportionate Share % of the Net Pension Liability as of:                                                                                                                                                                                                                                                 |                     |                     |                     |                     |                    |                        |                    |                    |                     |                     |
| Current Year Measurement Date                                                                                                                                                                                                                                                                                     | 76.41%              | 99.91%              | 2.94%               | 4.13%               | 9.27%              | 29.06%                 | 100.00%            | 100.00%            | 100.00%             |                     |
| Prior Year Measurement Date                                                                                                                                                                                                                                                                                       | 76.37%              | 99.95%              | 3.13%               | 4.46%               | 9.36%              | 28.88%                 | 100.00%            | 100.00%            | 100.00%             |                     |
| Difference between Expected and Actual Experience                                                                                                                                                                                                                                                                 | \$ 88,253           | \$ 40,116           | \$ 5,390            | \$ 19,669           | \$ 7,590           | \$ -                   | \$ 1,224           | \$ -               | \$ 37,573           | \$ 199,815          |
| Changes in Assumption                                                                                                                                                                                                                                                                                             | 573,161             | 107,725             | 26,572              | 82,776              | 89,186             | 9,879                  | 9,878              | -                  | 45,072              | 944,249             |
| Net Difference Between Projected and Actual Earnings                                                                                                                                                                                                                                                              | -                   | -                   | -                   | -                   | -                  | 3,763                  | -                  | -                  | -                   | 3,763               |
| Change in Proportionate Share                                                                                                                                                                                                                                                                                     | 26,133              | 135                 | -                   | 365                 | -                  | 696                    | -                  | -                  | -                   | 27,329              |
| Contributions Subsequent to the Measurement Date                                                                                                                                                                                                                                                                  | 269,703             | 72,546              | 187,472             | 28,968              | 227,067            | 31,426                 | 19,534             | 8,813              | 46,035              | 891,564             |
| Deferred Outflows of Resources                                                                                                                                                                                                                                                                                    | <u>\$ 957,250</u>   | <u>\$ 220,522</u>   | <u>\$ 219,434</u>   | <u>\$ 131,778</u>   | <u>\$ 323,843</u>  | <u>\$ 45,764</u>       | <u>\$ 30,636</u>   | <u>\$ 8,813</u>    | <u>\$ 128,680</u>   | <u>\$ 2,066,720</u> |
| Difference between Expected and Actual Experience                                                                                                                                                                                                                                                                 | \$ 5,052            | \$ 1,892            | \$ 1,131            | \$ -                | \$ 11,148          | \$ 4,260               | \$ 2,356           | \$ -               | \$ 1,668            | \$ 27,507           |
| Changes in Assumption                                                                                                                                                                                                                                                                                             | 618,450             | 90,617              | 44,989              | 100,295             | -                  | 4,561                  | 14,138             | -                  | 52,749              | 925,799             |
| Net Difference Between Projected and Actual Earnings                                                                                                                                                                                                                                                              | 73,214              | 6,263               | 6,138               | 3,424               | 2,839              | -                      | 1,381              | -                  | 4,437               | 97,696              |
| Change in Proportionate Share                                                                                                                                                                                                                                                                                     | 1,778               | 162                 | 14,351              | 10,598              | 80,418             | 3,947                  | -                  | -                  | -                   | 111,254             |
| Deferred Inflows of Resources                                                                                                                                                                                                                                                                                     | <u>\$ 698,494</u>   | <u>\$ 98,934</u>    | <u>\$ 66,609</u>    | <u>\$ 114,317</u>   | <u>\$ 94,405</u>   | <u>\$ 12,768</u>       | <u>\$ 17,875</u>   | <u>\$ -</u>        | <u>\$ 58,854</u>    | <u>\$ 1,162,256</u> |
| Net Pension Expense                                                                                                                                                                                                                                                                                               | \$ 169,568          | \$ 89,158           | \$ 17,331           | \$ 33,953           | \$ (59,619)        | \$ 32,709              | \$ 17,176          | \$ 3,089           | \$ 16,371           | \$ 319,736          |
| (1) Proportionate share was determined based on the State's percentage of employer and non-employer contributing entity contributions into the plan.<br>Source: Actuary and plan administrator reports for the measurement period are utilized in determining the State's proportionate share of pension amounts. |                     |                     |                     |                     |                    |                        |                    |                    |                     |                     |

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

| <b>Pension Plans<br/>Actuarial Assumptions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                       |                       |                       |                       |                    |                        |                    |                    |                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|------------------------|--------------------|--------------------|-----------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | State Administered    |                       |                       |                       |                    | Non-State Administered | State Administered |                    |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Multiple Employer     |                       |                       |                       |                    | Multiple Employer      | Single Employer    |                    |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | SERF <sup>(1)</sup>   | CERF <sup>(1)</sup>   | GERF <sup>(1)</sup>   | P&FF <sup>(2)</sup>   | TRF <sup>(3)</sup> | SPTRF <sup>(4)</sup>   | JRF <sup>(1)</sup> | LRF <sup>(1)</sup> | SPRF <sup>(1)</sup>   |
| Actuarial Valuation/<br>Measurement Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | June 30, 2023         | June 30, 2023         | June 30, 2023         | June 30, 2023         | June 30, 2023      | June 30, 2023          | June 30, 2023      | June 30, 2023      | June 30, 2023         |
| Long-Term Expected Rate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 7.00%                 | 7.00%                 | 7.00%                 | 7.00%                 | 7.00%              | 7.00%                  | 7.00%              | N/A                | 7.00%                 |
| 20 Year Municipal Bond Rate <sup>(5)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 3.86%                 | 3.86%                 | 3.86%                 | 3.86%                 | 3.66%              | 3.86%                  | 3.86%              | 3.86%              | 3.86%                 |
| Experience Study Dates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2014-2018             | 2015-2019             | 2014-2018             | 2015-2019             | 2014-2018          | 2016-2021              | 2015-2019          | N/A                | 2015-2019             |
| Inflation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2.25%                 | 2.25%                 | 2.25%                 | 2.25%                 | 2.50%              | 2.50%                  | 2.25%              | 2.25%              | 2.25%                 |
| Salary Increases                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Service Related Rates | Service Related Rates | Service Related Rates | Service Related Rates | 2.85 - 9.25%       | 2.50 - 8.00%           | 2.50%              | 4.25%              | Service Related Rates |
| Payroll Growth                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 3.00%                 | 3.00%                 | 3.00%                 | 3.00%                 | 3.00%              | 2.50%                  | 2.50%              | N/A                | 3.00%                 |
| <sup>(1)</sup> For SERF, CERF, GERF, JRF, LRF, and SPRF mortality rate assumptions, the Pub-2010 General Mortality Table was used and adjusted for mortality improvements based on Scale MP-2018 for SERF and LRF, Scale MP-2019 for CERF, JRF, and SPRF, and Scale MP-2021 for GERF. There are various adjustments in each plan to match experience. In fiscal year 2025, SERF and LRF will adjust for mortality improvements based on scale MP-2021.<br><sup>(2)</sup> For P&FF mortality rate assumptions, the Pub-2010 Public Safety Mortality Table was used and adjusted for mortality improvements based on Scale MP-2021. There are various adjustments to match experience. For the prior measurement period, Scale MP-2020 was used.<br><sup>(3)</sup> For TRF mortality rate assumptions, the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2015. There are various adjustments to match experience. In fiscal year 2025, TRA will use the Pub-2010 Mortality Tables for mortality rate assumptions.<br><sup>(4)</sup> For SPTRF mortality rate assumptions, the Pub-2010 Teachers Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2021 for the current measurement period. There are various adjustments to match experience. In the prior year measurement period, the RP-2014 Mortality table was used and adjusted for mortality improvements based on Scale MP-2021.<br><sup>(5)</sup> Source: Fidelity Index for SERF, CERF, GERF, P&FF, SPTRF, JRF, LRF, and SPRF and The Bond Buyer General Obligation 20-year Municipal Bond Index for TRF. |                       |                       |                       |                       |                    |                        |                    |                    |                       |

See “APPENDIX E – STATE FINANCIAL STATEMENTS Note 8 - Pension and Investment Trusts” (pages E-91 through F-110) and “Required Supplementary Information” (see pages E-160 through E-194), for additional information on pension disclosures related to the implementation of GASB 68. The State’s Fiscal Year 2024 financial statements and corresponding pension related disclosures and required supplementary information are based on the June 30, 2023 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><br><b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b><br><b>As of June 30, 2024</b><br><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>(3)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 6.00%                             | \$ 2,475,043       | 7.00%                 | \$ 734,188         | 8.00%                             | \$ (602,343)       |
| CERF <sup>(3)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 6.00%                             | 853,555            | 7.00%                 | 537,961            | 8.00%                             | 281,777            |
| GERF <sup>(3)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 6.00%                             | 290,375            | 7.00%                 | 164,139            | 8.00%                             | 60,305             |
| P&FF <sup>(3)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 6.00%                             | 141,531            | 7.00%                 | 71,333             | 8.00%                             | 13,619             |
| TRF                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 6.00%                             | 1,221,049          | 7.00%                 | 765,583            | 8.00%                             | 392,729            |
| SPTRF                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 6.00%                             | 264,612            | 7.00%                 | 196,082            | 8.00%                             | 139,424            |
| JRF <sup>(3)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 6.00%                             | 203,865            | 7.00%                 | 161,539            | 8.00%                             | 125,158            |
| LRF <sup>(3)(4)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 2.86%                             | 118,494            | 3.86% <sup>(2)</sup>  | 108,397            | 4.86%                             | 99,741             |
| SPRF <sup>(3)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 6.00%                             | 377,891            | 7.00%                 | 227,097            | 8.00%                             | 103,182            |
| <sup>(1)</sup> Net Pension Liability (Asset).<br><sup>(2)</sup> LRF: The municipal bond rate was used for all years.<br><sup>(3)</sup> The discount rate changed from 6.75 percent for SERF, CERF, JRF, and SPRF, from 6.50 percent for GERF, from 5.40 percent for P&FF, and from 3.69 percent for LRF.<br><sup>(4)</sup> The discount rate for Fiscal Year 2025 will change to 3.97 percent for LRF.<br><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.

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

| <b>Summary of State OPEB Amounts</b><br><b>As of June 30, 2024</b><br><b>(\$'s in Thousands)</b>                                                                                                     |                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Description                                                                                                                                                                                          | Amount <sup>(1)</sup> |
| Total OPEB Liability                                                                                                                                                                                 | \$ 786,228            |
| Difference between Expected and Actual Experience                                                                                                                                                    | \$ 41,941             |
| Changes of Assumption                                                                                                                                                                                | 56,983                |
| Transactions Subsequent to the Measurement Date                                                                                                                                                      | 46,569                |
| Deferred Outflows of Resources                                                                                                                                                                       | \$ 145,493            |
| Difference between Expected and Actual Experience                                                                                                                                                    | \$ 42,221             |
| Changes of Assumption                                                                                                                                                                                | 47,382                |
| Deferred Inflows of Resources                                                                                                                                                                        | \$ 89,603             |
| Total OPEB Expense                                                                                                                                                                                   | \$ 62,730             |
| <sup>(1)</sup> Amounts represent the primary government's total proportionate share of 99.6 percent. The remaining 0.4 percent represents discretely presented component units' proportionate share. |                       |

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

| <b>OPEB Plan<br/>Actuarial Assumptions</b>                                                                                                                                                                                     |                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Description                                                                                                                                                                                                                    | OPEB Plan                    |
| Actuarial Valuation <sup>(1)</sup>                                                                                                                                                                                             | July 1, 2022                 |
| Measurement Date <sup>(1)</sup>                                                                                                                                                                                                | June 30, 2023                |
| Discount Rate: 20 Year Municipal Bond Rate <sup>(2)</sup>                                                                                                                                                                      | 3.65%                        |
| Healthcare Cost Trend Rate                                                                                                                                                                                                     | 8.4% reduced to 3.7% by 2073 |
| Experience Study Dates                                                                                                                                                                                                         | 2018 – 2022                  |
| 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-2021 as applicable to the employee group covered.

See “APPENDIX E – STATE FINANCIAL STATEMENTS Note 9 – Termination and Postemployment Benefits” (pages E-111 through E-115) and “Required Supplementary Information” (see pages E-160 through E-194), 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<br/>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate<br/>As of June 30, 2024<br/>(\$’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     |
| 2.65%                                                                                                                                                                                       | \$ 843,770 | 3.65%                 | \$ 786,228 | 4.65%                             | \$ 731,944 |
| <sup>(1)</sup> The discount rate changed from 3.54 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<br/>Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate<br/>As of June 30, 2024<br/>(\$’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     |
| 2.7%                                                                                                                                                                                        | \$ 706,649 | 3.7%                          | \$ 786,228 | 4.7%                              | \$ 879,301 |
| <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 CERTIFICATES  
(\$'s in Thousands)**

| <b><u>Category</u></b> | <b><u>Type</u></b>                                      | <b><u>Principal<br/>Amount</u></b> |                     |
|------------------------|---------------------------------------------------------|------------------------------------|---------------------|
| 1                      | Transportation                                          | \$ 422,505                         |                     |
|                        | Refunding Bonds                                         | 1,090,905                          |                     |
|                        | Various Purpose                                         | <u>2,903,634</u>                   |                     |
|                        | Total Category 1                                        |                                    | \$ 4,417,044        |
| 2                      | School Loan                                             | \$ 7,841                           |                     |
|                        | Rural Finance Authority                                 | <u>126,559</u>                     |                     |
|                        | Total Category 2                                        |                                    | \$ 134,400          |
| 3                      | Trunk Highway                                           | \$ 1,871,456                       |                     |
|                        | Trunk Highway Refunding                                 | <u>682,060</u>                     |                     |
|                        | Total Category 3                                        |                                    | <u>\$ 2,553,516</u> |
|                        | Total Outstanding as of the Date of the<br>Certificates |                                    | \$ 7,104,960        |

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

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

**GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED  
AS OF THE DATE OF ISSUE OF THE CERTIFICATES  
(\$'s in Thousands)**

| <b><u>Purpose of Issue</u></b> | <b><u>Law Authorizing</u></b> | <b><u>Total<br/>Authorization</u></b> <sup>(1)(2)</sup> | <b><u>Previously Issued<br/>as Par Bonds</u></b> | <b><u>Previously Issued<br/>as Premium</u></b> | <b><u>Bonds issued Sep.<br/>2025</u></b> <sup>(3)</sup> | <b><u>Remaining<br/>Authorization</u></b> |
|--------------------------------|-------------------------------|---------------------------------------------------------|--------------------------------------------------|------------------------------------------------|---------------------------------------------------------|-------------------------------------------|
| Various Purpose                | X2002, Ch. 1                  | 15,055.0                                                | 14,755.0                                         | 0.0                                            | 0.0                                                     | \$300.0                                   |
| Various Purpose                | 2005, Ch. 20                  | 913,663.3                                               | 913,241.4                                        | 417.6                                          | 0.0                                                     | \$4.3                                     |
| Trunk Highway                  | 2008, Ch. 152                 | 1,779,561.7                                             | 1,779,561.7                                      | 0.0                                            | 0.0                                                     | \$0.0                                     |
| Various Purpose                | 2008, Ch. 179                 | 787,963.2                                               | 785,480.9                                        | 2,482.1                                        | 0.0                                                     | \$0.2                                     |
| Various Purpose                | 2009, Ch. 93                  | 255,151.6                                               | 250,515.2                                        | 3,493.2                                        | 0.0                                                     | \$1,143.2                                 |
| Various Purpose                | 2010, Ch. 189                 | 707,362.3                                               | 694,527.2                                        | 12,522.628                                     | 0.0                                                     | \$312.5                                   |
| Various Purpose                | X2010, Ch. 1                  | 29,920.0                                                | 27,597.1                                         | 2,255.9                                        | 0.0                                                     | \$67.0                                    |
| Various Purpose                | X2011, Ch. 12                 | 547,743.5                                               | 524,740.5                                        | 22,919.9                                       | 0.0                                                     | \$83.1                                    |
| Trunk Highway                  | 2012, Ch. 287                 | 17,506.8                                                | 17,485.0                                         | 0.0                                            | 0.0                                                     | \$21.8                                    |
| Various Purpose                | 2012, Ch. 293                 | 562,100.2                                               | 512,194.5                                        | 47,337.5                                       | 370.0                                                   | \$2,198.2                                 |
| Various Purpose                | 2013, Ch. 136                 | 171,511.7                                               | 150,645.6                                        | 20,366.1                                       | 0.0                                                     | \$500.0                                   |
| Various Purpose                | 2014, Ch. 294                 | 882,702.3                                               | 737,045.9                                        | 145,178.0                                      | 360.0                                                   | \$118.4                                   |
| Various Purpose                | X2015, Ch. 5                  | 188,425.0                                               | 154,938.7                                        | 33,486.3                                       | 0.0                                                     | \$0.0                                     |
| Trunk Highway                  | X2017, Ch. 3                  | 940,288.2                                               | 940,260.5                                        | 0.0                                            | 0.0                                                     | \$27.7                                    |
| Various Purpose                | X2017, Ch. 8                  | 1,031,925.7                                             | 842,735.3                                        | 182,190.1                                      | 4,939.0                                                 | \$2,061.3                                 |
| Various Purpose                | 2018, Ch. 214                 | 880,412.2                                               | 697,100.0                                        | 157,924.0                                      | 10,125.0                                                | \$15,263.2                                |
| Trunk Highway                  | 2018, Ch. 214                 | 414,906.8                                               | 177,695.0                                        | 0.0                                            | 56,400.0                                                | \$180,811.8                               |
| Various Purpose                | 2019, Ch. 2                   | 101,935.2                                               | 80,665.7                                         | 20,074.4                                       | 140.0                                                   | \$1,055.2                                 |
| Various Purpose                | 2020, Ch. 67                  | 50,050.0                                                | 47,799.6                                         | 2,250.4                                        | 0.0                                                     | \$0.0                                     |
| Various Purpose                | X2020, Ch. 3                  | 1,375,069.7                                             | 975,921.9                                        | 180,348.0                                      | 116,010.0                                               | \$102,789.9                               |
| Trunk Highway                  | X2020, Ch. 3                  | 298,091.0                                               | 237,540.0                                        | 0.0                                            | 14,000.0                                                | \$46,551.0                                |
| Trunk Highway                  | X2021, Ch. 5                  | 413,413.0                                               | 64,973.8                                         | 0.0                                            | 91,015.0                                                | \$257,424.2                               |
| Various Purpose                | 2023, Ch. 32                  | 50,050.0                                                | 25,597.1                                         | 1,677.9                                        | 15,010.0                                                | \$7,765.0                                 |
| Trunk Highway                  | 2023, Ch. 68                  | 599,200.0                                               | 33,535.0                                         | 0.0                                            | 133,500.0                                               | \$432,165.0                               |
| Various Purpose                | 2023, Ch. 72                  | 1,562,455.0                                             | 565,645.8                                        | 80,574.2                                       | 314,605.0                                               | \$601,630.0                               |
| Trunk Highway                  | 2024, Ch. 127                 | 30,030.0                                                | 10,835.0                                         | 0.0                                            | 0.0                                                     | \$19,195.0                                |
| Various Purpose                | X2025, Ch. 15                 | 727,365.0                                               | 0.0                                              | 0.0                                            | 167,250.0                                               | \$560,115.0                               |
| Totals                         |                               | \$15,333,858.6                                          | \$11,263,033.3                                   | \$915,498.2                                    | \$923,724.0                                             | \$2,231,603.1                             |

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

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

| <u>Bond Issue</u>                                | <u>Original Principal</u> |                      | <u>Final Maturity<br/>after Refunding</u> | <u>Interest Rate<br/>Range<br/>Outstanding</u> | <u>Outstanding Principal 06/30/2024</u> |                      | <u>Outstanding Principal as of Date of<br/>Issue</u> |                      |
|--------------------------------------------------|---------------------------|----------------------|-------------------------------------------|------------------------------------------------|-----------------------------------------|----------------------|------------------------------------------------------|----------------------|
|                                                  | <u>Various Purpose</u>    | <u>Trunk Highway</u> |                                           |                                                | <u>Various Purpose</u>                  | <u>Trunk Highway</u> | <u>Various Purpose</u>                               | <u>Trunk Highway</u> |
|                                                  |                           |                      |                                           |                                                |                                         |                      |                                                      |                      |
| Series 2014C August 21, 2014 (Taxable)           | 26,040                    | -                    | 2033                                      | 2.75% - 3.75%                                  | 10,900                                  | -                    | 9,685                                                | -                    |
| Series 2014D August 21, 2014 (Taxable Refunding) | 28,210                    | -                    | 2032                                      | 2.43% - 4.00%                                  | 6,795                                   | -                    | 5,900                                                | -                    |
| Series 2014E August 21, 2014 (Refunding)         | -                         | 123,315              | 2026                                      | 2.75% - 4.00%                                  | -                                       | 14,190               | -                                                    | -                    |
| Series 2015A August 19, 2015                     | 368,225                   | -                    | 2035                                      | 5.00%                                          | 200,035                                 | -                    | -                                                    | -                    |
| Series 2015B August 19, 2015                     | -                         | 310,000              | 2035                                      | 2.95% - 5.00%                                  | -                                       | 170,500              | -                                                    | -                    |
| Series 2015C August 19, 2015 (Taxable)           | 7,200                     | -                    | 2025                                      | 2.55% - 3.00%                                  | 720                                     | -                    | -                                                    | -                    |
| Series 2015D August 19, 2015 (Refunding)         | 376,655                   | -                    | 2027                                      | 5.00%                                          | 111,145                                 | -                    | -                                                    | -                    |
| Series 2015E August 19, 2015 (Refunding)         | -                         | 14,900               | 2027                                      | 3.00% - 5.00%                                  | -                                       | 4,015                | -                                                    | -                    |
| Series 2016A August 11, 2016                     | 265,890                   | -                    | 2036                                      | 5.00%                                          | 156,830                                 | -                    | 143,760                                              | -                    |
| Series 2016B August 11, 2016                     | -                         | 215,000              | 2036                                      | 2.25% - 5.00%                                  | -                                       | 129,000              | -                                                    | 118,250              |
| Series 2016D August 11, 2016 (Refunding)         | 310,565                   | -                    | 2029                                      | 2.25% - 5.00%                                  | 147,050                                 | -                    | 114,335                                              | -                    |
| Series 2017A October 11, 2017                    | 312,295                   | -                    | 2037                                      | 5.00%                                          | 200,065                                 | -                    | 184,675                                              | -                    |
| Series 2017B October 11, 2017                    | -                         | 114,000              | 2037                                      | 2.25% - 5.00%                                  | -                                       | 74,100               | -                                                    | 68,400               |
| Series 2017D October 11, 2017 (Refunding)        | 323,770                   | -                    | 2030                                      | 3.00% - 5.00%                                  | 173,570                                 | -                    | 144,250                                              | -                    |
| Series 2017E October 11, 2017 (Refunding)        | -                         | 81,110               | 2029                                      | 3.00% - 5.00%                                  | -                                       | 34,260               | -                                                    | 26,795               |
| Series 2018A August 21, 2018                     | 397,720                   | -                    | 2038                                      | 5.00%                                          | 279,740                                 | -                    | 260,100                                              | -                    |
| Series 2018B August 21, 2018                     | -                         | 206,000              | 2038                                      | 3.00% - 5.00%                                  | -                                       | 144,200              | -                                                    | 133,900              |
| 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%                                          | 306,260                                 | -                    | 286,180                                              | -                    |
| Series 2019B August 20, 2019                     | -                         | 190,690              | 2039                                      | 3.00% - 5.00%                                  | -                                       | 143,015              | -                                                    | 133,480              |
| Series 2019C August 20, 2019 (Taxable)           | 36,345                    | -                    | 2029                                      | 1.95% - 3.00%                                  | 25,670                                  | -                    | 23,535                                               | -                    |
| Series 2019D August 20, 2019 (Refunding)         | 27,570                    | -                    | 2029                                      | 5.00%                                          | 9,740                                   | -                    | 7,745                                                | -                    |
| Series 2020A August 25, 2020                     | 330,360                   | -                    | 2040                                      | 5.00%                                          | 265,180                                 | -                    | 248,885                                              | -                    |
| Series 2020B August 25, 2020                     | -                         | 152,020              | 2040                                      | 1.50% - 4.00%                                  | -                                       | 121,600              | -                                                    | 114,000              |
| Series 2020C August 25, 2020 (Taxable)           | 20,515                    | -                    | 2029                                      | 1.35%                                          | 20,515                                  | -                    | 20,515                                               | -                    |
| Series 2020E August 25, 2020 (Refunding)         | -                         | 163,380              | 2030                                      | 2.00% - 3.00%                                  | -                                       | 70,560               | -                                                    | 58,410               |
| Series 2020F August 25, 2020 (Taxable Refunding) | 223,970                   | -                    | 2031                                      | 0.47% - 1.35%                                  | 153,625                                 | -                    | 129,725                                              | -                    |
| Series 2020G August 25, 2020 (Taxable Refunding) | -                         | 180,190              | 2032                                      | 0.40% - 1.32%                                  | -                                       | 125,790              | -                                                    | 105,915              |
| Series 2021A September 23, 2021                  | 565,150                   | -                    | 2041                                      | 4.00% - 5.00%                                  | 480,370                                 | -                    | 452,110                                              | -                    |
| Series 2021B September 23, 2021                  | -                         | 311,000              | 2041                                      | 1.625% - 5.00%                                 | -                                       | 264,350              | -                                                    | 248,800              |
| Series 2022A August 23, 2022                     | 251,775                   | -                    | 2042                                      | 5.00%                                          | 227,045                                 | -                    | 214,680                                              | -                    |
| Series 2022B August 23, 2022                     | -                         | 220,000              | 2042                                      | 3.25% - 5.00%                                  | -                                       | 198,000              | -                                                    | 187,000              |
| Series 2022C August 23, 2022 (Taxable)           | 9,200                     | -                    | 2032                                      | 4.00%                                          | 8,460                                   | -                    | 8,090                                                | -                    |
| Series 2022D August 23, 2022 (Refunding)         | 106,660                   | -                    | 2032                                      | 5.00%                                          | 86,130                                  | -                    | 75,875                                               | -                    |
| Series 2023A August 10, 2023                     | 160,725                   | -                    | 2043                                      | 5.00%                                          | 152,910                                 | -                    | 145,095                                              | -                    |
| Series 2023B August 10, 2023                     | -                         | 264,000              | 2043                                      | 4.00% - 5.00%                                  | -                                       | 250,800              | -                                                    | 237,600              |
| Series 2023C August 10, 2023 (Taxable)           | 14,865                    | -                    | 2033                                      | 4.75%                                          | 14,865                                  | -                    | 14,865                                               | -                    |
| Series 2023D August 10, 2023 (Refunding)         | 329,145                   | -                    | 2033                                      | 5.00%                                          | 268,315                                 | -                    | 207,660                                              | -                    |
| Series 2023E August 10, 2023 (Refunding)         | -                         | 255,320              | 2033                                      | 5.00%                                          | -                                       | 229,960              | -                                                    | 204,355              |
| Series 2024A August 20, 2024                     | 879,630                   | -                    | 2044                                      | 5.00%                                          | 879,630                                 | -                    | 835,870                                              | -                    |
| Series 2024B August 20, 2024                     | -                         | 352,750              | 2044                                      | 4.00% - 5.00%                                  | -                                       | 352,750              | -                                                    | 335,110              |
| Series 2024C August 20, 2024 (Taxable)           | 29,965                    | -                    | 2034                                      | 4.05% - 5.00%                                  | 29,965                                  | -                    | 28,715                                               | -                    |
| Series 2024D August 20, 2024 (Refunding)         | 190,245                   | -                    | 2034                                      | 5.00%                                          | 190,245                                 | -                    | 170,740                                              | -                    |
| Series 2024E August 20, 2024 (Refunding)         | -                         | 141,165              | 2034                                      | 5.00%                                          | -                                       | 141,165              | -                                                    | 127,855              |
| Series 2025A October 7, 2025                     | 542,330                   | -                    | 2045                                      | 5.00%                                          | -                                       | -                    | 542,330                                              | -                    |
| Series 2025B October 7, 2025                     | -                         | 294,915              | 2045                                      | 4.00% - 5.00%                                  | -                                       | -                    | -                                                    | 294,915              |
| Series 2025C October 7, 2025 (Taxable)           | 25,450                    | -                    | 2035                                      | 3.63% - 4.33%                                  | -                                       | -                    | 25,450                                               | -                    |
| Series 2025D October 7, 2025 (Refunding)         | 234,675                   | -                    | 2035                                      | 5.00%                                          | -                                       | -                    | 234,675                                              | -                    |
| Series 2025E October 7, 2025 (Refunding)         | -                         | 158,730              | 2035                                      | 5.00%                                          | -                                       | -                    | -                                                    | 158,730              |
| <b>Totals for Date:</b>                          | <b>6,818,045</b>          | <b>3,748,485</b>     |                                           |                                                | <b>4,421,775</b>                        | <b>2,468,255</b>     | <b>4,551,445</b>                                     | <b>2,553,515</b>     |

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

**DEBT SERVICE PAYMENTS ON GENERAL OBLIGATION BONDS  
OUTSTANDING AS OF THE DATE OF ISSUE OF THE CERTIFICATES<sup>(1)</sup>  
(\$'s in Thousands)**

| <b>Fiscal<br/>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> |
| 2026                   | --                      | 94,072                 | 94,072              | --                        | 44,216                 | 44,216              |
| 2027                   | 389,395                 | 178,956                | 568,351             | 199,060                   | 84,295                 | 283,355             |
| 2028                   | 382,760                 | 160,715                | 543,475             | 195,670                   | 76,092                 | 271,762             |
| 2029                   | 365,385                 | 143,542                | 508,927             | 194,010                   | 68,078                 | 262,088             |
| 2030                   | 364,940                 | 127,481                | 492,421             | 190,515                   | 60,327                 | 250,842             |
| 2031                   | 327,320                 | 112,408                | 439,728             | 186,170                   | 52,676                 | 238,846             |
| 2032                   | 273,620                 | 98,824                 | 372,444             | 174,995                   | 45,179                 | 220,174             |
| 2033                   | 258,800                 | 85,942                 | 344,742             | 159,405                   | 38,165                 | 197,570             |
| 2034                   | 255,965                 | 73,287                 | 329,252             | 148,210                   | 31,748                 | 179,958             |
| 2035                   | 214,625                 | 61,840                 | 276,465             | 131,915                   | 26,246                 | 158,161             |
| 2036                   | 194,895                 | 51,889                 | 246,784             | 116,770                   | 21,710                 | 138,480             |
| 2037                   | 176,705                 | 42,882                 | 219,587             | 101,270                   | 17,883                 | 119,153             |
| 2038                   | 163,635                 | 34,656                 | 198,291             | 90,520                    | 14,625                 | 105,145             |
| 2039                   | 148,245                 | 27,142                 | 175,387             | 84,815                    | 11,660                 | 96,475              |
| 2040                   | 128,590                 | 20,503                 | 149,093             | 74,515                    | 8,979                  | 83,494              |
| 2041                   | 108,470                 | 14,859                 | 123,329             | 64,985                    | 6,616                  | 71,601              |
| 2042                   | 92,180                  | 10,126                 | 102,306             | 57,385                    | 4,522                  | 61,907              |
| 2043                   | 63,925                  | 6,364                  | 70,289              | 41,835                    | 2,748                  | 44,583              |
| 2044                   | 51,565                  | 3,477                  | 55,042              | 30,835                    | 1,322                  | 32,157              |
| 2045                   | 43,755                  | 1,094                  | 44,849              | 17,635                    | 353                    | 17,988              |
|                        | <u>\$ 4,004,775</u>     | <u>\$ 1,350,057</u>    | <u>\$ 5,354,832</u> | <u>\$ 2,260,515</u>       | <u>\$ 617,439</u>      | <u>\$ 2,877,954</u> |

<sup>(1)</sup> FY 2026 debt service excludes amounts paid prior to the date of issue of the Certificates.

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

Note 10 – Long-Term Commitments (see page E-116)

Note 11 – Long-Term Liabilities – Primary Government (see page E-117 through E-131)

Note 12 – Long-Term Liabilities – Component Units (see pages E-132 through E-137).

The table shows the net debt service transfer amounts for the following fiscal years as of the February 2025 Forecast.

**NET AMOUNT TRANSFERRED TO DEBT SERVICE FUND  
FOR GENERAL OBLIGATION BONDS DEBT SERVICE<sup>(1)</sup>  
(\$'s in thousands)**

| <b>In Fiscal<br/>Year</b> | <b>General<br/>Fund</b> | <b>Trunk<br/>Highway Fund</b> | <b>All Other<br/>Funds <sup>(2)</sup></b> | <b>Transfer<br/>Total</b> |
|---------------------------|-------------------------|-------------------------------|-------------------------------------------|---------------------------|
| 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                       | 43,874                                    | \$849,438                 |
| 2023                      | 547,759                 | 247,908                       | 40,105                                    | \$835,772                 |
| 2024                      | 518,490                 | 229,906                       | 37,320                                    | \$785,716                 |
| 2025                      | 558,601                 | 248,817                       | 36,454                                    | \$843,872                 |
| 2026 (est)                | 581,186                 | 294,306                       | 43,140                                    | \$918,632                 |
| 2027 (est)                | 641,517                 | 312,549                       | 43,545                                    | \$997,611                 |

<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.

## 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 S&P Global Market Intelligence data used to develop the February 2025 Forecast and reflects the State's 2025 Fiscal Year.

As of February 28, 2025, 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: 1.90 percent
- Guideline #2:* Total principal outstanding (issued, and authorized but unissued) as a percent of State personal income: 3.59 percent
- Guideline #3:* Of the State's general obligation bonds outstanding on June 30, 2024, 43.4 percent were scheduled to mature within five years and 75.6 percent were scheduled to mature with ten years. Furthermore, of the State's general obligation bonds outstanding on June 30, 2025, 42.2 percent were scheduled to mature within five years and 73.1 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 2024 valuation, was estimated by the Commissioner of Revenue to be \$1,093,607,522,000. This value is based upon certified Property Record Information System of Minnesota (PRISM) adjusted assessment submissions from local assessors and on file with the Commissioner of Revenue. The values shown represent the value of real and personal property in the State subject to ad valorem taxation.

### MARKET VALUE OF TAXABLE PROPERTY (\$ in Thousands)

| Year of<br>Assessment | Real<br>Property | Personal<br>Property | Total<br>Market Value | Percentage<br>Change<br>from Prior Year |
|-----------------------|------------------|----------------------|-----------------------|-----------------------------------------|
| 2013                  | \$538,667,874    | \$7,639,228          | \$546,307,102         | 5.81%                                   |
| 2014                  | 584,994,974      | 8,223,550            | 593,218,524           | 8.59                                    |
| 2015                  | 602,497,413      | 9,131,285            | 611,628,698           | 3.10                                    |
| 2016                  | 622,191,903      | 9,956,138            | 632,148,041           | 3.35                                    |
| 2017                  | 652,152,583      | 10,406,895           | 662,559,478           | 4.81                                    |
| 2018                  | 689,525,713      | 10,942,242           | 700,467,955           | 5.65                                    |
| 2019                  | 729,187,563      | 10,370,038           | 739,557,601           | 5.58                                    |
| 2020                  | 765,234,223      | 11,561,794           | 776,796,018           | 5.04                                    |
| 2021                  | 800,340,712      | 10,475,389           | 810,816,101           | 4.38                                    |
| 2022                  | 942,129,180      | 12,036,880           | 954,166,060           | 17.68                                   |
| 2023                  | 1,050,603,455    | 13,136,773           | 1,063,740,228         | 11.48                                   |
| 2024                  | 1,079,401,797    | 14,205,725           | 1,093,607,522         | 2.81                                    |

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## CONTINGENT LIABILITIES

### State Continuing Appropriations

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

*Minnesota Department of Management and Budget.* The 2011 Legislature authorized, in Minnesota Statutes, Section 16A.99, the issuance of State appropriation refunding bonds. MMB issued \$656,220,000 aggregate principal amount of State General Fund Appropriation Refunding Bonds, Taxable Series 2012A and Tax-Exempt Series 2012B (the “2012 State Appropriation Refunding Bonds”). Net proceeds of the State Appropriation Refunding Bonds were applied to the prepayment and refunding of tobacco securitization bonds, originally issued in 2011. MMB issued \$338,300,000 principal amount of State General Fund Appropriation Refunding Bonds, Series 2022A (the “2022 State Appropriation Refunding Bonds”) in September 2022 to refund the outstanding 2012 State Appropriation Refunding Bonds. As of the date of this Official Statement, there are \$224,455,000 of the 2022 State Appropriation Refunding Bonds outstanding.

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 \$57,310,000 of the Certificates of Participation outstanding. The lease purchase agreement must not be terminated, except for non-appropriation in respect of lease rental payments. The Certificates are being issued for the purpose of refunding these outstanding certificates.

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 \$11,845,000 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 three series of bonds for this purpose in November 2020, November 2021, and November 2023 to finance the \$97,720,000 in project costs. As of the date of this Official Statement, there are \$88,830,000 of these bonds outstanding.

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 \$1,370,000 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 \$10,265,000 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 \$26,205,000 of these bonds outstanding.

The 2021 Legislature authorized the Commissioner of Administration to enter into a long-term lease purchase agreement for capital expenditures that address identified critical health, life safety, and security needs of buildings located on the State Capitol complex that were constructed before 1940. The same legislation also authorized the Commissioner of MMB to issue lease revenue bonds or certificates of participation to fund the lease purchase agreement. The legislation states the lease-purchase agreement must not be terminated, except for non-appropriation of money. The Commissioner of Administration has identified approximately \$478,582,000 in eligible project costs for a renovation and expansion of a state office building serving the House of Representatives. In November 2023, the State issued \$454,175,000 of Certificates of Participation (State Office Building Project) (“State Office Building COPs”). As of the date of this Official Statement, there are \$440,635,000 of these State Office Building COPs outstanding.

*University of Minnesota.* During 2006, 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 \$32,870,000 of the Series 2015A Refunding Stadium Bonds outstanding.

During 2008, 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 \$97,110,000 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 \$12,480,000 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 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 \$16,235,000 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 these 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 \$59,205,000 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 \$8,355,000 of these MHFA 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 these housing infrastructure bonds in September 2018 and \$15,815,000 in September 2019. As of the date of this Official Statement, there are \$26,190,000 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 in September 2020, and \$4,515,000 in September 2021. As of the date of this Official Statement, there are \$66,265,000 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 in September 2021. As of the date of this Official Statement, there are \$52,685,000 of these MHFA housing infrastructure bonds outstanding.

In 2020, the Legislature authorized MHFA to issue an additional \$100,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2023 through Fiscal Year 2044, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA issued \$56,210,000 of these housing infrastructure bonds in September 2021, and \$43,790,000 in September 2022. As of the date of this Official Statement, there are \$89,755,000 of these MHFA housing infrastructure bonds outstanding.

In 2021, the Legislature authorized MHFA to issue an additional \$100,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2024 through Fiscal Year 2045, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA issued \$60,405,000 of these housing infrastructure bonds in September 2022, \$26,635,000 in September 2023, and \$12,960,000 in September 2024. As of the date of this Official Statement, there are \$93,205,000 of these MHFA housing infrastructure bonds outstanding.

In 2024, the Legislature authorized MHFA to issue an additional \$50,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2027 through

Fiscal Year 2048, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA priced \$50,000,000 of housing infrastructure bonds on October 9, 2025 under the 2024 authorization. The bonds are scheduled to close on October 29, 2025.

In 2025, the Legislature authorized MHFA to issue an additional \$50,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2028 through Fiscal Year 2049, 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.

### **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, 2025, \$87,610,733 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, 2025, \$23,984,201 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 \$905,016 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.

### **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, 2025, there

are approximately \$9,140,000 of certificates of indebtedness enrolled in the program all of which will mature within a 14-month period. The State expects that school districts and intermediate school districts will issue certificates of indebtedness next year and will enroll these certificates in the program in about the same amount of principal as this year.

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

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

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

As of June 30, 2025, 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 2054, is approximately \$19,610,000,000. 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, 2025 is currently estimated at \$3,155,000,000, with the maximum amount of principal and interest payable in any one month being \$1,253,600,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

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

Minnesota Laws 2005, Chapter 152, Article 1, Section 39, as amended by Minnesota Laws 2006, Chapter 259, Article 12, Section 15, provides that the Commissioner of the Department of Iron Range Resources and Rehabilitation ("IRRR") shall issue revenue bonds payable from certain taconite production tax revenues in a total principal amount of \$15,000,000, plus costs of issuance relating thereto, for the purpose of making grants to school districts located in the taconite relief area or taconite assistance area, as statutorily defined, to be used by such school districts for health, safety, and maintenance improvements. Bonds issued under this program are debt obligations subject to the school district credit enhancement program, provided that advances made by the State are not subject to the provisions of the school district credit enhancement program requiring the levy of an ad valorem tax by affected school districts in order to repay the State. Minnesota Laws 2013, Chapter 143 authorized the issuance of an additional \$38,000,000 in revenue bonds for the same purpose as previously authorized. The IRRR issued \$37,830,000 of these bonds in October 2013 for this program. As of the date of this Official Statement, there are \$20,200,000 of the bonds outstanding.

Minnesota Laws 2023, Chapter 64, Article 6, Section 13 provides that the Commissioner of IRRR shall issue additional revenue bonds in the principal amount of up to \$42,000,000, plus costs of issuance relating thereto, for the purpose of making grants to school districts located in the taconite relief area or taconite assistance area, as statutorily defined, to be used by such school districts for building projects, such as energy efficiency, technology, infrastructure, health, safety, and maintenance improvements. Bonds issued under this program are debt obligations subject to the school district credit enhancement program, provided that advances made by the State are not subject to the provisions of the school district credit enhancement program requiring the levy of an ad valorem tax by affected school districts in order to repay the State. The IRRR issued \$37,395,000 of these bonds in October of 2023. As of the date of this Official Statement, there are \$36,520,000 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, 2025, the total amount of principal on bonds enrolled in the program, through the year 2054, is approximately \$867,743,000 and the total principal and interest is \$1,173,373,000. 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 2026 the total amount of principal and interest outstanding as of June 30, 2025 is approximately \$80,264,400 with the maximum amount of principal and interest payable in any one month currently estimated at \$45,032,000.

Over the last twenty 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 2006. 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 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. The 2024 Legislature increased the maximum aggregate principal amount of general obligation bonds and notes that can be issued by MHFA and outstanding at any one time (excluding the principal amount of any refunded bonds or notes) from \$5.0 billion to \$9.0 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**  
**General Obligation Debt Outstanding as of June 30, 2024**  
**(\$’s in Thousands)**

|                                  | <b>Number of<br/>Series</b> | <b>Final<br/>Maturity</b> | <b>Original<br/>Principal<br/>Amount</b> | <b>Outstanding<br/>Principal<br/>Amount</b> |
|----------------------------------|-----------------------------|---------------------------|------------------------------------------|---------------------------------------------|
| Rental Housing.....              | 24                          | 2067                      | \$ 205,195                               | \$ 204,235                                  |
| Residential Housing Finance..... | 114                         | 2056                      | 6,381,450                                | 4,714,165                                   |
| Homeownership Finance            | 59                          | 2052                      | 2,674,572                                | 864,679                                     |
| Multifamily Housing.....         | 1                           | 2051                      | 15,000                                   | 11,980                                      |
| General Purpose Bonds            | <u>1</u>                    | 2039                      | <u>60,000</u>                            | <u>58,605</u>                               |
|                                  | <u>199</u>                  |                           | <u>\$9,336,217</u>                       | <u>\$5,853,664</u>                          |

The Rental Housing Bonds, Residential Housing Finance Bonds, and Multifamily Housing Bonds are each secured, in whole or in part, by a debt service reserve fund subject to replenishment from Legislative appropriation as described above.

The MHFA has also issued and there were outstanding five series of its conduit multifamily revenue bonds in the approximate aggregate principal amount of \$52,451,240 as of June 30, 2025, and three series of its Home Ownership Mortgage-backed Exempt Securities in the approximate aggregate principal amount of \$3,698,153 as of June 30, 2025. 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 \$75,000,000. The Index Bank Note had an outstanding balance of \$33,160,720 as of July 31, 2025. While the obligation to pay interest on the Index Bank Note, but not principal, is also a general obligation of the MHFA, none of these bonds or obligations are secured by a debt service reserve fund subject to replenishment from Legislative appropriation.

*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 \$1,272,925,000. 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 \$348,130,000 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 \$99,905,000 tax exempt bonds and \$23,255,000 taxable bonds outstanding that are payable solely from and secured by an irrevocable pledge of revenues to be derived from the operation of the buildings financed from the Revenue Fund and from fees imposed upon students, student facilities or other sources all of which are received in the Revenue Fund. In addition to bonds, the Revenue Fund issues guaranties of debt (other than revenue bonds) incurred to finance Revenue Fund facilities. One guarantee has been issued to date with an outstanding balance of \$1,273,545. The guarantee is on a parity to right of payment with the revenue bonds.

*Minnesota Higher Education Facilities Authority (“MHEFA”).* MHEFA was established by Minnesota Statutes, Section 136A.25 to 136A.42, passed in 1971, amended in 2025. The law, as amended, authorizes MHEFA to issue revenue bonds to finance the acquisition, construction, improvement and remodeling of nonprofit higher educational institution and nonprofit healthcare organization buildings and structures to be used solely for or to facilitate nonsectarian educational or healthcare purposes, and to refinance facilities of this type. The amount of such bonds outstanding at any time may not exceed \$5,000,000,000. As of the date of this Official Statement, MHEFA has \$1,229,303,316 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 or nonprofit health care organization 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 \$45,000,000. As of the date of this Official Statement, MSABC has \$4,850,000 principal amount of bonds outstanding. MSABC is required to lease each armory to the State for use by National Guard Forces, upon lease rentals specified by statute. The bonds are payable from ad valorem taxes levied by the county or municipality where the armory is located, State appropriations to pay lease rentals, and rentals or use charges derived from persons or groups other than the State using the armory where such use will not interfere with the State's use.

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

The 1991 Legislature also authorized the RFA to establish an aggie bond beginning farmer program and an agricultural business enterprise loan program and authorized the RFA to issue revenue bonds for these programs. As of the date of this Official Statement, the RFA has issued \$42,725,000 of revenue bonds for these programs.

*Minnesota Public Facilities Authority ("MPFA").* The MPFA was established in 1987 and is governed by Minnesota Statutes, Chapter 446A which authorizes it to make loans to local government units. As of the date of this Official Statement, the MPFA has \$572,985,000 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 \$192,300,497 of revenue bonds outstanding that were issued for the benefit of various entities and which are paid for solely from revenues received from the borrower under each specific bond issue.

*Minnesota Department of Transportation ("MnDOT").* The 2020 Minnesota Legislature authorized, in Minnesota Statutes, Section 174.525 (new statute created in MN Laws of 2020, Chapter 69), MnDOT to pursue a loan through the federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) for a specific project on Trunk Highway 14 in Nicollet County. MnDOT and MMB jointly entered into a loan agreement with the U.S. Department of Transportation on December 1, 2022, for a maximum amount of \$48,207,963 ("TIFIA Loan"). The TIFIA Loan will be repaid from oversize and overweight transportation permit fee revenues, which the law dedicates to a segregated account in the special revenue fund. As of the date of this Official Statement, the TIFIA Loan is fully drawn and \$44,626,276 remains outstanding.

*Minnesota Department of Iron Range Resources and Rehabilitation ("IRRR").* Minnesota Laws 2024, Chapter 127, Article 69, Sections 15 and 16, authorized the Commissioner of the Department of Iron Range Resources and Rehabilitation ("IRRR") to issue revenue bonds payable from certain taconite production tax revenues in a total principal amount of up to \$49,000,000, plus costs of issuance relating thereto, by March 31, 2025, and an additional principal amount of up to \$31,000,000, plus costs of issuance relating thereto, in 2025, for the purpose of making grants for the purposes and projects specified in the legislation. The IRRR issued \$48,010,000 of these bonds in December 2024 and intends to issue another \$28,580,000 of these bonds in October of 2025. As of this Official Statement, there are \$48,010,000 of the bonds outstanding.

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**APPENDIX D**

**SELECTED ECONOMIC AND DEMOGRAPHIC  
INFORMATION**

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## SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

### RESIDENT POPULATION (Thousands of Persons)

| Year | U.S.    | Minnesota | Minnesota<br>Share of U.S. | % Change<br>U.S. | % Change<br>Minnesota |
|------|---------|-----------|----------------------------|------------------|-----------------------|
| 2011 | 311,839 | 5,353     | 1.72                       | 0.8%             | 0.8%                  |
| 2012 | 314,339 | 5,389     | 1.71                       | 0.8%             | 0.7%                  |
| 2013 | 316,726 | 5,431     | 1.71                       | 0.8%             | 0.8%                  |
| 2014 | 319,258 | 5,474     | 1.71                       | 0.8%             | 0.8%                  |
| 2015 | 321,815 | 5,511     | 1.71                       | 0.8%             | 0.7%                  |
| 2016 | 324,353 | 5,557     | 1.71                       | 0.8%             | 0.8%                  |
| 2017 | 326,609 | 5,606     | 1.72                       | 0.7%             | 0.9%                  |
| 2018 | 328,530 | 5,651     | 1.72                       | 0.6%             | 0.8%                  |
| 2019 | 330,226 | 5,687     | 1.72                       | 0.5%             | 0.6%                  |
| 2020 | 331,578 | 5,711     | 1.72                       | 0.4%             | 0.4%                  |
| 2021 | 332,100 | 5,719     | 1.72                       | 0.2%             | 0.1%                  |
| 2022 | 334,017 | 5,722     | 1.71                       | 0.6%             | 0.1%                  |
| 2023 | 336,806 | 5,753     | 1.71                       | 0.8%             | 0.5%                  |
| 2024 | 340,111 | 5,793     | 1.70                       | 1.0%             | 0.7%                  |

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)

\*Pre-2020 figures reflect Vintage 2020 postcensal estimates and year 2020 and later figures reflect Vintage 2024 estimates. Data extracted by MMB staff in June 2025.

**NON-FARM EMPLOYMENT-MIX OF MINNESOTA AND UNITED STATES FOR 2024**  
(Thousands of Jobs)

| <b>Industry</b>                        | <b>Minnesota</b> | <b>% of Total</b> | <b>U.S.</b>    | <b>% of Total</b> |
|----------------------------------------|------------------|-------------------|----------------|-------------------|
| Total Private                          | 2,583.3          | 85.7              | 134,584        | 92.1              |
| Goods-Producing                        | 465.3            | 15.4              | 21,655         | 14.8              |
| Mining and Logging                     | 6.5              | 0.2               | 626            | 0.4               |
| Construction                           | 137.5            | 4.6               | 8,212          | 5.6               |
| Manufacturing Durables                 | 206.7            | 6.9               | 7,966          | 5.5               |
| Manufacturing Non-Durables             | 114.5            | 3.8               | 4,851          | 3.3               |
| Private Service Providing              | 2,118.0          | 70.3              | 112,929        | 77.3              |
| Wholesale Trade                        | 134.2            | 4.5               | 6,145          | 4.2               |
| Retail Trade                           | 284.8            | 9.4               | 15,532         | 10.6              |
| Transportation, Warehousing, Utilities | 117.2            | 3.9               | 6,654          | 4.6               |
| Information                            | 43.6             | 1.4               | 2,943          | 2.0               |
| Financial Activities                   | 189.1            | 6.3               | 9,169          | 6.3               |
| Professional and Business Services     | 373.9            | 12.4              | 22,620         | 15.5              |
| Education and Health Services          | 586.3            | 19.5              | 26,490         | 18.1              |
| Leisure and Hospitality                | 272.5            | 9.0               | 16,818         | 11.5              |
| Other Services                         | 116.4            | 3.9               | 5,966          | 4.1               |
| Government                             | 430.6            | 14.3              | 23,375.0       | 16.0              |
| <b>Total (Non-Farm)</b>                | <b>3,013.9</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 2025.

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**EMPLOYMENT-MIX IN DURABLE GOODS INDUSTRIES OF  
UNITED STATES AND MINNESOTA FOR 2024  
(Thousands of Jobs)**

| <b>Industry</b>                          | <b>Minnesota</b> | <b>% of Total</b> | <b>U.S.</b>  | <b>% of Total</b> |
|------------------------------------------|------------------|-------------------|--------------|-------------------|
| Wood Products                            | 13.2             | 6.4               | 417          | 5.2               |
| Fabricated Metal Products                | 43.9             | 21.2              | 1,442        | 18.1              |
| Machinery                                | 35.9             | 17.4              | 1,119        | 14.0              |
| Computers and Electronic Products        | 43.4             | 21.0              | 1,028        | 12.9              |
| Transportation Equipment                 | 12.0             | 5.8               | 1,793        | 22.5              |
| Medical Equipment and Supplies           | 19.2             | 9.3               | 330          | 4.1               |
| Other Durables                           | 39.1             | 18.9              | 1,837        | 23.1              |
| <b>Total Durable Goods Manufacturing</b> | <b>206.7</b>     | <b>100.0</b>      | <b>7,966</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 2025.

**EMPLOYMENT-MIX IN NON-DURABLE GOODS INDUSTRIES OF  
UNITED STATES AND MINNESOTA FOR 2024  
(Thousands of Jobs)**

| <b>Industry</b>                | <b>Minnesota</b> | <b>% of Total</b> | <b>U.S.</b>  | <b>% of Total</b> |
|--------------------------------|------------------|-------------------|--------------|-------------------|
| Food Manufacturing             | 48.0             | 41.9              | 1,768        | 36.4              |
| Other Non-Durables             | 66.6             | 58.1              | 3,083        | 63.6              |
| <b>Total Non-Durable Goods</b> | <b>114.5</b>     | <b>100.0</b>      | <b>4,851</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 2025.

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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        | 2,379.6        | (2.4)        | 7.1        | 111,235        | 107,855        | 120,276        | (3.0)        | 11.5       |
| Goods-Producing                        | 523.7          | 386.3          | 439.4          | (26.2)       | 13.7       | 24,649         | 17,751         | 20,068         | (28.0)       | 13.1       |
| Mining and Logging                     | 8.1            | 6.0            | 6.2            | (26.3)       | 3.8        | 599            | 705            | 619            | 17.7         | (12.2)     |
| Construction                           | 118.9          | 87.6           | 124.0          | (26.3)       | 41.5       | 6,787          | 5,518          | 7,269          | (18.7)       | 31.7       |
| Manufacturing Durables                 | 255.6          | 183.4          | 198.8          | (28.2)       | 8.4        | 10,877         | 7,064          | 7,580          | (35.1)       | 7.3        |
| Manufacturing Non-Durables             | 141.1          | 109.3          | 110.5          | (22.5)       | 1.0        | 6,386          | 4,464          | 4,600          | (30.1)       | 3.0        |
| Private Service Providing              | 1,751.8        | 1,835.0        | 1,940.2        | 4.8          | 5.7        | 86,585         | 90,104         | 100,209        | 4.1          | 11.2       |
| Wholesale Trade                        | 126.6          | 119.1          | 125.0          | (5.9)        | 4.9        | 5,933          | 5,387          | 5,640          | (9.2)        | 4.7        |
| Retail Trade                           | 307.2          | 277.1          | 275.6          | (9.8)        | (0.6)      | 15,280         | 14,446         | 14,853         | (5.5)        | 2.8        |
| Transportation, Warehousing, Utilities | 103.4          | 89.8           | 103.1          | (13.2)       | 14.8       | 4,410          | 4,179          | 5,555          | (5.2)        | 32.9       |
| Information                            | 69.3           | 53.2           | 43.2           | (23.2)       | (18.8)     | 3,630          | 2,707          | 2,694          | (25.4)       | (0.5)      |
| Financial Activities                   | 160.8          | 163.2          | 193.3          | 1.4          | 18.4       | 7,783          | 7,695          | 8,724          | (1.1)        | 13.4       |
| Professional and Business Services     | 323.7          | 325.5          | 361.4          | 0.6          | 11.0       | 16,666         | 16,783         | 20,246         | 0.7          | 20.6       |
| Education and Health Services          | 324.5          | 457.8          | 534.3          | 41.1         | 16.7       | 15,252         | 19,975         | 23,235         | 31.0         | 16.3       |
| Leisure and Hospitality                | 221.7          | 235.2          | 204.7          | 6.1          | (13.0)     | 11,862         | 13,049         | 13,327         | 10.0         | 2.1        |
| Other Services                         | 114.7          | 114.1          | 99.7           | (0.5)        | (12.6)     | 5,168          | 5,331          | 5,394          | 3.2          | 1.2        |
| Government                             | 407.6          | 416.5          | 405.9          | 2.2          | (2.6)      | 20,790         | 22,490         | 21,909         | 8.2          | (2.6)      |
| <b>Total (Non-Farm)</b>                | <b>2,683.1</b> | <b>2,637.9</b> | <b>2,785.5</b> | <b>(1.7)</b> | <b>5.6</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 2025.

## MINNESOTA AND UNITED STATES PER CAPITA PERSONAL INCOME

| <b>Year</b> | <b>Minnesota</b> | <b>U.S.</b> | <b>Minnesota<br/>as % of U.S.</b> |
|-------------|------------------|-------------|-----------------------------------|
| 2014        | \$49,967         | \$46,887    | 106.6                             |
| 2015        | \$51,985         | \$48,725    | 106.7                             |
| 2016        | \$52,596         | \$49,613    | 106.0                             |
| 2017        | \$54,266         | \$51,550    | 105.3                             |
| 2018        | \$56,539         | \$53,786    | 105.1                             |
| 2019        | \$58,543         | \$56,250    | 104.1                             |
| 2020        | \$62,210         | \$59,763    | 104.1                             |
| 2021        | \$66,232         | \$64,117    | 103.3                             |
| 2022        | \$68,010         | \$65,423    | 104.0                             |
| 2023        | \$72,366         | \$69,418    | 104.2                             |
| 2024        | \$74,943         | \$72,425    | 103.5                             |

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 2025.

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

| State                               | 2000<br>Personal<br>Income<br>(Millions) | 2010<br>Personal<br>Income<br>(Millions) | 2000-2010<br>Annual<br>Compound<br>Rate of<br>Increase<br>(%) | Regional<br>Growth<br>Rank<br>2000-<br>2010 | 2020<br>Personal<br>Income<br>(Millions) | 2010-2020<br>Annual<br>Compound<br>Rate of<br>Increase<br>(%) | Regional<br>Growth<br>Rank<br>2010-<br>2020 | 2010<br>Census<br>Population<br>(Thousands) | 2010<br>Per Capita<br>Personal<br>Income<br>(\$) | 2010<br>Regional<br>Rank | 2020<br>Census<br>Population<br>(Thousands) | 2020<br>Per Capita<br>Personal<br>Income<br>(\$) | 2020<br>Regional<br>Rank |
|-------------------------------------|------------------------------------------|------------------------------------------|---------------------------------------------------------------|---------------------------------------------|------------------------------------------|---------------------------------------------------------------|---------------------------------------------|---------------------------------------------|--------------------------------------------------|--------------------------|---------------------------------------------|--------------------------------------------------|--------------------------|
| Illinois                            | \$412,966                                | \$543,084                                | 2.8                                                           | 10                                          | \$794,460                                | 3.9                                                           | 9                                           | \$12,434                                    | \$43,677                                         | 5                        | \$12,846                                    | \$61,847                                         | 4                        |
| Indiana                             | \$171,502                                | \$231,707                                | 3.1                                                           | 9                                           | \$354,338                                | 4.3                                                           | 4                                           | \$6,092                                     | \$38,036                                         | 10                       | \$6,491                                     | \$54,586                                         | 10                       |
| Iowa                                | \$80,229                                 | \$116,906                                | 3.8                                                           | 5                                           | \$169,994                                | 3.8                                                           | 10                                          | \$2,929                                     | \$39,912                                         | 8                        | \$3,051                                     | \$55,709                                         | 8                        |
| Kansas                              | \$76,105                                 | \$114,240                                | 4.1                                                           | 4                                           | \$164,334                                | 3.7                                                           | 12                                          | \$2,694                                     | \$42,410                                         | 6                        | \$2,859                                     | \$57,483                                         | 7                        |
| Michigan                            | \$302,001                                | \$353,316                                | 1.6                                                           | 12                                          | \$537,494                                | 4.3                                                           | 5                                           | \$9,952                                     | \$35,500                                         | 12                       | \$9,880                                     | \$54,402                                         | 11                       |
| <b>Minnesota</b>                    | <b>\$160,089</b>                         | <b>\$226,957</b>                         | <b>3.6</b>                                                    | <b>7</b>                                    | <b>\$355,211</b>                         | <b>4.6</b>                                                    | <b>3</b>                                    | <b>\$4,934</b>                              | <b>\$46,001</b>                                  | <b>2</b>                 | <b>\$5,312</b>                              | <b>\$66,868</b>                                  | <b>2</b>                 |
| Missouri                            | \$156,676                                | \$222,564                                | 3.6                                                           | 6                                           | \$320,698                                | 3.7                                                           | 11                                          | \$5,607                                     | \$39,692                                         | 9                        | \$5,996                                     | \$53,484                                         | 12                       |
| Nebraska                            | \$49,768                                 | \$75,490                                 | 4.3                                                           | 3                                           | \$112,630                                | 4.1                                                           | 6                                           | \$1,714                                     | \$44,048                                         | 4                        | \$1,830                                     | \$61,541                                         | 5                        |
| North<br>Dakota                     | \$16,623                                 | \$29,881                                 | 6.0                                                           | 1                                           | \$47,411                                 | 4.7                                                           | 1                                           | \$642                                       | \$46,542                                         | 1                        | \$675                                       | \$70,232                                         | 1                        |
| Ohio                                | \$324,978                                | \$425,362                                | 2.7                                                           | 11                                          | \$631,331                                | 4.0                                                           | 7                                           | \$11,364                                    | \$37,432                                         | 11                       | \$11,542                                    | \$54,699                                         | 9                        |
| South<br>Dakota                     | \$20,276                                 | \$33,804                                 | 5.2                                                           | 2                                           | \$53,622                                 | 4.7                                                           | 2                                           | \$756                                       | \$44,724                                         | 3                        | \$816                                       | \$65,706                                         | 3                        |
| Wisconsin                           | \$158,832                                | \$222,983                                | 3.5                                                           | 8                                           | \$329,623                                | 4.0                                                           | 8                                           | \$5,374                                     | \$41,493                                         | 7                        | \$5,692                                     | \$57,910                                         | 6                        |
| <b>Region<br/>United<br/>States</b> | <b>\$1,930,042</b>                       | <b>\$2,596,294</b>                       | <b>3.0</b>                                                    |                                             | <b>\$3,871,143</b>                       | <b>4.1</b>                                                    |                                             | <b>\$64,491</b>                             | <b>\$40,258</b>                                  |                          | <b>\$66,991</b>                             | <b>\$57,786</b>                                  |                          |
|                                     | <b>\$8,654,561</b>                       | <b>\$12,586,509</b>                      | <b>3.8</b>                                                    |                                             | <b>\$19,812,171</b>                      | <b>4.6</b>                                                    |                                             | <b>\$282,162</b>                            | <b>\$44,607</b>                                  |                          | <b>\$309,378</b>                            | <b>\$64,039</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 2025.

**PERSONAL INCOME GROWTH IN TWELVE STATE NORTH CENTRAL REGION: 2023-2024**  
**(\$'s in Millions)**

| <b>Growth Rank</b> | <b>State</b>         | <b>2023<br/>Personal<br/>Income</b> | <b>2024<br/>Personal<br/>Income</b> | <b>Percent<br/>Growth</b> |
|--------------------|----------------------|-------------------------------------|-------------------------------------|---------------------------|
| 1                  | Ohio                 | \$724,779                           | \$763,207                           | 5.3                       |
| 2                  | Indiana              | \$420,260                           | \$441,783                           | 5.1                       |
| 3                  | Wisconsin            | \$384,068                           | \$402,881                           | 4.9                       |
| 4                  | Michigan             | \$613,719                           | \$641,085                           | 4.5                       |
| 5                  | Minnesota            | \$416,325                           | \$434,157                           | 4.3                       |
| 6                  | Missouri             | \$387,905                           | \$404,331                           | 4.2                       |
| 7                  | Illinois             | \$906,648                           | \$943,055                           | 4.0                       |
| 8                  | Kansas               | \$194,414                           | \$202,115                           | 4.0                       |
| 9                  | South Dakota         | \$66,620                            | \$68,387                            | 2.7                       |
| 10                 | Iowa                 | \$201,333                           | \$206,072                           | 2.4                       |
| 11                 | Nebraska             | \$141,151                           | \$144,111                           | 2.1                       |
| 12                 | North Dakota         | \$56,475                            | \$56,530                            | 0.1                       |
|                    | <b>Region</b>        | <b>\$4,513,695</b>                  | <b>\$4,707,714</b>                  | <b>4.3</b>                |
|                    | <b>United States</b> | <b>\$23,380,269</b>                 | <b>\$24,632,680</b>                 | <b>5.4</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 2025.

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

| State         | 2000<br>Employment | 2010<br>Employment | 2000-2010<br>Percent<br>Increase | Regional<br>Growth<br>Rank<br>2000-2010 | 2020<br>Employment | 2010-2020<br>Percent<br>Increase | Regional<br>Growth<br>Rank<br>2010-2020 |
|---------------|--------------------|--------------------|----------------------------------|-----------------------------------------|--------------------|----------------------------------|-----------------------------------------|
| Illinois      | \$6,042            | \$5,610            | -7.2                             | 10                                      | \$5,699            | 1.6                              | 12                                      |
| Indiana       | \$3,005            | \$2,800            | -6.8                             | 9                                       | \$2,994            | 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                                       | \$2,786            | 5.6                              | 4                                       |
| Missouri      | \$2,754            | \$2,669            | -3.1                             | 7                                       | \$2,776            | 4.0                              | 8                                       |
| Nebraska      | \$913              | \$945              | 3.5                              | 3                                       | \$988              | 4.6                              | 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                                       | \$2,824            | 3.6                              | 9                                       |
| <b>Region</b> | <b>\$32,063</b>    | <b>\$29,869</b>    | <b>-6.8</b>                      |                                         | <b>\$31,075</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 2025.

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**NON-FARM EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION:  
2022-2023 AND 2023-2024  
(Thousands of Jobs)**

| <b>State</b>  | <b>2022 Non-Farm<br/>Employment</b> | <b>2023 Non-Farm<br/>Employment</b> | <b>2022-2023<br/>Percent<br/>Increase</b> | <b>Regional<br/>Growth<br/>Rank<br/>2022-2023</b> | <b>2024 Non-Farm<br/>Employment</b> | <b>2023-2024<br/>Percent<br/>Increase</b> | <b>Regional<br/>Growth<br/>Rank<br/>2023-2024</b> |
|---------------|-------------------------------------|-------------------------------------|-------------------------------------------|---------------------------------------------------|-------------------------------------|-------------------------------------------|---------------------------------------------------|
| Illinois      | 6,032                               | 6,121                               | 1.5                                       | 11                                                | 6,142                               | 0.3                                       | 11                                                |
| Indiana       | 3,190                               | 3,240                               | 1.6                                       | 8                                                 | 3,262                               | 0.7                                       | 7                                                 |
| Iowa          | 1,573                               | 1,593                               | 1.3                                       | 12                                                | 1,597                               | 0.2                                       | 12                                                |
| Kansas        | 1,416                               | 1,443                               | 2.0                                       | 5                                                 | 1,456                               | 0.9                                       | 4                                                 |
| Michigan      | 4,370                               | 4,461                               | 2.1                                       | 3                                                 | 4,488                               | 0.6                                       | 9                                                 |
| Minnesota     | 2,932                               | 2,985                               | 1.8                                       | 6                                                 | 3,014                               | 1.0                                       | 3                                                 |
| Missouri      | 2,921                               | 2,968                               | 1.6                                       | 7                                                 | 2,989                               | 0.7                                       | 6                                                 |
| Nebraska      | 1,027                               | 1,049                               | 2.2                                       | 2                                                 | 1,058                               | 0.8                                       | 5                                                 |
| North Dakota  | 428                                 | 438                                 | 2.4                                       | 1                                                 | 446                                 | 1.7                                       | 1                                                 |
| Ohio          | 5,533                               | 5,617                               | 1.5                                       | 9                                                 | 5,650                               | 0.6                                       | 10                                                |
| South Dakota  | 453                                 | 462                                 | 2.1                                       | 4                                                 | 468                                 | 1.3                                       | 2                                                 |
| Wisconsin     | 2,977                               | 3,021                               | 1.5                                       | 10                                                | 3,040                               | 0.6                                       | 8                                                 |
| <b>Region</b> | <b>32,850</b>                       | <b>33,398</b>                       | <b>1.7</b>                                |                                                   | <b>33,610</b>                       | <b>0.6</b>                                |                                                   |
| <b>U.S.</b>   | <b>152,536</b>                      | <b>155,879</b>                      | <b>2.2</b>                                |                                                   | <b>152,520</b>                      | <b>(2.2)</b>                              |                                                   |

Source: U.S. Department of Labor, Bureau of Labor Statistics, <http://data.bls.gov/ces>.  
Data extracted by MMB staff June 2025.

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# MINNESOTA & UNITED STATES UNEMPLOYMENT RATES (Percent)

| Year | Annual Average |        |
|------|----------------|--------|
|      | Minnesota %    | U.S. % |
| 2015 | 3.8            | 5.3    |
| 2016 | 3.9            | 4.9    |
| 2017 | 3.4            | 4.4    |
| 2018 | 3.0            | 3.9    |
| 2019 | 3.3            | 3.7    |
| 2020 | 6.3            | 8.1    |
| 2021 | 3.7            | 5.4    |
| 2022 | 2.5            | 3.6    |
| 2023 | 2.8            | 3.6    |
| 2024 | 3.1            | 4.0    |

| Month | Monthly Figures<br>(Seasonally Adjusted) |        |
|-------|------------------------------------------|--------|
|       | Minnesota %                              | U.S. % |

2024

|           |     |     |
|-----------|-----|-----|
| January   | 2.8 | 3.7 |
| February  | 2.8 | 3.9 |
| March     | 2.9 | 3.9 |
| April     | 3.0 | 3.9 |
| May       | 3.1 | 4.0 |
| June      | 3.2 | 4.1 |
| July      | 3.2 | 4.2 |
| August    | 3.2 | 4.2 |
| September | 3.1 | 4.1 |
| October   | 3.0 | 4.1 |
| November  | 3.0 | 4.2 |
| December  | 3.0 | 4.1 |

2025

|          |     |     |
|----------|-----|-----|
| January  | 3.0 | 4.0 |
| February | 3.0 | 4.1 |
| March    | 3.1 | 4.2 |
| April    | 3.2 | 4.2 |
| May      | 3.3 | 4.2 |
| June     | 3.3 | 4.1 |
| July     | 3.5 | 4.2 |
| August   | 3.6 | 4.3 |

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 October 2025.

# 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>2024</u> | <u>2023</u> |                                       |                 |               |                |                                         | <u>Rank</u>     |
| 3           | 4           | UnitedHealth Group                    | \$400,278.0     | \$14,405.0    | \$298,278.0    | Health Care: Insurance and Managed Care | 1               |
| 41          | 37          | Target                                | \$106,566.0     | \$4,091.0     | \$57,769.0     | General Merchandisers                   | 3               |
| 105         | 107         | U.S. Bancorp                          | \$42,712.0      | \$6,299.0     | \$678,318.0    | Commercial Banks                        | 8               |
| 108         | 100         | Best Buy                              | \$41,528.0      | \$927.0       | \$14,782.0     | Specialty Retailers: Other              | 3               |
| 115         | 97          | CHS (Cenex Harvest States)            | \$39,261.2      | \$1,102.3     | \$18,715.1     | Food Production                         | 3               |
| 174         | 134         | Minnesota Mining & Manufacturing (3M) | \$24,575.0      | \$4,173.0     | \$39,868.0     | Chemicals                               | 2               |
| 216         | 203         | General Mills                         | \$19,857.2      | \$2,496.6     | \$31,469.9     | Food Consumer Products                  | 4               |
| 230         | 254         | Ameriprise Financial                  | \$17,926.0      | \$3,401.0     | \$181,403.0    | Diversified Financials                  | 9               |
| 233         | 233         | C.H. Robinson Worldwide               | \$17,725.0      | \$465.7       | \$5,297.0      | Transportation and Logistics            | 1               |
| 262         | 245         | Land O'Lakes                          | \$16,206.8      | \$238.3       | \$9,525.2      | Food Consumer Products                  | 5               |
| 274         | 269         | Ecolab                                | \$15,741.4      | \$2,112.4     | \$22,387.8     | Chemicals                               | 5               |
| 319         | 302         | Xcel Energy                           | \$13,441.0      | \$1,936.0     | \$70,035.0     | Utilities: Gas and Electric             | 10              |
| 352         | 343         | Hormel Foods                          | \$11,920.8      | \$805.0       | \$13,434.7     | Food Consumer Products                  | 8               |
| 388         | 405         | Thrivent Financial for Lutherans      | \$10,918.3      | \$585.7       | \$13,434.7     | Insurance: Life, Health (Mutual)        | 8               |
| 462         |             | Solventum                             | \$8,254.0       | \$479.0       | \$14,457.0     | Medical Productions and Equipment       | 9               |
| 464         | 462         | Securian Financial Group              | \$8,226.3       | \$283.3       | \$74,280.4     | Insurance: Life, Health (stock)         | 10              |
| 492         | 488         | Fastenal                              | \$7,546.0       | \$1,150.6     | \$4,698.0      | Wholesalers: Diversified                | 11              |
| 508         | 431         | Polaris Industries                    | \$7,273.0       | \$110.8       | \$5,525.2      | Transportation Equipment                | 1               |

Source: Fortune Magazine, <https://fortune.com/ranking/fortune500/2024/search/>  
Data extracted by MMB staff June 2025.

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**APPENDIX E**  
**SELECTED STATE FINANCIAL STATEMENTS**  
**For the Fiscal Year**  
**Ended June 30, 2024**

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**APPENDIX E**  
**SELECTED STATE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024**  
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**BASIC FINANCIAL STATEMENTS**

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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

Ms. Erin Campbell, Commissioner, Minnesota Management and Budget

## Report on the Audit of the Financial Statements

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the state's basic financial statements as listed in the Table of Contents.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund, and the Minnesota State Lottery, which is a nonmajor proprietary fund, and which cumulatively represent 55 percent, 45 percent, and 51 percent, respectively, of the total assets, total net position, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, Minnesota Sports Facilities Authority, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, total net position, and operating revenues of the total discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities of the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Minnesota's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Minnesota's ability to continue as a going concern for a reasonable period of time.

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

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

#### **Required Supplementary Information**

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

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The Combining and Individual Fund Statements – Nonmajor Funds and the General Obligation Debt Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Information**

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

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

#### **Other Reporting Required by Government Auditing Standards**

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



Lori Leysen, CPA  
Deputy Legislative Auditor  
December 13, 2024



Zach Yzermans, CPA  
Audit Director



## 2024 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, 2024, and identifies changes in the financial position of the state that occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

### Overview of the Financial Statements

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

The financial section of this annual report has four parts:

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

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

The Basic Financial Statements include Government-wide Financial Statements, Fund Financial Statements, and Notes to the Financial Statements that provide more detailed information.

### Government-wide Financial Statements

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

The Statement of Net Position presents all of the state's financial resources along with capital assets, including right-to-use assets and long-term obligations. The statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the state. Net position is the difference

between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and is one method to measure the state's financial condition.

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

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

The Statement of Net Position and the Statement of Activities segregate the activities of the state into three types:

### Governmental Activities

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

### Business-type Activities

The business-type activities of the state normally are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. The operations of the Family and Medical Benefit Insurance, 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's governing body, and either a) the ability of the state to impose its will, or b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government.

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

The state's three major component units are:

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

The state's eight nonmajor component units are combined into a single column for reporting in the Fund Financial Statements. These nonmajor component units are:

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

#### State Fund and Component Unit Financial Statements

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

The Fund Financial Statements focus on individual parts of the state, reporting the state's operations in more detail than in the Government-wide Statements. Fund Financial Statements focus on the most significant funds within the state.

The state's funds are divided into three categories:

##### Governmental Funds

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

Governmental funds are accounted for using the modified accrual basis of accounting, which recognizes revenues when they are available and measurable. Expenditures are generally recognized in the accounting period when the fund liability is incurred, if measurable. This approach is known as the flow of current financial resources measurement focus. These statements provide a detailed short-term view of the state's finances that assist in determining whether there are more or less resources available and whether these financial resources will be adequate to meet the current needs of the state. Governmental funds include the General, special revenue, capital projects, 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 23 individual state governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General and Federal funds, which are reported as major funds. Information from the remaining funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

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

##### Proprietary Funds

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

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

The state maintains 18 individual proprietary funds. The Family and Medical Benefit Insurance, State Colleges and Universities and Unemployment Insurance funds, 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 20 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which account for the transactions, assets, liabilities, and fund equity of the external investment pools), and the Custodial Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements in this report.

Component Units

Component units are legally separate organizations for which the state is financially accountable. The Government-wide Financial Statements present information for the discretely presented component units in a single column on the Statement of Net Position. Also, some information on the Statement of Changes in Net Position is aggregated for component units. The discretely presented component units' statements of net position and statements of changes in net position provide detail for each major discretely presented component unit and aggregate the detail for nonmajor discretely presented component units. Individual nonmajor discretely presented component unit detail can be found in the Combining and Individual Fund Financial Statements included in this report.

Notes to the Financial Statements

The notes provide additional narrative and financial information that are essential to a full understanding of the data provided in the Government-wide Financial Statements and the Fund Financial Statements. The notes to the financial statements are located immediately following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This section includes maintenance data regarding certain portions of the state's infrastructure, actuarial measures of pension and other postemployment benefits, and public employees insurance program development information.

Other Supplementary Information

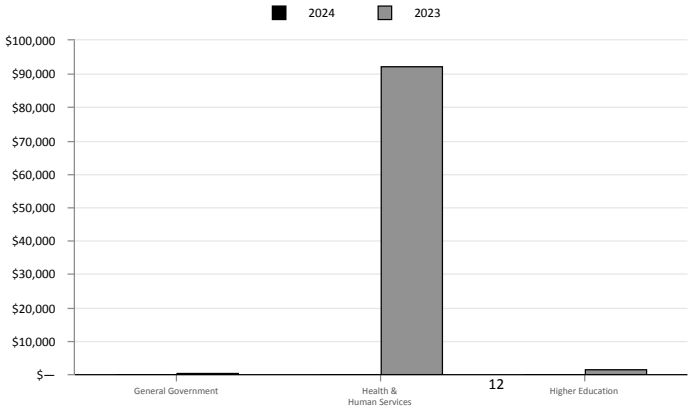
Other supplementary information includes Combining and Individual Fund Financial Statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

COVID-19 Pandemic Impact on Current Year Governmental Financial Activity

The spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has had a material impact on global, national, and state economies. The President declared a national emergency and the Governor declared a Peacetime Emergency related to COVID-19 on March 13, 2020. The Peacetime Emergency ended July 1, 2021 and the national emergency ended on May 11, 2023. The COVID-19 pandemic significantly disrupted economic activity and increased public and private health emergency response costs during this time. The impacts of COVID-19 are diminishing, but pandemic-related response activities still have had impacts in the Federal Fund during fiscal year 2024.

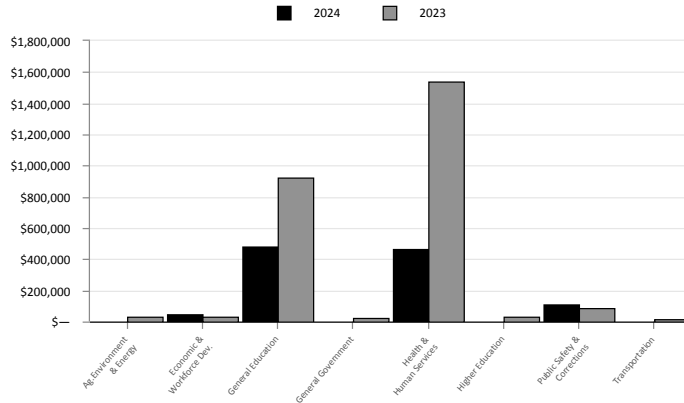
The following graphs show the majority of the functional expenditures in governmental funds related to the impacts of COVID-19. The Federal Fund expenditures are reimbursed by the federal government and are recorded as federal revenue in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and operating grants and contributions in the governmental activities in the Statement of Activities.

Functional Expenditures by Fund Related to COVID-19  
Governmental Funds - General Fund  
Fiscal Years Ended June 30, 2024 and 2023  
(In Thousands)



No additional expenditures were incurred in the General Fund during fiscal year 2024 related to COVID-19. Expenditures in the prior year primarily related to health and human services and were focused on recovery and preparedness.

**Functional Expenditures by Fund Related to COVID-19**  
**Governmental Funds - Federal Fund**  
**Fiscal Years Ended June 30, 2024 and 2023**  
**(In Thousands)**



The Federal Fund expenditures related to COVID-19 decreased in most functions. The largest decrease related to health and human services is due to the reduction in the first two quarters and the complete elimination in the last two quarters of 2024 of the enhanced federal participation rate for medical assistance, which caused the expenditures to shift back to the state. In addition, there were significant reductions in expenditures for vaccines, vaccine incentives, testing, and emergency hospital staff. Federal expenditures for general education decreased due to a reduction in aid to school districts as schools in the prior year made investments related to COVID-19 recovery and rebuilding efforts to prevent, prepare for, and respond to the coronavirus impacts on education for students. The decrease in agricultural, environmental and energy resources expenditures was the result of a reduction in enhanced federal participation under the American Rescue Plan Act (ARP) for the Low-Income Home Energy Assistance Program (LIHEAP), while the decrease in transportation expenditures related to a reduction in federal funding for airports. These decreases were slightly offset by an increase in economic and workforce development expenditures due to investments in broadband under the Infrastructure Investment and Jobs Act, and public safety and corrections due to an increase in grants to hospitals related to COVID-19 funding under Federal Emergency Management Agency (FEMA).

The COVID-19 impacts on business-type activities are explained in the Government-wide Financial Analysis section.

## Government-wide Financial Analysis

Net position serves as a useful indicator of a government's financial position over time. The state's combined net position (governmental and business-type activities) totaled \$44.6 billion at the end of fiscal year 2024, compared to \$43.5 billion at the beginning of the year.

**Net Position**  
**June 30, 2024 and 2023**  
**(In Thousands)**

|                                               | Governmental Activities |                      | Business-type Activities |                     | Total Primary Government |                      |
|-----------------------------------------------|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
|                                               | 2024                    | 2023                 | 2024                     | 2023                | 2024                     | 2023                 |
| Current Assets                                | \$ 37,992,690           | \$ 38,116,453        | \$ 4,033,550             | \$ 3,614,021        | \$ 42,026,240            | \$ 41,730,474        |
| Noncurrent Assets:                            |                         |                      |                          |                     |                          |                      |
| Capital Assets, including Right-to-Use Assets | 21,766,887              | 21,053,357           | 2,028,861                | 2,048,318           | 23,795,748               | 23,101,675           |
| Other Assets                                  | 1,171,530               | 1,039,186            | 57,293                   | 73,599              | 1,228,823                | 1,112,785            |
| Total Assets                                  | <u>\$ 60,931,107</u>    | <u>\$ 60,208,996</u> | <u>\$ 6,119,704</u>      | <u>\$ 5,735,938</u> | <u>\$ 67,050,811</u>     | <u>\$ 65,944,934</u> |
| Deferred Outflows of Resources                | <u>\$ 2,180,162</u>     | <u>\$ 2,127,434</u>  | <u>\$ 213,753</u>        | <u>\$ 245,665</u>   | <u>\$ 2,393,915</u>      | <u>\$ 2,373,099</u>  |
| Current Liabilities <sup>(1)</sup>            | \$ 9,299,428            | \$ 8,922,250         | \$ 587,189               | \$ 693,783          | \$ 9,886,617             | \$ 9,616,033         |
| Noncurrent Liabilities <sup>(1)</sup>         | 12,253,779              | 12,683,834           | 997,513                  | 1,063,439           | 13,251,292               | 13,747,273           |
| Total Liabilities                             | <u>\$ 21,553,207</u>    | <u>\$ 21,606,084</u> | <u>\$ 1,584,702</u>      | <u>\$ 1,757,222</u> | <u>\$ 23,137,909</u>     | <u>\$ 23,363,306</u> |
| Deferred Inflows of Resources                 | <u>\$ 1,594,724</u>     | <u>\$ 1,306,587</u>  | <u>\$ 147,388</u>        | <u>\$ 187,136</u>   | <u>\$ 1,742,112</u>      | <u>\$ 1,493,723</u>  |
| Net Position:                                 |                         |                      |                          |                     |                          |                      |
| Net Investment in Capital Assets              | \$ 17,915,843           | \$ 17,129,931        | \$ 1,630,442             | \$ 1,609,955        | \$ 19,546,285            | \$ 18,739,886        |
| Restricted                                    | 9,655,203               | 8,601,936            | 1,830,594                | 2,068,655           | 11,485,797               | 10,670,591           |
| Unrestricted                                  | 12,392,292              | 13,691,892           | 1,140,331                | 358,635             | 13,532,623               | 14,050,527           |
| Total Net Position                            | <u>\$ 39,963,338</u>    | <u>\$ 39,423,759</u> | <u>\$ 4,601,367</u>      | <u>\$ 4,037,245</u> | <u>\$ 44,564,705</u>     | <u>\$ 43,461,004</u> |

<sup>(1)</sup> 2023 has been restated to be consistent with the 2024 presentation.

The largest portion, \$19.5 billion of \$44.6 billion, of the state's net position reflects investment in capital assets, including right-to-use assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets) less any related outstanding debt or lease/subscription obligations used to acquire those assets. The state uses these capital assets, including right-to-use assets, to provide services to Minnesotans. These assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt or lease/subscription obligations related to these assets. Therefore, the resources needed to repay this debt related to capital assets, including right-to-use assets, must be provided from other sources.

Approximately \$11.5 billion of the state's net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used. Additional information on the state's net position restrictions is located in Note 15 – Equity in the notes to the financial statements.

The remaining net position balance represents unrestricted net position of \$13.5 billion.

The state's combined net position for governmental and business-type activities increased \$1.1 billion (2.5 percent) over the course of this fiscal year. This resulted from a \$538.1 million (1.4 percent) increase in net position of governmental activities, and a \$565.6 million (14.0 percent) increase in net position of business-type activities.

**Changes in Net Position  
For Fiscal Years Ended June 30, 2024 and 2023  
(In Thousands)**

|                                                  | Governmental Activities |               | Business-type Activities |              | Total Primary Government |               |
|--------------------------------------------------|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
|                                                  | 2024                    | 2023          | 2024                     | 2023         | 2024                     | 2023          |
| <b>Revenues</b>                                  |                         |               |                          |              |                          |               |
| Program Revenues:                                |                         |               |                          |              |                          |               |
| Charges for Services                             | \$ 1,908,449            | \$ 1,844,775  | \$ 3,046,692             | \$ 3,001,360 | \$ 4,955,141             | \$ 4,846,135  |
| Operating Grants and Contributions               | 19,243,162              | 20,065,291    | 534,605                  | 712,709      | 19,777,767               | 20,778,000    |
| Capital Grants                                   | 151,399                 | 184,717       | —                        | 126          | 151,399                  | 184,843       |
| General Revenues:                                |                         |               |                          |              |                          |               |
| Individual Income Taxes                          | 16,740,695              | 16,362,107    | —                        | —            | 16,740,695               | 16,362,107    |
| Corporate Income Taxes                           | 3,223,930               | 2,939,375     | —                        | —            | 3,223,930                | 2,939,375     |
| Sales Taxes                                      | 8,803,443               | 8,207,443     | —                        | —            | 8,803,443                | 8,207,443     |
| Property Taxes                                   | 721,648                 | 769,711       | —                        | —            | 721,648                  | 769,711       |
| Motor Vehicle Taxes                              | 2,043,105               | 1,899,939     | —                        | —            | 2,043,105                | 1,899,939     |
| Fuel Taxes                                       | 889,206                 | 886,377       | —                        | —            | 889,206                  | 886,377       |
| Other Taxes                                      | 3,592,615               | 3,586,205     | —                        | —            | 3,592,615                | 3,586,205     |
| Tobacco Settlement                               | 183,713                 | 197,678       | —                        | —            | 183,713                  | 197,678       |
| Investment/Interest Earnings                     | 1,161,610               | 881,305       | 114,499                  | 55,938       | 1,276,109                | 937,243       |
| Other Revenues                                   | 182,180                 | 179,136       | 749                      | 4,347        | 182,929                  | 183,483       |
| Total Revenues                                   | \$ 58,845,155           | \$ 58,004,059 | \$ 3,696,545             | \$ 3,774,480 | \$ 62,541,700            | \$ 61,778,539 |
| <b>Expenses</b>                                  |                         |               |                          |              |                          |               |
| Agricultural, Environmental and Energy Resources | \$ 1,719,682            | \$ 1,571,112  | \$ —                     | \$ —         | \$ 1,719,682             | \$ 1,571,112  |
| Economic and Workforce Development               | 2,014,315               | 1,035,709     | —                        | —            | 2,014,315                | 1,035,709     |
| General Education                                | 13,402,311              | 12,103,431    | —                        | —            | 13,402,311               | 12,103,431    |
| General Government                               | 2,745,406               | 1,070,452     | —                        | —            | 2,745,406                | 1,070,452     |
| Health and Human Services                        | 26,811,914              | 25,060,350    | —                        | —            | 26,811,914               | 25,060,350    |
| Higher Education                                 | 1,216,259               | 1,064,318     | —                        | —            | 1,216,259                | 1,064,318     |
| Intergovernmental Aid                            | 2,758,543               | 2,505,003     | —                        | —            | 2,758,543                | 2,505,003     |
| Public Safety and Corrections                    | 1,749,108               | 1,258,749     | —                        | —            | 1,749,108                | 1,258,749     |
| Transportation                                   | 4,258,157               | 3,702,086     | —                        | —            | 4,258,157                | 3,702,086     |
| Interest                                         | 172,751                 | 93,539        | —                        | —            | 172,751                  | 93,539        |
| Family & Medical Benefit Ins.                    | —                       | —             | 1,093                    | —            | 1,093                    | —             |
| State Colleges and Universities                  | —                       | —             | 2,182,883                | 2,004,811    | 2,182,883                | 2,004,811     |
| Unemployment Insurance                           | —                       | —             | 1,209,236                | 954,102      | 1,209,236                | 954,102       |
| Lottery                                          | —                       | —             | 582,117                  | 590,113      | 582,117                  | 590,113       |
| Other Expenses                                   | —                       | —             | 614,224                  | 619,713      | 614,224                  | 619,713       |
| Total Expenses                                   | \$ 56,848,446           | \$ 49,464,749 | \$ 4,589,553             | \$ 4,168,739 | \$ 61,437,999            | \$ 53,633,488 |
| Excess (Deficiency) Before Transfers             | \$ 1,996,709            | \$ 8,539,310  | \$ (893,008)             | \$ (394,259) | \$ 1,103,701             | \$ 8,145,051  |
| Transfers                                        | (1,458,611)             | (634,339)     | 1,458,611                | 634,339      | —                        | —             |
| Changes in Net Position                          | \$ 538,098              | \$ 7,904,971  | \$ 565,603               | \$ 240,080   | \$ 1,103,701             | \$ 8,145,051  |
| Net Position, Beginning                          | \$ 39,423,759           | \$ 31,518,788 | \$ 4,037,245             | \$ 3,797,165 | \$ 43,461,004            | \$ 35,315,953 |
| Change in Reporting Entity                       | 1,481                   | —             | (1,481)                  | —            | —                        | —             |
| Net Position, Beginning, as Restated             | \$ 39,425,240           | \$ 31,518,788 | \$ 4,035,764             | \$ 3,797,165 | \$ 43,461,004            | \$ 35,315,953 |
| Net Position, Ending                             | \$ 39,963,338           | \$ 39,423,759 | \$ 4,601,367             | \$ 4,037,245 | \$ 44,564,705            | \$ 43,461,004 |

Approximately 58 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 32 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 8 percent of the total revenues. The remaining 2 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.

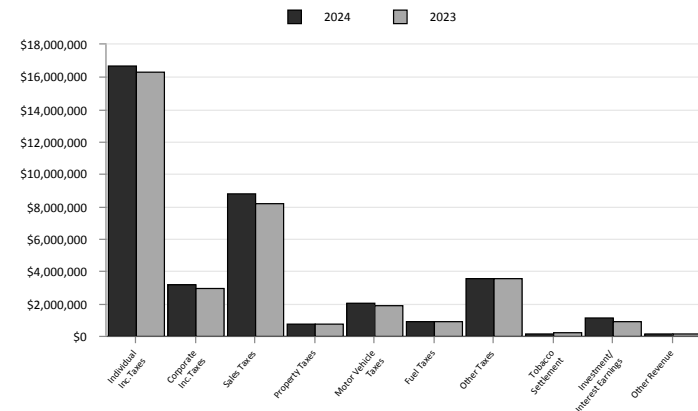
There was a change in reporting entity for the operations of the Behavioral Services Fund (enterprise fund) merging with the General Fund this year, which also caused this activity to move from business-type activities to governmental activities in the government-wide financial statements. See Note 20 – Change in Reporting Entity and Change in Accounting Principle for further information.

**Governmental Activities**

Governmental activities increased the state's net position by \$538.1 million in the current year compared to an increase of \$7.9 billion in the prior year.

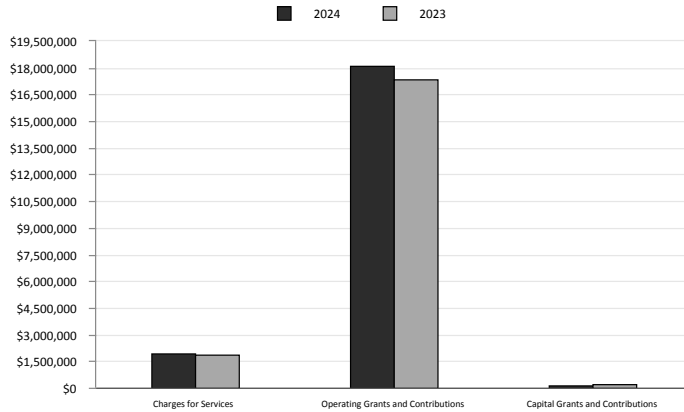
Revenues increased \$841.1 million (1.5 percent) over the prior year. The following graphs show revenues for the current year and prior year separating general revenues from program revenues. The program revenues graph is net of the COVID-19 revenue.

**General Revenues - Governmental Activities  
Fiscal Years Ended June 30, 2024 and 2023  
(In Thousands)**



The state's largest general revenues relate to sales and income taxes. The economy has remained stable between the current year and the prior year. However, the increase in sales taxes resulted from new Twin Cities Metropolitan Area sales taxes to fund and support transportation, transit, and housing projects and provide state rent assistance in the metropolitan area. Motor vehicle taxes increase was due to an increase in vehicle registration tax starting in January 2024.

**Program Revenues, Net of COVID-19 - Governmental Activities**  
**Fiscal Years Ended June 30, 2024 and 2023**  
(In Thousands)



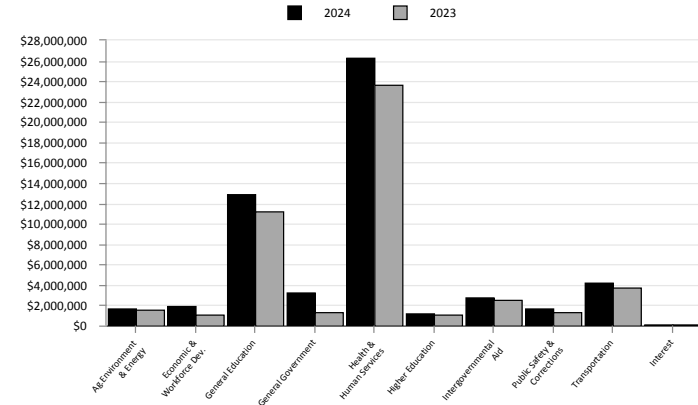
The operating grants and contributions, net of the COVID-19 revenue, increased over the prior year. This was primarily due to a significant increase in investment earnings that were restricted for program purposes and an increase of federal funding for general aid to school districts and epidemiology and laboratory capacity for infectious diseases, as well as a slight increase in medical assistance expenses.

The slight increase in charges for services was primarily due to both an increase in fees charged on child support received by parents receiving public assistance for child care and an increase in fees on driver and vehicle services transactions due to an increase in rates.

There was a \$7.4 billion (14.9 percent) increase in governmental activities expenses compared to the prior year. This included an increase in expenses of \$374.8 million related to the impacts of pension reporting and a decrease in expenses of \$1.7 billion related to COVID-19 offset by an increase in non-pension related expenses of \$8.7 billion. Pension reporting impacted all functional expenses except higher education and intergovernmental aid. See the chart on the Changes in Net Pension Liability and Related Deferred Inflows and Outflows for the impact by functional expenses. COVID-19 impacted primarily health and human services and general education expenses.

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

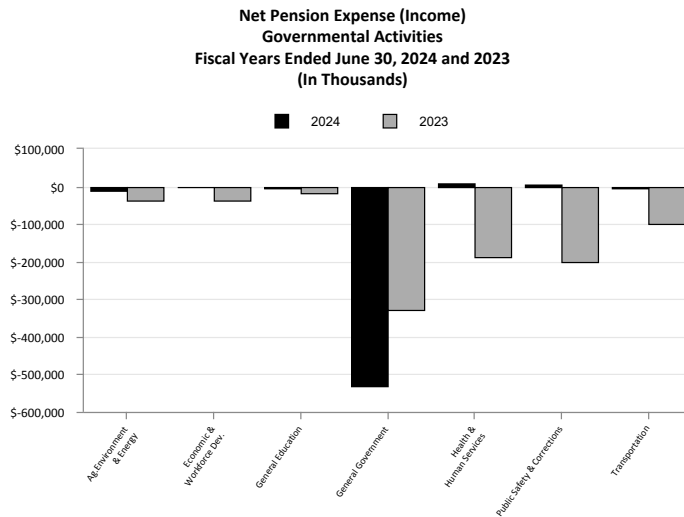
**Functional Expenses, Net of Pension and COVID-19 Impacts**  
**Governmental Activities**  
**Fiscal Years Ended June 30, 2024 and 2023**  
(In Thousands)



All functional expenses, net of the impacts of pension and COVID-19 expenses, increased during the current fiscal year. Many of these increases are one-time. The largest related to an increase in health and human services expenses which primarily was due to the reduced federal participation rate for medical assistance for the first two quarters and the complete elimination for the last two quarters of the current year. These changes resulted in the costs reverting back to the state instead of COVID-19 expenses under the Families First Coronavirus Response federal funding. See the COVID-19 Pandemic Impact on Current Year Governmental Financial Activity section for further details related to this shift. In addition, expenses increased due to the new child tax credit and the creation of the "Great Start" task force which was tasked to develop a plan to accomplish the goal for "all families to have access to affordable, high-quality early care and education that nurtures, and supports children and their families". General education expenses increase was due to increased funding for special education and the four percent per pupil formula increase. The significant increase in general government expenses resulted from the state issuing \$989 million in one-time rebates of surplus funds to individuals and also funding a tax forfeiture lawsuit settlement against a county in Minnesota. Economic and workforce development expenses increased due to the issuance of significant one-time grants to Housing Finance Agency (HFA, component unit) for housing projects, such as first-generation homebuyers down-payment assistance, housing infrastructure, community stabilization, and stable housing organization relief programs. In addition, HFA also received new grants for housing assistance and capital projects. The transportation expenses increase was due to grants to Metropolitan Council (component unit) for transportation and transit support as well as grants to local units of government for transportation projects. Additional operating support at both the state and county level for investments in public safety in the current year caused the increase in public safety expenses. Intergovernmental aid expenses also increased as a result of one-time aid to local governments for public safety and the one-time increases to the homestead credit refund and renters property tax refund.

programs. These increases were partly offset by the decrease associated with the \$500 million in grants to individuals who worked on the front lines during the COVID-19 peacetime emergency that was issued in the prior year. Higher education expenses increased due to additional grants to the Office of Higher Education and the University of Minnesota (component units) for student tuition grants and operating support. Agricultural, environmental and energy resources expenses increases related to a program expansion and rising health care costs in the reinsurance health care program. In addition, grants to local governments for metropolitan drinking water remediation and environmental and natural resources projects for parks and trails also increased.

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



#### Business-type Activities

Net position for the state's business-type activities increased by \$565.6 million during the current year compared to an increase of \$240.1 million in the prior year. The impacts of pension related reporting on business-type activities resulted in an increase in expenses of \$134.0 million during the current year. See chart on expenses net of pension impact - business-type activities for changes in expenses net of these pension reporting impacts.

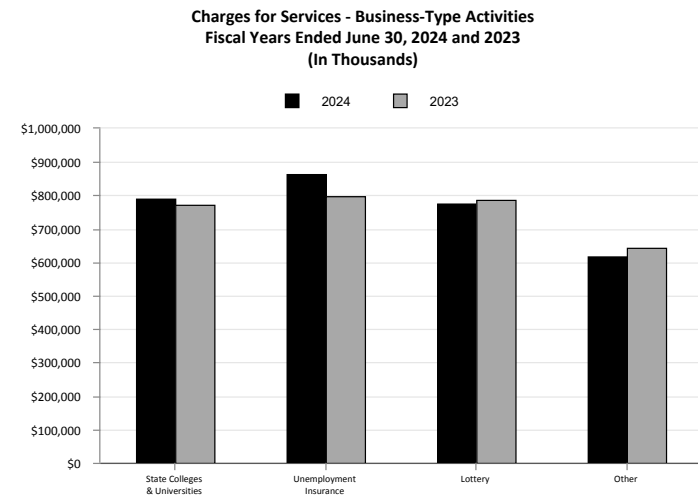
The increase in the net position of the state's business-type activities primarily resulted from a \$695.9 million increase in net position in the Family and Medical Benefit Insurance Fund, a \$108.9 million increase in net position in the State Colleges and Universities Fund and a \$273.9 million decrease in net position in the Unemployment Insurance Fund.

The Family and Medical Benefit Insurance Fund is a new fund in the current year with a net position of \$695.9 million, which was accumulated during the current year primarily as a result of a transfer of start-up funds from the General Fund. This fund will start receiving contributions from employers for paid family and

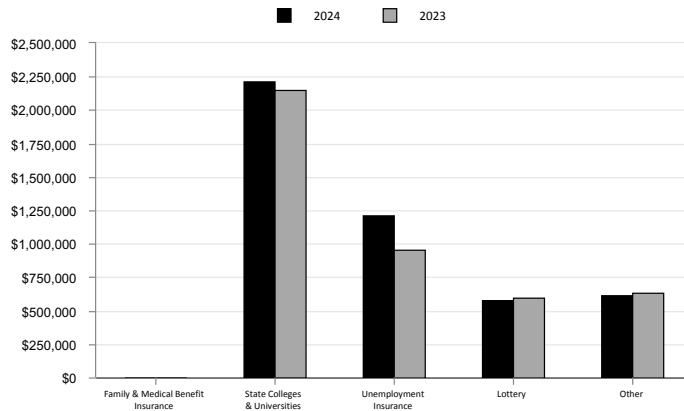
medical benefit insurance in January 2026 to be used to pay family and medical benefits to eligible individuals.

The State Colleges and Universities Fund's net position increased \$108.9 million during the current year compared to an increase of \$84.5 million in the prior year. The increase in net position resulted primarily from increases in appropriation transfer from the General Fund, which were offset by the net pension expense increase of \$113.8 million and a decrease in operating grants and contributions as a result of a continued decrease in federal grants associated with the Higher Education Emergency Relief funds as the program concluded.

The Unemployment Insurance Fund's net position decreased \$273.9 million during the current year compared to an increase of \$80.0 million in the prior year. Unemployment benefits increased as a result of a change in eligibility to cover educational employees. Educational employees are now eligible for unemployment benefits over the summer months. In addition, federal grants decreased as the Unemployment Insurance Fund received funds from the American Rescue Plan in the prior year.



**Expenses Net of Pension Impact - Business-Type Activities**  
**Fiscal Years Ended June 30, 2024, and 2023**  
(In Thousands)



#### Long-Term Liabilities

The state's total long-term liabilities decreased by \$498.5 million (3.4 percent) during the current fiscal year. This decrease is primarily attributable to a decrease in the Net Pension Liability of \$853.4 million, which was offset by an increase associated with the issuance of Certificates of Participation for the financing of the design, renovation, expansion and equipping of the state office building serving the House of Representatives. For additional information on long-term liabilities see Note 11 – Long-Term Liabilities - Primary Government.

### 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 \$27.6 billion, a decrease of \$676.2 million over the prior year.

The General Fund is the main operating fund of the state. At the end of the current fiscal year, the fund balance of the General Fund was \$16.9 billion, a decrease of \$2.8 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, the economy remained stable between the current year and prior year. Other revenues increase was due to an increase in fees charged on child support received by parents receiving public assistance for child care and revenue from Workers'

Compensation Assigned Risk Plan (component unit). In addition, revenue was received from local governments for the Lewis and Clark Regional Water System project.

The General Fund expenditures, net of expenditures related to COVID-19, increased significantly over the prior year. Health and human services expenditures increase is due to the reduction of the federal participation rate for medical assistance for the first two quarters and the complete elimination for the last two quarters of the current year which resulted in a shift of these costs from the Federal Fund back to the General Fund. This federal participation rate increase in the prior year related to COVID-19 expenditures under the Families First Coronavirus Response federal funding. See the COVID-19 Pandemic Impact on Current Year Governmental Financial Activity section for further details related to prior year. Health and human service expenditures also increased as a result of a new child tax credit and the creation of "Great Start" task force tasked to develop a plan to accomplish the goal for "all families to have access to affordable, high-quality early care and education". General education expenditures increase was due to increased funding for special education and the four percent per pupil formula increase. The state issued \$989 million in one-time rebates of surplus funds to individuals and also funded a tax forfeiture lawsuit settlement against a county in Minnesota which resulted in a significant increase in general government expenditures. The significant one-time grants to Housing Finance Agency (HFA, component unit) for housing projects, such as first-generation homebuyers down-payment assistance, housing infrastructure, community stabilization, and stable housing organization relief programs caused a significant increase in economic and workforce development expenditures. Intergovernmental aid expenditures increase resulted from one-time aid to local governments for public safety and the one-time increases to the homestead credit refund and renters property tax refund programs. This was partially offset by a decrease due to the one-time grants to individuals who worked on the frontlines during the COVID-19 peacetime emergency in the prior year. Higher education expenditures increase was due to additional grants to the Office of Higher Education and the University of Minnesota (component units) for student tuition grants and operating support. Additional operating support at both the state and county level for investments in public safety caused the increase in public safety expenditures. Agricultural, environmental and energy resources expenditures increase related to program expansion and the rising health care costs for the reinsurance health care program.

The Federal Fund expenditures, net of expenditures related to COVID-19, increased slightly over the prior year. The increase in general education is the result of an increase in aid to school districts, while the increase in health and human services is due to an increase in funding for epidemiology and laboratory capacity for infectious diseases program, as well as a slight increase in medical assistance expenditures.

During the current year, motor vehicle taxes increase was due to an increase in the vehicle registration tax starting in January 2024, which impacted the Trunk Highway, Municipal State-aid Street, and County State-aid funds (special revenue funds). The fees also increased on driver and vehicle services transactions in the Miscellaneous Special Revenue Fund (special revenue fund), which increased licenses and fees revenue. The increase in other revenue resulted from revenue from the counties' share of the medical assistance grants that shifted back from the federal government in the Miscellaneous Special Revenue fund and an increase in revenue from local governments for transportation projects in the Trunk Highway Fund. The increase in sales taxes resulted from a new Twin Cities Metropolitan Area sales tax to fund and support transportation and transit projects in the metropolitan area in the Miscellaneous Special Revenue Fund. This resulted in an increase in transportation expenditures due to grants to Metropolitan Council (component unit). Transportation expenditures also increased in the County State-aid Highway Fund due to grants to counties for transportation projects. Sales taxes also increased due to a new metropolitan area sales tax to fund and support housing assistance projects in the newly created Housing Assistance Fund (special revenue fund). This resulted in an increase in economic and workforce development expenditures due to grants to Housing Finance Agency (component unit) for housing assistance. Economic and development also increased due to grants to Housing Finance Agency for capital projects in the General Projects Fund (capital projects fund). Agricultural, environmental and energy expenditures increase was due to an increase in grants to local governments for metropolitan drinking water in the Environmental and Remediation Fund (special revenue

fund) and one-time grants to local governments for environmental and natural resource projects and parks and trails in the Heritage Fund (special revenue fund), which was offset by a decrease resulting from grants to Prairie Island Indian Community to develop an energy system to implement renewable energy that results in net zero emissions in the Miscellaneous Special Revenue Fund (special revenue fund) in the prior year.

### Proprietary Funds – Enterprise and Internal Service Funds

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

#### Enterprise Funds

The state's enterprise funds are included in the Business-type Activities column of the Statement of Activities. Enterprise funds net position increased by \$565.6 million during the current year. This primarily resulted from a \$695.9 million increase in net position of the newly created Family and Medical Benefit Insurance Fund, a \$108.9 million increase in net position of the State Colleges and Universities Fund, and a \$273.9 million 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 a nonmajor enterprise fund 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 nonmajor enterprise and internal service 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 2024. These are material to understanding changes in General Fund balances that occurred in fiscal year 2024. 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 2024.

#### Actions Establishing the Fiscal Year 2024 Budget

The 2023 Legislature established the 2024-25 biennial budget based on the February 2023 Budget and Economic Forecast, which showed a projected balance of \$17.455 billion for that biennium. Revenues and other current resources at the time of enactment were projected to be \$58.818 billion while appropriations for the enacted budget totaled \$69.518 billion. Offsetting the difference between revenue and spending for the biennium was the \$12.283 billion projected balance carried forward from the 2022-23 biennium. Additionally, reserves for the 2024-25 biennium at the time of enactment were \$2.852 billion in the budget

reserve and \$350 million in the cash flow account, both unchanged from the previous forecast. The unreserved balance for the biennium was projected to be \$1.583 billion.

Investments over base spending in the General Fund included: \$3.231 billion increase in economic development, agricultural, and housing appropriations, \$2.957 billion in new spending in E-12 education, \$2.819 billion increase in health and human services spending, \$1.265 billion higher appropriations in state government and veterans spending, \$1.044 billion increase in transportation spending, \$974 million for capital projects and grants, \$881 million increase in public safety and judiciary spending, \$880 million increase in property tax credits and aids to local government, \$688 million for environment and energy, \$668 million for higher education, and \$40 million increase in debt service costs due to the passage of a bonding bill. The most significant enacted revenue reductions included \$1.131 billion for a one-time refundable credit, \$893 million for a new child tax credit, and \$496 million for an expanded social security subtraction. Revenue reductions were partially offset by increases generated from changes to itemized and standard deductions and corporate foreign income taxation, among other smaller enacted revenue increases. Of the spending and revenue changes enacted, \$10.136 billion were one-time in nature and not planned to continue beyond the 2024-25 biennium.

After the 2023 legislative session, the enacted budget for the 2024-25 biennium included \$15.485 billion in the projected carryforward balance from fiscal year 2023 (including reserves), \$58.818 billion in General Fund estimated revenues and current resources, \$69.518 billion in General Fund projected spending, \$3.202 billion in cash flow and budgetary reserves, and an estimated \$1.583 billion ending budgetary balance.

### Budget and Forecast Actions Impacting Fiscal Year 2024

The November 2023 Budget and Economic Forecast increased the projected ending balance for the 2024-25 biennium to a total of \$2.392 billion, an increase of \$808 million (51.0 percent) compared to previous estimates. Total General Fund revenues and current resources for the 2024-25 biennium were forecast to be \$59.655 billion, \$837 million (1.4 percent) more than prior projections. Total tax revenues for the biennium were forecast to be \$57.058 billion, \$710 million (1.3 percent) above the prior estimate. The forecasts for Minnesota's three largest tax types were higher than the end-of-session estimates. Total General Fund expenditures for the 2024-25 biennium were projected to be \$70.516 billion, \$998 million (1.4 percent) higher than previously forecast. Estimated spending was higher than end-of-session estimates across all major areas, with the exception of the cost of debt service on state capital projects as well as public safety and judiciary expenditures. Statutory allocations to the budget reserve triggered by the forecast surplus resulted in a \$61 million transfer to the budget reserve. After the allocation, the budget reserve balance was \$2.913 billion as of the November 2023 Budget and Economic Forecast while the \$350 million cash flow account balance remained unchanged.

With the February 2024 Budget and Economic Forecast, an improved revenue forecast and largely unchanged spending estimates resulted in a \$1.324 billion increase in the projected balance compared to the November 2023 Budget and Economic Forecast. Given this, the 2024-25 biennium was projected to conclude with an available budgetary balance of \$3.715 billion. The \$2.913 billion budget reserve and \$350 million cash flow account were unchanged from prior estimates.

The 2024 Legislature made adjustments to resources and appropriations for the 2024-25 biennium. General Fund revenues and current resources were reduced \$9 million, largely due to a correction to statute related corporate income tax net operating loss allowances. Enacted spending changes totaled \$415 million in supplemental appropriations. Significant spending increases included \$109 million for settlement account related to local tax forfeiture, \$98 million for health and human services, \$57 million for public safety and judiciary spending, and \$47 million for E-12 education. After accounting for the enacted spending and resource changes, the General Fund was projected to end the 2024-25 biennium with a balance of \$3.291 billion.

Fiscal year 2024 ended with a General Fund balance of \$5.896 billion, \$674 million above prior estimates. This increased balance carried forward into fiscal year 2025 as an added resource. Total revenues, transfers-in, and other resources in fiscal year 2024 were \$621 million higher than previously forecast. Tax revenues were \$239 million more than projections and non-tax revenues were \$253 million above previous projections. Prior period adjustments were \$119 million higher than estimates, and other resource changes contributed to an additional \$9 million compared to previous projections. After accounting for unspent appropriations authorized under law to carryforward to the next fiscal year, actual expenditures were \$65 million below the previous forecast. The budget reserve increased \$12 million due to a statutory allocation.

The November 2024 Budget and Economic Forecast projected an improved balance for fiscal year 2025, with the fiscal year projected to end with a surplus of \$3.752 billion. Estimated revenues and other resources, inclusive of funds carried forward from fiscal year 2024, exceeded the prior forecast and estimated spending was lower than prior estimates. Total General Fund revenues and other current resources for the 2024-25 biennium were forecast to be \$61.434 billion, \$445 million (0.7 percent) more than prior estimates while expenditures for the biennium were expected to be \$70.670 billion, a reduction of \$280 million (0.4 percent) compared to prior estimates. The budget reserve increased by \$264 million to \$3.177 billion while the cash flow account balance of \$350 million was unchanged.

#### 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 2024 with a balance of \$6.841 billion. On a GAAP basis, the General Fund reported a balance of \$16.856 billion for fiscal year 2024, a difference of \$10.015 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 \$4.681 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 \$5.334 billion. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 17 – Budgetary Basis vs. GAAP of the notes to the financial statements.

#### Capital Assets, including Right-to-Use Assets and Debt Administration

##### Capital Assets, including Right-to-Use Assets

The state's investment in capital assets, including right-to-use assets for governmental and business-type activities as of June 30, 2024, was \$30.1 billion, less accumulated depreciation/amortization of \$6.3 billion, resulting in a net book value of \$23.8 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures, internally generated computer software, equipment, leased asset, and IT subscriptions. 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, including Right-to-Use Assets

June 30, 2024 and 2023

(In Thousands)

|                                                           | Governmental Activities |                      | Business-type Activities |                     | Total Primary Government |                      |
|-----------------------------------------------------------|-------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
|                                                           | 2024                    | 2023                 | 2024                     | 2023                | 2024                     | 2023                 |
| Capital Assets not Depreciated:                           |                         |                      |                          |                     |                          |                      |
| Land <sup>(1)</sup>                                       | \$ 3,059,643            | \$ 2,956,671         | \$ 93,817                | \$ 93,817           | \$ 3,153,460             | \$ 3,050,488         |
| Buildings, Structures, Improvements                       | 342,252                 | 342,252              | —                        | —                   | 342,252                  | 342,252              |
| Construction in Progress                                  | 230,928                 | 440,359              | 80,205                   | 97,391              | 311,133                  | 537,750              |
| Development in Progress                                   | 291,902                 | 280,336              | 4,402                    | 424                 | 296,304                  | 280,760              |
| Infrastructure                                            | 13,748,699              | 13,250,715           | —                        | —                   | 13,748,699               | 13,250,715           |
| Easement/Other Intangibles                                | 598,220                 | 571,395              | 596                      | 596                 | 598,816                  | 571,991              |
| Art and Historical Treasures                              | 12,290                  | 12,290               | —                        | —                   | 12,290                   | 12,290               |
| Total Capital Assets not Depreciated                      | <u>\$ 18,283,934</u>    | <u>\$ 17,854,018</u> | <u>\$ 179,020</u>        | <u>\$ 192,228</u>   | <u>\$ 18,462,954</u>     | <u>\$ 18,046,246</u> |
| Capital Assets Depreciated:                               |                         |                      |                          |                     |                          |                      |
| Buildings, Structures, Improvements <sup>(2)</sup>        | \$ 3,909,044            | \$ 3,592,453         | \$ 4,170,429             | \$ 4,055,819        | \$ 8,079,473             | \$ 7,648,272         |
| Infrastructure                                            | 609,713                 | 521,764              | 30,733                   | 30,734              | 640,446                  | 552,498              |
| Easements                                                 | 5,932                   | 4,389                | —                        | —                   | 5,932                    | 4,389                |
| Library Collections                                       | —                       | —                    | 31,920                   | 32,803              | 31,920                   | 32,803               |
| Internally Generated Computer Software                    | 507,780                 | 475,076              | 73,618                   | 71,277              | 581,398                  | 546,353              |
| Equipment, Furniture, Fixtures <sup>(2)</sup>             | 1,087,737               | 1,033,824            | 381,616                  | 364,189             | 1,469,353                | 1,398,013            |
| Total Capital Assets Depreciated                          | <u>\$ 6,120,206</u>     | <u>\$ 5,627,506</u>  | <u>\$ 4,688,316</u>      | <u>\$ 4,554,822</u> | <u>\$ 10,808,522</u>     | <u>\$ 10,182,328</u> |
| Less: Accumulated Depreciation <sup>(2)</sup>             | <u>(3,048,053)</u>      | <u>(2,902,961)</u>   | <u>(2,913,433)</u>       | <u>(2,782,151)</u>  | <u>(5,961,486)</u>       | <u>(5,685,112)</u>   |
| Total Capital Assets Depreciated, Net                     | <u>\$ 3,072,153</u>     | <u>\$ 2,724,545</u>  | <u>\$ 1,774,883</u>      | <u>\$ 1,772,671</u> | <u>\$ 4,847,036</u>      | <u>\$ 4,497,216</u>  |
| Right-to-Use Assets Amortized <sup>(2)</sup> :            |                         |                      |                          |                     |                          |                      |
| Leased Buildings, Structures, Improvements <sup>(2)</sup> | \$ 514,704              | \$ 497,820           | \$ 60,638                | \$ 51,694           | \$ 575,342               | \$ 549,514           |
| Leased Easements                                          | 3,955                   | 794                  | —                        | —                   | 3,955                    | 794                  |
| Leased Equipment, Furniture, Fixtures                     | 20,447                  | 20,627               | 19,286                   | 16,561              | 39,733                   | 37,188               |
| IT Subscriptions                                          | 127,285                 | 106,764              | 52,213                   | 48,500              | 179,498                  | 155,264              |
| Total Right-to-Use Assets Amortized                       | <u>\$ 666,391</u>       | <u>\$ 626,005</u>    | <u>\$ 132,137</u>        | <u>\$ 116,755</u>   | <u>\$ 798,528</u>        | <u>\$ 742,760</u>    |
| Less: Accumulated Amortization <sup>(2)</sup>             | <u>(255,591)</u>        | <u>(160,637)</u>     | <u>(57,179)</u>          | <u>(39,863)</u>     | <u>(312,770)</u>         | <u>(200,500)</u>     |
| Total Right-to-Use Assets Amortized, Net                  | <u>\$ 410,800</u>       | <u>\$ 465,368</u>    | <u>\$ 74,958</u>         | <u>\$ 76,892</u>    | <u>\$ 485,758</u>        | <u>\$ 542,260</u>    |
| Total Capital Assets, including Right-to-Use Assets, Net  | <u>\$ 21,766,887</u>    | <u>\$ 21,043,931</u> | <u>\$ 2,028,861</u>      | <u>\$ 2,041,791</u> | <u>\$ 23,795,748</u>     | <u>\$ 23,085,722</u> |

<sup>(1)</sup> 2023 has been restated to remove land held for investment. See Note 6 – Capital Assets, including Right-to-Use Assets for further information.

<sup>(2)</sup> 2023 has been restated as a result of the change in reporting entity. See Note 20 – Change in Reporting Entity and Change in Accounting Principle for further information.

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meets 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 2023, 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 2023, indicated that 93.7 percent of principal arterial system bridges and 93.0 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; however, projects under the federal Infrastructure Investment and Jobs Act started off slower than expected causing expenditures to be less than the budget. The decrease in expenditures on bridges in the current year was due the decrease in expenditures on the I-35 Duluth Terminal Port Interchange bridges that was near completion toward the end of the prior year.

Additional information on the state’s capital assets and infrastructure under the modified approach is included in Note 6 – Capital Assets, including Right-to-Use 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, 2024, as follows:

- AAA by Fitch Ratings
- AAA by S&P Global Ratings
- Aaa by Moody’s Investors Service Inc.

The Legislature also statutorily authorizes other types of debt.

The state issued 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 Lewis and Clark Regional Water System project, the Duluth regional exchange district, the environmental response PCA superfund, public television equipment, and electric vehicle infrastructure.

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

Outstanding Bonded Debt and Unamortized Premium  
June 30, 2024 and 2023  
(In Thousands)

|                              | Governmental Activities |                     | Business-type Activities |                   | Total Primary Government |                     |
|------------------------------|-------------------------|---------------------|--------------------------|-------------------|--------------------------|---------------------|
|                              | 2024                    | 2023                | 2024                     | 2023              | 2024                     | 2023                |
| General Obligation           | \$ 6,997,312            | \$ 7,211,161        | \$ 150,805               | \$ 166,577        | \$ 7,148,117             | \$ 7,377,738        |
| Revenue                      | 64,101                  | 23,885              | 173,053                  | 188,542           | 237,154                  | 212,427             |
| State Appropriation Bonds    | 428,269                 | 449,028             | —                        | —                 | 428,269                  | 449,028             |
| Certificate of Participation | 545,441                 | 70,345              | —                        | —                 | 545,441                  | 70,345              |
| Total                        | <u>\$ 8,035,123</u>     | <u>\$ 7,754,419</u> | <u>\$ 323,858</u>        | <u>\$ 355,119</u> | <u>\$ 8,358,981</u>      | <u>\$ 8,109,538</u> |

During fiscal year 2024, the state issued the following bonds:

- \$160.7 million in general obligation state various purpose bonds
- \$264.0 million in general obligation state trunk highway bonds
- \$14.9 million in general obligation taxable state various purpose bonds
- \$329.1 million in state various purpose refunding bonds
- \$255.3 million in state trunk highway refunding
- \$37.4 million in revenue bonds for grants to school districts in the taconite assistance area for building projects
- \$26.1 million in state appropriation bonds for the Duluth Regional Exchange District
- \$454.2 million in Certificate of Participation for design, renovation, expansion and equipping the state office building

Additional information on the state’s long-term debt obligations is located in Note 11 – Long-Term Liabilities - Primary Government in the notes to the financial statements.

Requests for Information

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

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

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

## STATE OF MINNESOTA

## STATEMENT OF NET POSITION

JUNE 30, 2024

(IN THOUSANDS)

|                                                              | PRIMARY GOVERNMENT      |                          |               | COMPONENT UNITS |
|--------------------------------------------------------------|-------------------------|--------------------------|---------------|-----------------|
|                                                              | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL         |                 |
| ASSETS                                                       |                         |                          |               |                 |
| Current Assets:                                              |                         |                          |               |                 |
| Cash and Cash Equivalents                                    | \$ 26,341,110           | \$ 3,499,252             | \$ 29,840,362 | \$ 2,315,105    |
| Investments                                                  | 4,487,304               | 24,448                   | 4,511,752     | 1,984,422       |
| Accounts Receivable                                          | 4,087,394               | 492,591                  | 4,579,985     | 668,727         |
| Due from Component Units                                     | 15,161                  | —                        | 15,161        | —               |
| Due from Primary Government                                  | —                       | —                        | —             | 455,517         |
| Accrued Investment/Interest Earnings                         | 129,216                 | 1                        | 129,217       | 57,160          |
| Federal Aid Receivable                                       | 2,767,791               | 35,382                   | 2,803,173     | 23,101          |
| Inventories                                                  | 81,926                  | 26,247                   | 108,173       | 64,492          |
| Loans and Notes Receivable                                   | 27,394                  | 1,202                    | 28,596        | 355,483         |
| Leases Receivable                                            | 2,046                   | 2,742                    | 4,788         | 32,740          |
| Internal Balances                                            | 49,744                  | (49,744)                 | —             | —               |
| Other Assets                                                 | 3,604                   | 1,429                    | 5,033         | 45,188          |
| Total Current Assets                                         | \$ 37,992,690           | \$ 4,033,550             | \$ 42,026,240 | \$ 6,001,935    |
| Noncurrent Assets:                                           |                         |                          |               |                 |
| Cash and Cash Equivalents-Restricted                         | \$ —                    | \$ 44,812                | \$ 44,812     | \$ 1,815,433    |
| Investments-Restricted                                       | —                       | 320                      | 320           | 5,614,483       |
| Accounts Receivable-Restricted                               | —                       | —                        | —             | 196,906         |
| Due from Primary Government-Restricted                       | —                       | —                        | —             | 21,589          |
| Due from Primary Government                                  | —                       | —                        | —             | 1,323           |
| Due from Component Units                                     | 101,876                 | —                        | 101,876       | —               |
| Investments                                                  | —                       | —                        | —             | 7,132,999       |
| Derivative Instrument-Rate Swap                              | —                       | —                        | —             | 48,457          |
| Accounts Receivable                                          | 860,171                 | 2,127                    | 862,298       | 474,938         |
| Loans and Notes Receivable                                   | 187,520                 | 2,899                    | 190,419       | 3,242,736       |
| Leases Receivable                                            | 5,071                   | 7,135                    | 12,206        | 593,285         |
| Investment in Land                                           | 15,943                  | —                        | 15,943        | —               |
| Right-to-Use Assets (Net)                                    | 410,800                 | 74,958                   | 485,758       | 276,754         |
| Depreciable Capital Assets (Net)                             | 3,072,153               | 1,774,883                | 4,847,036     | 6,674,095       |
| Nondepreciable Capital Assets                                | 4,535,235               | 179,020                  | 4,714,255     | 3,860,307       |
| Infrastructure (Not depreciated)                             | 13,748,699              | —                        | 13,748,699    | —               |
| Other Assets                                                 | 949                     | —                        | 949           | 9,422           |
| Total Noncurrent Assets                                      | \$ 22,938,417           | \$ 2,086,154             | \$ 25,024,571 | \$ 29,962,727   |
| Total Assets                                                 | \$ 60,931,107           | \$ 6,119,704             | \$ 67,050,811 | \$ 35,964,662   |
| DEFERRED OUTFLOWS OF RESOURCES                               |                         |                          |               |                 |
| Accumulated Decrease in Fair Value of Derivative Instruments | \$ —                    | \$ —                     | \$ —          | \$ 1,817        |
| Bond Refunding                                               | 180,540                 | 1,162                    | 181,702       | 4,014           |
| Deferred Outflows                                            | —                       | —                        | —             | 4,330           |
| Deferred Pension Outflows                                    | 1,886,014               | 180,706                  | 2,066,720     | 298,543         |
| Deferred Other Postemployment Benefits Outflows              | 113,608                 | 31,885                   | 145,493       | 37,770          |
| Total Deferred Outflows of Resources                         | \$ 2,180,162            | \$ 213,753               | \$ 2,393,915  | \$ 346,474      |
| LIABILITIES                                                  |                         |                          |               |                 |
| Current Liabilities:                                         |                         |                          |               |                 |
| Accounts Payable                                             | \$ 7,468,056            | \$ 291,819               | \$ 7,759,875  | \$ 628,216      |
| Due to Component Units                                       | 477,664                 | 12                       | 477,676       | —               |
| Due to Primary Government                                    | —                       | —                        | —             | 23,765          |
| Unearned Revenue                                             | 175,717                 | 172,155                  | 347,872       | 127,829         |
| Accrued Interest Payable                                     | 115,551                 | —                        | 115,551       | 121,903         |
| Bonds and Notes Payable                                      | 651,956                 | 34,163                   | 686,119       | 793,046         |
| Lease/Subscription Payable                                   | 90,148                  | 21,806                   | 111,954       | 35,249          |
| Certificates of Participation Payable                        | 16,335                  | —                        | 16,335        | 760             |
| Claims Payable                                               | 199,564                 | 23,792                   | 223,356       | 325,992         |
| Compensated Absences Payable                                 | 62,877                  | 21,558                   | 84,435        | 147,872         |
| Other Postemployment Benefits                                | 41,560                  | 6,992                    | 48,552        | 4,675           |
| Other Liabilities                                            | —                       | 14,892                   | 14,892        | 4,848           |
| Total Current Liabilities                                    | \$ 9,299,428            | \$ 587,189               | \$ 9,886,617  | \$ 2,214,155    |

## STATE OF MINNESOTA

## STATEMENT OF NET POSITION

JUNE 30, 2024

(IN THOUSANDS)

|                                                               | PRIMARY GOVERNMENT      |                          |               | COMPONENT UNITS |
|---------------------------------------------------------------|-------------------------|--------------------------|---------------|-----------------|
|                                                               | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL         |                 |
| Noncurrent Liabilities:                                       |                         |                          |               |                 |
| Accounts Payable-Restricted                                   | \$ —                    | \$ —                     | \$ —          | \$ 193,562      |
| Unearned Revenue-Restricted                                   | —                       | —                        | —             | 207,973         |
| Accrued Interest Payable-Restricted                           | —                       | —                        | —             | 12,758          |
| Accounts Payable                                              | —                       | —                        | —             | 61,381          |
| Due to Primary Government                                     | —                       | —                        | —             | 101,876         |
| Unearned Revenue                                              | 166,232                 | —                        | 166,232       | 7,320           |
| Interest Rate Swap Agreements                                 | —                       | —                        | —             | 61              |
| Bonds and Notes Payable                                       | 6,951,105               | 311,424                  | 7,262,529     | 9,367,635       |
| Lease/Subscription Payable                                    | 239,601                 | 51,004                   | 290,605       | 182,240         |
| Due to Component Units                                        | 1,323                   | —                        | 1,323         | —               |
| Certificates of Participation Payable                         | 529,106                 | —                        | 529,106       | —               |
| Claims Payable                                                | 737,565                 | 1,616                    | 739,181       | 502,523         |
| Compensated Absences Payable                                  | 403,135                 | 151,443                  | 554,578       | 41,425          |
| Other Postemployment Benefits                                 | 630,716                 | 106,960                  | 737,676       | 334,949         |
| Net Pension Liability                                         | 2,594,996               | 371,323                  | 2,966,319     | 251,653         |
| Funds Held in Trust                                           | —                       | —                        | —             | 536,667         |
| Other Liabilities                                             | —                       | 3,743                    | 3,743         | 104,069         |
| Total Noncurrent Liabilities                                  | \$ 12,253,779           | \$ 997,513               | \$ 13,251,292 | \$ 11,906,092   |
| Total Liabilities                                             | \$ 21,553,207           | \$ 1,584,702             | \$ 23,137,909 | \$ 14,120,247   |
| DEFERRED INFLOWS OF RESOURCES                                 |                         |                          |               |                 |
| Accumulated Increase in Fair Values of Derivative Instruments | \$ —                    | \$ —                     | \$ —          | \$ 48,457       |
| Bond Refunding                                                | 10,996                  | 4,441                    | 15,437        | 25,521          |
| Deferred Leases                                               | 7,117                   | 10,900                   | 18,017        | 581,525         |
| Deferred Revenue                                              | 456,799                 | —                        | 456,799       | 63,554          |
| Deferred Pension Inflows                                      | 1,044,394               | 117,862                  | 1,162,256     | 284,533         |
| Deferred Other Postemployment Benefits Inflows                | 75,418                  | 14,185                   | 89,603        | 81,787          |
| Total Deferred Inflows of Resources                           | \$ 1,594,724            | \$ 147,388               | \$ 1,742,112  | \$ 1,085,377    |
| NET POSITION                                                  |                         |                          |               |                 |
| Net Investment in Capital Assets                              | \$ 17,915,843           | \$ 1,630,442             | \$ 19,546,285 | \$ 7,272,721    |
| Restricted to:                                                |                         |                          |               |                 |
| Improve Agricultural, Environmental and Energy Resources      | \$ 3,962,404            | \$ —                     | \$ 3,962,404  | \$ —            |
| Enhance Arts and Culture                                      | 56,357                  | —                        | 56,357        | —               |
| Acquire, Maintain, and Improve Land and Buildings             | —                       | 552                      | 552           | —               |
| Retire Indebtedness                                           | 455,053                 | 143,933                  | 598,986       | —               |
| Develop Economy and Workforce                                 | 388,055                 | 13,328                   | 401,383       | —               |
| Enhance E-12 Education                                        | 25,458                  | —                        | 25,458        | —               |
| Enhance State Government                                      | 56,614                  | —                        | 56,614        | —               |
| Enhance Health and Human Services                             | 212,988                 | 43,432                   | 256,420       | —               |
| Enhance Higher Education                                      | 551                     | 23,156                   | 23,707        | —               |
| Enhance 911 Services and Increase Safety                      | 13,061                  | 143,611                  | 156,672       | —               |
| School Aid-Expendable                                         | 14,571                  | —                        | 14,571        | —               |
| School Aid-Nonexpendable                                      | 2,147,483               | —                        | 2,147,483     | —               |
| Construct Highways and Improve Infrastructure                 | 2,322,608               | —                        | 2,322,608     | —               |
| Unemployment Benefits                                         | —                       | 1,349,082                | 1,349,082     | —               |
| Other Purposes                                                | —                       | 113,500                  | 113,500       | —               |
| Component Units                                               | —                       | —                        | —             | 12,091,793      |
| Total Restricted                                              | \$ 9,655,203            | \$ 1,830,594             | \$ 11,485,797 | \$ 12,091,793   |
| Unrestricted                                                  | \$ 12,392,292           | \$ 1,140,331             | \$ 13,532,623 | \$ 1,740,998    |
| Total Net Position                                            | \$ 39,963,338           | \$ 4,601,367             | \$ 44,564,705 | \$ 21,105,512   |

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2024**

**(IN THOUSANDS)**

| FUNCTIONS/PROGRAMS                                     | EXPENSES             | PROGRAM REVENUES           |                                          |                                        |
|--------------------------------------------------------|----------------------|----------------------------|------------------------------------------|----------------------------------------|
|                                                        |                      | CHARGES<br>FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS AND<br>CONTRIBUTIONS |
| Primary Government:                                    |                      |                            |                                          |                                        |
| Governmental Activities:                               |                      |                            |                                          |                                        |
| Agricultural, Environmental and Energy Resources ..... | \$ 1,719,682         | \$ 508,637                 | \$ 968,607                               | \$ 26,098                              |
| Economic and Workforce Development .....               | 2,014,315            | 72,286                     | 382,988                                  | —                                      |
| General Education .....                                | 13,402,311           | 25,990                     | 1,622,029                                | 3,541                                  |
| General Government .....                               | 2,745,406            | 383,400                    | 111,876                                  | —                                      |
| Health and Human Services .....                        | 26,811,914           | 626,431                    | 14,794,206                               | —                                      |
| Higher Education .....                                 | 1,216,259            | —                          | 513                                      | —                                      |
| Intergovernmental Aid .....                            | 2,758,543            | —                          | —                                        | —                                      |
| Public Safety and Corrections .....                    | 1,749,108            | 239,169                    | 317,886                                  | —                                      |
| Transportation .....                                   | 4,258,157            | 52,536                     | 1,045,057                                | 121,760                                |
| Interest .....                                         | 172,751              | —                          | —                                        | —                                      |
| Total Governmental Activities .....                    | <u>\$ 56,848,446</u> | <u>\$ 1,908,449</u>        | <u>\$ 19,243,162</u>                     | <u>\$ 151,399</u>                      |
| Business-type Activities:                              |                      |                            |                                          |                                        |
| Family and Medical Benefit Insurance .....             | \$ 1,093             | \$ —                       | \$ —                                     | \$ —                                   |
| State Colleges and Universities .....                  | 2,182,883            | 789,578                    | 465,978                                  | —                                      |
| Unemployment Insurance .....                           | 1,209,236            | 864,893                    | 68,271                                   | —                                      |
| Lottery .....                                          | 582,117              | 775,845                    | —                                        | —                                      |
| Others .....                                           | 614,224              | 616,376                    | 356                                      | —                                      |
| Total Business-type Activities .....                   | <u>\$ 4,589,553</u>  | <u>\$ 3,046,692</u>        | <u>\$ 534,605</u>                        | <u>\$ —</u>                            |
| Total Primary Government .....                         | <u>\$ 61,437,999</u> | <u>\$ 4,955,141</u>        | <u>\$ 19,777,767</u>                     | <u>\$ 151,399</u>                      |
| Component Units:                                       |                      |                            |                                          |                                        |
| Housing Finance .....                                  | \$ 810,830           | \$ 38,474                  | \$ 1,238,519                             | \$ —                                   |
| Metropolitan Council .....                             | 1,321,468            | 388,463                    | 952,969                                  | 543,544                                |
| University of Minnesota .....                          | 5,290,605            | 1,531,747                  | 2,291,369                                | 70,976                                 |
| Others .....                                           | 868,260              | 149,165                    | 452,990                                  | 4,176                                  |
| Total Component Units .....                            | <u>\$ 8,291,163</u>  | <u>\$ 2,107,849</u>        | <u>\$ 4,935,847</u>                      | <u>\$ 618,696</u>                      |
| General Revenues:                                      |                      |                            |                                          |                                        |
| Taxes:                                                 |                      |                            |                                          |                                        |
| Individual Income Taxes .....                          |                      |                            |                                          |                                        |
| Corporate Income Taxes .....                           |                      |                            |                                          |                                        |
| Sales Taxes .....                                      |                      |                            |                                          |                                        |
| Property Taxes .....                                   |                      |                            |                                          |                                        |
| Motor Vehicle Taxes .....                              |                      |                            |                                          |                                        |
| Fuel Taxes .....                                       |                      |                            |                                          |                                        |
| Other Taxes .....                                      |                      |                            |                                          |                                        |
| Tobacco Settlement .....                               |                      |                            |                                          |                                        |
| Unallocated Investment/Interest Earnings .....         |                      |                            |                                          |                                        |
| Other Revenues .....                                   |                      |                            |                                          |                                        |
| State Grants Not Restricted .....                      |                      |                            |                                          |                                        |
| Transfers .....                                        |                      |                            |                                          |                                        |
| Total General Revenues and Transfers .....             |                      |                            |                                          |                                        |
| Change in Net Position .....                           |                      |                            |                                          |                                        |
| Net Position, Beginning, as Reported .....             |                      |                            |                                          |                                        |
| Change in Reporting Entity .....                       |                      |                            |                                          |                                        |
| Net Position, Beginning, as Restated .....             |                      |                            |                                          |                                        |
| Net Position, Ending .....                             |                      |                            |                                          |                                        |

The notes are an integral part of the financial statements.

| NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION |                                 |                        |                      |
|--------------------------------------------------|---------------------------------|------------------------|----------------------|
| PRIMARY GOVERNMENT                               |                                 |                        |                      |
| GOVERNMENTAL<br>ACTIVITIES                       | BUSINESS-<br>TYPE<br>ACTIVITIES | TOTAL                  | COMPONENT<br>UNITS   |
| \$ (216,340)                                     |                                 | \$ (216,340)           |                      |
| (1,559,041)                                      |                                 | (1,559,041)            |                      |
| (11,750,751)                                     |                                 | (11,750,751)           |                      |
| (2,250,130)                                      |                                 | (2,250,130)            |                      |
| (11,391,277)                                     |                                 | (11,391,277)           |                      |
| (1,215,746)                                      |                                 | (1,215,746)            |                      |
| (2,758,543)                                      |                                 | (2,758,543)            |                      |
| (1,192,053)                                      |                                 | (1,192,053)            |                      |
| (3,038,804)                                      |                                 | (3,038,804)            |                      |
| (172,751)                                        |                                 | (172,751)              |                      |
| <u>\$ (35,545,436)</u>                           |                                 | <u>\$ (35,545,436)</u> |                      |
|                                                  | \$ (1,093)                      | \$ (1,093)             |                      |
|                                                  | (927,327)                       | (927,327)              |                      |
|                                                  | (276,072)                       | (276,072)              |                      |
|                                                  | 193,728                         | 193,728                |                      |
|                                                  | 2,508                           | 2,508                  |                      |
|                                                  | <u>\$ (1,008,256)</u>           | <u>\$ (1,008,256)</u>  |                      |
| <u>\$ (35,545,436)</u>                           | <u>\$ (1,008,256)</u>           | <u>\$ (36,553,692)</u> |                      |
|                                                  |                                 |                        | \$ 466,163           |
|                                                  |                                 |                        | 563,508              |
|                                                  |                                 |                        | (1,396,513)          |
|                                                  |                                 |                        | (261,929)            |
|                                                  |                                 |                        | <u>\$ (628,771)</u>  |
| \$ 16,740,695                                    | \$ —                            | \$ 16,740,695          | \$ —                 |
| 3,223,930                                        | —                               | 3,223,930              | —                    |
| 8,803,443                                        | —                               | 8,803,443              | —                    |
| 721,648                                          | —                               | 721,648                | —                    |
| 2,043,105                                        | —                               | 2,043,105              | —                    |
| 889,206                                          | —                               | 889,206                | —                    |
| 3,592,615                                        | —                               | 3,592,615              | 92,694               |
| 183,713                                          | —                               | 183,713                | —                    |
| 1,161,610                                        | 114,499                         | 1,276,109              | 1,054,990            |
| 182,180                                          | 749                             | 182,929                | 651,569              |
| —                                                | —                               | —                      | 1,121,156            |
| <u>(1,458,611)</u>                               | <u>1,458,611</u>                | <u>—</u>               | <u>—</u>             |
| <u>\$ 36,083,534</u>                             | <u>\$ 1,573,859</u>             | <u>\$ 37,657,393</u>   | <u>\$ 2,920,409</u>  |
| \$ 538,098                                       | \$ 565,603                      | \$ 1,103,701           | \$ 2,291,638         |
| \$ 39,423,759                                    | \$ 4,037,245                    | \$ 43,461,004          | \$ 18,813,874        |
| 1,481                                            | (1,481)                         | —                      | —                    |
| \$ 39,425,240                                    | \$ 4,035,764                    | \$ 43,461,004          | \$ 18,813,874        |
| <u>\$ 39,963,338</u>                             | <u>\$ 4,601,367</u>             | <u>\$ 44,564,705</u>   | <u>\$ 21,105,512</u> |

**STATE OF MINNESOTA**
**GOVERNMENTAL FUNDS**
**BALANCE SHEET**
**JUNE 30, 2024**
**(IN THOUSANDS)**

|                                                                     | GENERAL              | FEDERAL             | NONMAJOR FUNDS       | TOTAL                |
|---------------------------------------------------------------------|----------------------|---------------------|----------------------|----------------------|
| <b>ASSETS</b>                                                       |                      |                     |                      |                      |
| Cash and Cash Equivalents                                           | \$ 17,308,045        | \$ 25,427           | \$ 8,375,625         | \$ 25,709,097        |
| Investments                                                         | 1,878,504            | —                   | 2,608,800            | 4,487,304            |
| Accounts Receivable                                                 | 4,098,817            | 330,370             | 511,533              | 4,940,720            |
| Interfund Receivables                                               | 412,398              | 19                  | 276,969              | 689,386              |
| Due from Component Units                                            | 12,032               | —                   | 105,005              | 117,037              |
| Accrued Investment/Interest Earnings                                | 117,359              | —                   | 11,857               | 129,216              |
| Federal Aid Receivable                                              | —                    | 2,660,351           | 107,440              | 2,767,791            |
| Inventories                                                         | —                    | 18,485              | 62,987               | 81,472               |
| Loans and Notes Receivable                                          | 48,773               | 6,147               | 159,994              | 214,914              |
| Leases Receivable                                                   | —                    | —                   | 4,134                | 4,134                |
| Investment in Land                                                  | —                    | —                   | 15,943               | 15,943               |
| Total Assets                                                        | <u>\$ 23,875,928</u> | <u>\$ 3,040,799</u> | <u>\$ 12,240,287</u> | <u>\$ 39,157,014</u> |
| <b>LIABILITIES</b>                                                  |                      |                     |                      |                      |
| Accounts Payable                                                    | \$ 4,168,216         | \$ 2,542,647        | \$ 808,426           | \$ 7,519,289         |
| Interfund Payables                                                  | 32,139               | 165,369             | 386,740              | 584,248              |
| Due to Component Units                                              | 222,135              | 154,618             | 100,600              | 477,353              |
| Unearned Revenue                                                    | 149,487              | 171,023             | 13,755               | 334,265              |
| Total Liabilities                                                   | <u>\$ 4,571,977</u>  | <u>\$ 3,033,657</u> | <u>\$ 1,309,521</u>  | <u>\$ 8,915,155</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                      |                     |                      |                      |
| Deferred Leases                                                     | \$ —                 | \$ —                | \$ 4,134             | \$ 4,134             |
| Deferred Revenue                                                    | 2,447,471            | —                   | 206,930              | 2,654,401            |
| Total Deferred Inflows of Resources                                 | <u>\$ 2,447,471</u>  | <u>\$ —</u>         | <u>\$ 211,064</u>    | <u>\$ 2,658,535</u>  |
| <b>FUND BALANCES</b>                                                |                      |                     |                      |                      |
| Nonspendable                                                        | \$ 1,914,056         | \$ —                | \$ 2,210,470         | \$ 4,124,526         |
| Restricted                                                          | 138,657              | 7,142               | 6,363,370            | 6,509,169            |
| Committed                                                           | 105,562              | —                   | 1,203,982            | 1,309,544            |
| Assigned                                                            | 4,574,708            | —                   | 1,003,980            | 5,578,688            |
| Unassigned                                                          | 10,123,497           | —                   | (62,100)             | 10,061,397           |
| Total Fund Balances                                                 | <u>\$ 16,856,480</u> | <u>\$ 7,142</u>     | <u>\$ 10,719,702</u> | <u>\$ 27,583,324</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 23,875,928</u> | <u>\$ 3,040,799</u> | <u>\$ 12,240,287</u> | <u>\$ 39,157,014</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, 2024**
**(IN THOUSANDS)**

|                                                                                                                                                                                                                                                 |                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| <b>Total Fund Balance for Governmental Funds</b>                                                                                                                                                                                                | <b>\$ 27,583,324</b> |
| Amounts reported for governmental activities in the Statement of Net Position are different because:                                                                                                                                            |                      |
| Capital assets, including right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:                                                                 |                      |
| Infrastructure                                                                                                                                                                                                                                  | \$ 13,748,699        |
| Nondepreciable Capital Assets                                                                                                                                                                                                                   | 4,534,974            |
| Depreciable Capital Assets                                                                                                                                                                                                                      | 5,875,475            |
| Accumulated Depreciation                                                                                                                                                                                                                        | (2,891,902)          |
| Right-to-Use Assets                                                                                                                                                                                                                             | 593,837              |
| Accumulated Amortization                                                                                                                                                                                                                        | (225,161)            |
|                                                                                                                                                                                                                                                 | 21,635,922           |
| 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.                                                           | 2,197,602            |
| Net Deferred Outflows (Inflows) resulting from the refunding of debt included in the Statement of Net Position.                                                                                                                                 | 169,544              |
| 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. | 500,955              |
| Deferred pension outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.                                                                                          | 834,875              |
| Deferred other postemployment benefits outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.                                                                    | 37,645               |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:                                                                                                       |                      |
| Accrued Interest Payable                                                                                                                                                                                                                        | \$ (115,446)         |
| General Obligation Bonds Payable                                                                                                                                                                                                                | (6,111,390)          |
| State Appropriation Bonds Payable                                                                                                                                                                                                               | (409,535)            |
| Revenue Bonds Payable                                                                                                                                                                                                                           | (59,465)             |
| Loans and Notes Payable                                                                                                                                                                                                                         | (49,295)             |
| Bond Premium Payable                                                                                                                                                                                                                            | (909,292)            |
| Due to Component Units                                                                                                                                                                                                                          | (1,634)              |
| Lease/Subscription Payable                                                                                                                                                                                                                      | (289,864)            |
| Certificates of Participation Payable                                                                                                                                                                                                           | (514,270)            |
| Certificates of Participation Premium Payable                                                                                                                                                                                                   | (31,171)             |
| Claims Payable                                                                                                                                                                                                                                  | (825,924)            |
| Compensated Absences Payable                                                                                                                                                                                                                    | (448,254)            |
| Other Postemployment Benefits                                                                                                                                                                                                                   | (663,167)            |
| Net Pension Liability                                                                                                                                                                                                                           | (2,567,822)          |
|                                                                                                                                                                                                                                                 | (12,996,529)         |
| <b>Net Position of Governmental Activities</b>                                                                                                                                                                                                  | <b>\$ 39,963,338</b> |

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, 2024  
(IN THOUSANDS)**

|                                                  | GENERAL        | FEDERAL       | NONMAJOR FUNDS | TOTAL         |
|--------------------------------------------------|----------------|---------------|----------------|---------------|
| Net Revenues:                                    |                |               |                |               |
| Individual Income Taxes                          | \$ 16,633,430  | \$ —          | \$ —           | \$ 16,633,430 |
| Corporate Income Taxes                           | 3,205,333      | —             | —              | 3,205,333     |
| Sales Taxes                                      | 7,593,195      | —             | 1,188,375      | 8,781,570     |
| Property Taxes                                   | 719,571        | —             | —              | 719,571       |
| Motor Vehicle Taxes                              | 451,195        | —             | 1,592,050      | 2,043,245     |
| Fuel Taxes                                       | —              | —             | 887,712        | 887,712       |
| Other Taxes                                      | 3,259,996      | —             | 287,190        | 3,547,186     |
| Tobacco Settlement                               | 165,053        | —             | 17,750         | 182,803       |
| Federal Revenues                                 | 61,090         | 17,542,777    | 642,386        | 18,246,253    |
| Licenses and Fees                                | 263,781        | 4,423         | 490,635        | 758,839       |
| Departmental Services                            | 188,191        | 4,208         | 221,485        | 413,884       |
| Investment/Interest Earnings                     | 1,398,513      | 2,186         | 629,523        | 2,030,222     |
| Other Revenues                                   | 623,389        | 73,729        | 332,259        | 1,029,377     |
| Net Revenues                                     | \$ 34,562,737  | \$ 17,627,323 | \$ 6,289,365   | \$ 58,479,425 |
| Expenditures:                                    |                |               |                |               |
| Agricultural, Environmental and Energy Resources | \$ 491,047     | \$ 343,212    | \$ 865,085     | \$ 1,699,344  |
| Economic and Workforce Development               | 1,173,272      | 320,261       | 489,169        | 1,982,702     |
| General Education                                | 11,921,970     | 1,371,086     | 104,304        | 13,397,360    |
| General Government                               | 2,339,791      | 30,062        | 156,532        | 2,526,385     |
| Health and Human Services                        | 11,739,746     | 14,749,700    | 245,639        | 26,735,085    |
| Higher Education                                 | 1,146,680      | 180           | 69,075         | 1,215,935     |
| Intergovernmental Aid                            | 2,752,507      | —             | 6,036          | 2,758,543     |
| Public Safety and Corrections                    | 1,048,915      | 308,797       | 316,476        | 1,674,188     |
| Transportation                                   | 638,509        | 436,302       | 3,106,544      | 4,181,355     |
| Total Current Expenditures                       | \$ 33,252,437  | \$ 17,559,600 | \$ 5,358,860   | \$ 56,170,897 |
| Capital Outlay                                   | 184,522        | 51,746        | 812,479        | 1,048,747     |
| Debt Service                                     | 97,742         | 7,794         | 990,531        | 1,096,067     |
| Total Expenditures                               | \$ 33,534,701  | \$ 17,619,140 | \$ 7,161,870   | \$ 58,315,711 |
| Excess of Revenues over (under) Expenditures     | \$ 1,028,036   | \$ 8,183      | \$ (872,505)   | \$ 163,714    |
| Other Financing Sources (Uses):                  |                |               |                |               |
| Bond Issuance                                    | \$ 37,395      | \$ —          | \$ 459,648     | \$ 497,043    |
| Certification of Participation Issuance          | —              | —             | 454,175        | 454,175       |
| Loan Issuance                                    | 31,896         | —             | 200            | 32,096        |
| Right-to-Use Issuance                            | 34,745         | 2,128         | 1,442          | 38,315        |
| Issuance of Refunding Bonds                      | —              | —             | 584,465        | 584,465       |
| Payment to Refunded Bonds Escrow Agent           | —              | —             | (584,465)      | (584,465)     |
| Bond Issuance Premium                            | 4,751          | —             | 106,665        | 111,416       |
| Certificate of Participation Issuance Premium    | —              | —             | 24,679         | 24,679        |
| Transfers-In                                     | 234,810        | 1,357         | 2,292,743      | 2,528,910     |
| Transfers-Out                                    | (4,152,577)    | (15,067)      | (363,583)      | (4,531,227)   |
| Net Other Financing Sources (Uses)               | \$ (3,808,980) | \$ (11,582)   | \$ 2,975,969   | \$ (844,593)  |
| Net Change in Fund Balances                      | \$ (2,780,944) | \$ (3,399)    | \$ 2,103,464   | \$ (680,879)  |
| Fund Balances, Beginning, as Reported            | \$ 19,632,710  | \$ 10,541     | \$ 8,616,238   | \$ 28,259,489 |
| Change in Reporting Entity                       | 4,714          | —             | —              | 4,714         |
| Fund Balances, Beginning, as Restated            | \$ 19,637,424  | \$ 10,541     | \$ 8,616,238   | \$ 28,264,203 |
| Fund Balances, Ending                            | \$ 16,856,480  | \$ 7,142      | \$ 10,719,702  | \$ 27,583,324 |

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, 2024  
(IN THOUSANDS)**

|                                                                                                                                                                                                                                                                                                                                                                                               |                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Net Change in Fund Balances for Governmental Funds                                                                                                                                                                                                                                                                                                                                            | \$ (680,879)      |
| 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, including right-to-use assets are allocated over their estimated useful lives or lease/subscription terms as applicable as depreciation/amortization. This is the amount by which capital outlay exceeded the depreciation/amortization in the current period. |                   |
| Capital Outlay                                                                                                                                                                                                                                                                                                                                                                                | \$ 1,048,747      |
| Depreciation/Amortization                                                                                                                                                                                                                                                                                                                                                                     | (307,085)         |
|                                                                                                                                                                                                                                                                                                                                                                                               | 741,662           |
| 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.                                                                                                                                      | (43,058)          |
| 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.                                                                                                                                    | 12,686            |
| Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.                                                                                                                                                                                                                                    | 246,431           |
| Bond, loan, certificates of participation, and lease/subscription 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.                                                                                                                                | (1,764,237)       |
| Net changes due to the additions and amortization of deferred inflows and outflows related to the refunding of debt is reported in the Statement of Activities but not included in governmental funds.                                                                                                                                                                                        | 33,416            |
| 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.                                                                                                                                                                           | 538,629           |
| 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.                                                                                                                                    | (11,951)          |
| Repayment of bonds, loans, certificates of participation, and leases/subscriptions are reported as expenditures in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.                                                                                                                                                                       | 1,522,338         |
| 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.                                                                                                                                                                                                        | (56,939)          |
| <b>Change in Net Position of Governmental Activities</b>                                                                                                                                                                                                                                                                                                                                      | <b>\$ 538,098</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, 2024  
(IN THOUSANDS)**

|                                                  | GENERAL FUND       |                 |                |
|--------------------------------------------------|--------------------|-----------------|----------------|
|                                                  | ORIGINAL<br>BUDGET | FINAL<br>BUDGET | ACTUAL         |
| Net Revenues:                                    |                    |                 |                |
| Individual Income Taxes                          | \$ 14,304,357      | \$ 14,810,000   | \$ 14,873,007  |
| Corporate Income Taxes                           | 2,662,686          | 2,999,946       | 3,171,237      |
| Sales Taxes                                      | 7,372,665          | 7,543,639       | 7,513,608      |
| Property Taxes                                   | 747,122            | 732,459         | 717,866        |
| Other Taxes                                      | 3,098,386          | 3,131,472       | 3,157,139      |
| Tobacco Settlement                               | 169,151            | 162,413         | 165,053        |
| Licenses and Fees                                | 259,707            | 251,503         | 257,436        |
| Departmental Services                            | 100,795            | 94,890          | 98,454         |
| Investment/Interest Earnings                     | 605,373            | 698,628         | 870,845        |
| Other Revenues                                   | 355,308            | 456,105         | 538,362        |
| Net Revenues                                     | \$ 29,675,550      | \$ 30,881,055   | \$ 31,363,007  |
| Expenditures:                                    |                    |                 |                |
| Agricultural, Environmental and Energy Resources | \$ 436,408         | \$ 445,782      | \$ 404,314     |
| Economic and Workforce Development               | 1,322,348          | 1,302,663       | 1,228,626      |
| General Education                                | 11,780,463         | 11,839,018      | 11,739,651     |
| General Government                               | 1,511,530          | 1,642,944       | 1,485,947      |
| Health and Human Services                        | 11,150,844         | 11,068,519      | 10,619,823     |
| Higher Education                                 | 1,094,625          | 1,106,463       | 1,091,726      |
| Intergovernmental Aid                            | 2,711,729          | 2,711,729       | 2,711,429      |
| Public Safety and Corrections                    | 1,130,388          | 1,130,800       | 1,050,995      |
| Transportation                                   | 285,583            | 284,934         | 236,867        |
| Total Expenditures                               | \$ 31,423,918      | \$ 31,532,852   | \$ 30,569,378  |
| Excess of Revenues over (under) Expenditures     | \$ (1,748,368)     | \$ (651,797)    | \$ 793,629     |
| Other Financing Sources (Uses):                  |                    |                 |                |
| Transfers-In                                     | \$ 25,332          | \$ 28,135       | \$ 36,800      |
| Transfers-Out                                    | (5,819,047)        | (5,819,047)     | (5,819,047)    |
| Net Other Financing Sources (Uses)               | \$ (5,793,715)     | \$ (5,790,912)  | \$ (5,782,247) |
| Net Change in Fund Balances                      | \$ (7,542,083)     | \$ (6,442,709)  | \$ (4,988,618) |
| Fund Balances, Beginning, as Reported            | \$ 17,608,179      | \$ 17,608,179   | \$ 17,608,179  |
| Prior Period Adjustments                         | —                  | —               | 163,181        |
| Fund Balances, Beginning, as Restated            | \$ 17,608,179      | \$ 17,608,179   | \$ 17,771,360  |
| Budgetary Fund Balances, Ending                  | \$ 10,066,096      | \$ 11,165,470   | \$ 12,782,742  |
| Less: Appropriation Carryover                    | —                  | —               | 2,658,698      |
| Less: Reserved for Long-Term Receivables         | —                  | —               | 7,590          |
| Less: Budgetary Reserve                          | —                  | —               | 3,275,308      |
| Unassigned Fund Balance, Ending                  | \$ 10,066,096      | \$ 11,165,470   | \$ 6,841,146   |

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**

**PROPRIETARY FUNDS**

**STATEMENT OF NET POSITION  
JUNE 30, 2024  
(IN THOUSANDS)**

|                                                 | ENTERPRISE FUNDS                            |                                     |                           |                                 |              |                              |
|-------------------------------------------------|---------------------------------------------|-------------------------------------|---------------------------|---------------------------------|--------------|------------------------------|
|                                                 | FAMILY &<br>MEDICAL<br>BENEFIT<br>INSURANCE | STATE<br>COLLEGES &<br>UNIVERSITIES | UNEMPLOYMENT<br>INSURANCE | NONMAJOR<br>ENTERPRISE<br>FUNDS | TOTAL        | INTERNAL<br>SERVICE<br>FUNDS |
| ASSETS                                          |                                             |                                     |                           |                                 |              |                              |
| Current Assets:                                 |                                             |                                     |                           |                                 |              |                              |
| Cash and Cash Equivalents                       | \$ 696,654                                  | \$ 1,177,028                        | \$ 1,181,096              | \$ 444,474                      | \$ 3,499,252 | \$ 632,013                   |
| Investments                                     | —                                           | 23,937                              | —                         | 511                             | 24,448       | —                            |
| Accounts Receivable                             | —                                           | 74,755                              | 381,693                   | 36,143                          | 492,591      | 111,777                      |
| Interfund Receivables                           | —                                           | 35,885                              | —                         | 3,128                           | 39,013       | 45                           |
| Accrued Investment/Interest Earnings            | —                                           | —                                   | —                         | 1                               | 1            | —                            |
| Federal Aid Receivable                          | —                                           | 35,225                              | 157                       | —                               | 35,382       | —                            |
| Inventories                                     | —                                           | 11,962                              | —                         | 14,285                          | 26,247       | 454                          |
| Loans and Notes Receivable                      | —                                           | 1,202                               | —                         | —                               | 1,202        | —                            |
| Leases Receivable                               | —                                           | 2,712                               | —                         | 30                              | 2,742        | 1,265                        |
| Prepaid Expenses                                | —                                           | 723                                 | —                         | 706                             | 1,429        | 3,604                        |
| Total Current Assets                            | \$ 696,654                                  | \$ 1,363,429                        | \$ 1,562,946              | \$ 499,278                      | \$ 4,122,307 | \$ 749,158                   |
| Noncurrent Assets:                              |                                             |                                     |                           |                                 |              |                              |
| Cash and Cash Equivalents-Restricted            | \$ —                                        | \$ 44,812                           | \$ —                      | \$ —                            | \$ 44,812    | \$ —                         |
| Investments-Restricted                          | —                                           | 320                                 | —                         | —                               | 320          | —                            |
| Accounts Receivable                             | —                                           | —                                   | —                         | 2,127                           | 2,127        | —                            |
| Loans and Notes Receivable                      | —                                           | 2,899                               | —                         | —                               | 2,899        | —                            |
| Leases Receivable                               | —                                           | 7,135                               | —                         | —                               | 7,135        | 1,718                        |
| Right-to-Use Assets (Net)                       | —                                           | 55,205                              | —                         | 19,753                          | 74,958       | 42,124                       |
| Depreciable Capital Assets (Net)                | —                                           | 1,651,919                           | —                         | 122,964                         | 1,774,883    | 88,580                       |
| Nondepreciable Capital Assets                   | —                                           | 158,148                             | —                         | 20,872                          | 179,020      | 261                          |
| Prepaid Expenses                                | —                                           | —                                   | —                         | —                               | —            | 949                          |
| Total Noncurrent Assets                         | \$ —                                        | \$ 1,920,438                        | \$ —                      | \$ 165,716                      | \$ 2,086,154 | \$ 133,632                   |
| Total Assets                                    | \$ 696,654                                  | \$ 3,283,867                        | \$ 1,562,946              | \$ 664,994                      | \$ 6,208,461 | \$ 882,790                   |
| DEFERRED OUTFLOWS OF RESOURCES                  |                                             |                                     |                           |                                 |              |                              |
| Bond Refunding                                  | \$ —                                        | \$ 1,162                            | \$ —                      | \$ —                            | \$ 1,162     | \$ —                         |
| Deferred Pension Outflows                       | —                                           | 153,055                             | —                         | 27,651                          | 180,706      | 32,599                       |
| Deferred Other Postemployment Benefits Outflows | —                                           | 28,328                              | —                         | 3,557                           | 31,885       | 1,565                        |
| Total Deferred Outflows of Resources            | \$ —                                        | \$ 182,545                          | \$ —                      | \$ 31,208                       | \$ 213,753   | \$ 34,164                    |
| LIABILITIES                                     |                                             |                                     |                           |                                 |              |                              |
| Current Liabilities:                            |                                             |                                     |                           |                                 |              |                              |
| Accounts Payable                                | \$ 716                                      | \$ 162,194                          | \$ 51,457                 | \$ 77,452                       | \$ 291,819   | \$ 48,799                    |
| Interfund Payables                              | —                                           | —                                   | 58,767                    | 29,990                          | 88,757       | 60,339                       |
| Due to Component Units                          | —                                           | —                                   | —                         | 12                              | 12           | —                            |
| Unearned Revenue                                | —                                           | 62,145                              | 103,640                   | 6,370                           | 172,155      | 7,609                        |
| Accrued Interest Payable                        | —                                           | —                                   | —                         | —                               | —            | 105                          |
| Bonds and Notes Payable                         | —                                           | 34,163                              | —                         | —                               | 34,163       | 20,275                       |
| Lease/Subscription Payable                      | —                                           | 17,793                              | —                         | 4,013                           | 21,806       | 12,697                       |
| Claims Payable                                  | —                                           | 2,528                               | —                         | 21,264                          | 23,792       | 111,205                      |
| Compensated Absences Payable                    | —                                           | 19,014                              | —                         | 2,544                           | 21,558       | 1,943                        |
| Other Postemployment Benefits                   | —                                           | 5,705                               | —                         | 1,287                           | 6,992        | 563                          |
| Other Liabilities                               | —                                           | 14,892                              | —                         | —                               | 14,892       | —                            |
| Total Current Liabilities                       | \$ 716                                      | \$ 318,434                          | \$ 213,864                | \$ 142,932                      | \$ 675,946   | \$ 263,535                   |

**STATE OF MINNESOTA**
**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2024  
(IN THOUSANDS)**

|                                                   | ENTERPRISE FUNDS                         |                                     |                           |                                 |              |                              |  |
|---------------------------------------------------|------------------------------------------|-------------------------------------|---------------------------|---------------------------------|--------------|------------------------------|--|
|                                                   | FAMILY & MEDICAL<br>BENEFIT<br>INSURANCE | STATE<br>COLLEGES &<br>UNIVERSITIES | UNEMPLOYMENT<br>INSURANCE | NONMAJOR<br>ENTERPRISE<br>FUNDS | TOTAL        | INTERNAL<br>SERVICE<br>FUNDS |  |
| Noncurrent Liabilities:                           |                                          |                                     |                           |                                 |              |                              |  |
| Unearned Revenue                                  | \$ —                                     | \$ —                                | \$ —                      | \$ —                            | \$ —         | \$ 75                        |  |
| Bonds and Notes Payable                           | —                                        | 311,424                             | —                         | —                               | 311,424      | 43,809                       |  |
| Lease/Subscription Payable                        | —                                        | 35,543                              | —                         | 15,461                          | 51,004       | 27,188                       |  |
| Claims Payable                                    | —                                        | 1,616                               | —                         | —                               | 1,616        | —                            |  |
| Compensated Absences Payable                      | —                                        | 139,433                             | —                         | 12,010                          | 151,443      | 15,815                       |  |
| Other Postemployment Benefits                     | —                                        | 87,446                              | —                         | 19,514                          | 106,960      | 8,546                        |  |
| Net Pension Liability                             | —                                        | 341,987                             | —                         | 29,336                          | 371,323      | 27,174                       |  |
| Other Liabilities                                 | —                                        | 3,743                               | —                         | —                               | 3,743        | —                            |  |
| Total Noncurrent Liabilities                      | \$ —                                     | \$ 921,192                          | \$ —                      | \$ 76,321                       | \$ 997,513   | \$ 122,607                   |  |
| Total Liabilities                                 | \$ 716                                   | \$ 1,239,626                        | \$ 213,864                | \$ 219,253                      | \$ 1,673,459 | \$ 386,142                   |  |
| DEFERRED INFLOWS OF RESOURCES                     |                                          |                                     |                           |                                 |              |                              |  |
| Bond Refunding                                    | \$ —                                     | \$ 4,441                            | \$ —                      | \$ —                            | \$ 4,441     | \$ —                         |  |
| Deferred Leases                                   | —                                        | 10,864                              | —                         | 36                              | 10,900       | 2,983                        |  |
| Deferred Pension Inflows                          | —                                        | 97,110                              | —                         | 20,752                          | 117,862      | 25,854                       |  |
| Deferred Other Postemployment Benefits Inflows    | —                                        | 11,851                              | —                         | 2,334                           | 14,185       | 1,020                        |  |
| Total Deferred Inflows of Resources               | \$ —                                     | \$ 124,266                          | \$ —                      | \$ 23,122                       | \$ 147,388   | \$ 29,857                    |  |
| NET POSITION                                      |                                          |                                     |                           |                                 |              |                              |  |
| Net Investment in Capital Assets                  | \$ —                                     | \$ 1,486,327                        | \$ —                      | \$ 144,115                      | \$ 1,630,442 | \$ 26,996                    |  |
| Restricted for:                                   |                                          |                                     |                           |                                 |              |                              |  |
| Acquire, Maintain, and Improve Land and Buildings | \$ —                                     | \$ 552                              | \$ —                      | \$ —                            | \$ 552       | \$ —                         |  |
| Retire Indebtedness                               | —                                        | 143,933                             | —                         | —                               | 143,933      | —                            |  |
| Develop Economy and Workforce                     | —                                        | —                                   | —                         | 13,328                          | 13,328       | —                            |  |
| Enhance Health and Human Services                 | —                                        | —                                   | —                         | 43,432                          | 43,432       | —                            |  |
| Enhance Higher Education                          | —                                        | 23,156                              | —                         | —                               | 23,156       | —                            |  |
| Enhance 911 Services and Increase Safety          | —                                        | —                                   | —                         | 143,611                         | 143,611      | —                            |  |
| Unemployment Benefits                             | —                                        | —                                   | 1,349,082                 | —                               | 1,349,082    | —                            |  |
| Other Purposes                                    | —                                        | —                                   | —                         | 113,500                         | 113,500      | —                            |  |
| Total Restricted                                  | \$ —                                     | \$ 167,641                          | \$ 1,349,082              | \$ 313,871                      | \$ 1,830,594 | \$ —                         |  |
| Unrestricted                                      | \$ 695,938                               | \$ 448,552                          | \$ —                      | \$ (4,159)                      | \$ 1,140,331 | \$ 473,959                   |  |
| Total Net Position                                | \$ 695,938                               | \$ 2,102,520                        | \$ 1,349,082              | \$ 453,827                      | \$ 4,601,367 | \$ 500,955                   |  |

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**
**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2024  
(IN THOUSANDS)**

|                                                                         | ENTERPRISE FUNDS                         |                                     |                           |                                 |                |                              |  |
|-------------------------------------------------------------------------|------------------------------------------|-------------------------------------|---------------------------|---------------------------------|----------------|------------------------------|--|
|                                                                         | FAMILY & MEDICAL<br>BENEFIT<br>INSURANCE | STATE<br>COLLEGES &<br>UNIVERSITIES | UNEMPLOYMENT<br>INSURANCE | NONMAJOR<br>ENTERPRISE<br>FUNDS | TOTAL          | INTERNAL<br>SERVICE<br>FUNDS |  |
| Operating Revenues:                                                     |                                          |                                     |                           |                                 |                |                              |  |
| Tuition and Fees                                                        | \$ —                                     | \$ 674,142                          | \$ —                      | \$ —                            | \$ 674,142     | \$ —                         |  |
| Restricted Student Payments, Net                                        | —                                        | 100,336                             | —                         | —                               | 100,336        | —                            |  |
| Net Sales                                                               | —                                        | —                                   | —                         | 1,092,575                       | 1,092,575      | 369,445                      |  |
| Insurance Premiums                                                      | —                                        | —                                   | 828,166                   | 255,345                         | 1,083,511      | 1,222,940                    |  |
| Other Income                                                            | —                                        | 15,100                              | 36,727                    | 44,301                          | 96,128         | 14,149                       |  |
| Total Operating Revenues                                                | \$ —                                     | \$ 789,578                          | \$ 864,893                | \$ 1,392,221                    | \$ 3,046,692   | \$ 1,606,534                 |  |
| Less: Cost of Goods Sold                                                | —                                        | —                                   | —                         | 572,676                         | 572,676        | —                            |  |
| Gross Margin                                                            | \$ —                                     | \$ 789,578                          | \$ 864,893                | \$ 819,545                      | \$ 2,474,016   | \$ 1,606,534                 |  |
| Operating Expenses:                                                     |                                          |                                     |                           |                                 |                |                              |  |
| Purchased Services                                                      | \$ 143                                   | \$ 270,845                          | \$ —                      | \$ 90,805                       | \$ 361,793     | \$ 225,098                   |  |
| Salaries and Fringe Benefits                                            | 845                                      | 1,465,845                           | —                         | 207,922                         | 1,674,612      | 154,509                      |  |
| Student Financial Aid                                                   | —                                        | 82,250                              | —                         | —                               | 82,250         | —                            |  |
| Unemployment Benefits                                                   | —                                        | —                                   | 1,208,993                 | —                               | 1,208,993      | —                            |  |
| Claims                                                                  | —                                        | —                                   | —                         | 233,255                         | 233,255        | 1,142,307                    |  |
| Depreciation and Amortization                                           | —                                        | 161,296                             | —                         | 18,107                          | 179,403        | 35,580                       |  |
| Supplies and Materials                                                  | —                                        | 118,709                             | —                         | 4,525                           | 123,234        | 17,476                       |  |
| Repairs and Maintenance                                                 | —                                        | 18,252                              | —                         | 3,216                           | 21,468         | 19,131                       |  |
| Indirect Costs                                                          | 105                                      | —                                   | —                         | 11,581                          | 11,686         | 4,865                        |  |
| Other Expenses                                                          | —                                        | 38,956                              | —                         | 1,454                           | 40,410         | 1,044                        |  |
| Total Operating Expenses                                                | \$ 1,093                                 | \$ 2,156,153                        | \$ 1,208,993              | \$ 570,865                      | \$ 3,937,104   | \$ 1,600,010                 |  |
| Operating Income (Loss)                                                 | \$ (1,093)                               | \$ (1,366,575)                      | \$ (344,100)              | \$ 248,580                      | \$ (1,463,088) | \$ 6,524                     |  |
| Nonoperating Revenues (Expenses):                                       |                                          |                                     |                           |                                 |                |                              |  |
| Investment/Interest Earnings                                            | \$ 31,359                                | \$ 33,568                           | \$ 37,836                 | \$ 11,736                       | \$ 114,499     | \$ 27,353                    |  |
| Federal Grants                                                          | —                                        | 303,111                             | 68,271                    | 356                             | 371,738        | —                            |  |
| Private Grants                                                          | —                                        | 35,174                              | —                         | —                               | 35,174         | —                            |  |
| Grants and Subsidies                                                    | —                                        | 127,693                             | —                         | —                               | 127,693        | —                            |  |
| Other Nonoperating Revenues                                             | —                                        | —                                   | —                         | —                               | —              | 71                           |  |
| Interest and Financing Costs                                            | —                                        | (10,658)                            | —                         | (255)                           | (10,913)       | (4,510)                      |  |
| Grants, Aids and Subsidies                                              | —                                        | (16,072)                            | (243)                     | (35,976)                        | (52,291)       | —                            |  |
| Other Nonoperating Expenses                                             | —                                        | —                                   | —                         | (16,569)                        | (16,569)       | (716)                        |  |
| Gain (Loss) on Disposal of Capital Assets including Right-to-Use Assets | —                                        | 1,243                               | —                         | (494)                           | 749            | 2,603                        |  |
| Total Nonoperating Revenues (Expenses)                                  | \$ 31,359                                | \$ 474,059                          | \$ 105,864                | \$ (41,202)                     | \$ 570,080     | \$ 24,801                    |  |
| Income (Loss) Before Transfers and Contributions                        | \$ 30,266                                | \$ (892,516)                        | \$ (238,236)              | \$ 207,478                      | \$ (893,008)   | \$ 31,325                    |  |
| Transfers-In                                                            | 668,321                                  | 1,001,434                           | —                         | 24,357                          | 1,694,112      | 12,500                       |  |
| Transfers-Out                                                           | (2,649)                                  | —                                   | (35,615)                  | (197,237)                       | (235,501)      | (31,139)                     |  |
| Change in Net Position                                                  | \$ 695,938                               | \$ 108,918                          | \$ (273,851)              | \$ 34,598                       | \$ 565,603     | \$ 12,686                    |  |
| Net Position, Beginning, as Reported                                    | \$ —                                     | \$ 1,993,602                        | \$ 1,622,933              | \$ 420,710                      | \$ 4,037,245   | \$ 488,269                   |  |
| Change in Reporting Entity                                              | —                                        | —                                   | —                         | (1,481)                         | (1,481)        | —                            |  |
| Net Position, Beginning, as Restated                                    | \$ —                                     | \$ 1,993,602                        | \$ 1,622,933              | \$ 419,229                      | \$ 4,035,764   | \$ 488,269                   |  |
| Net Position, Ending                                                    | \$ 695,938                               | \$ 2,102,520                        | \$ 1,349,082              | \$ 453,827                      | \$ 4,601,367   | \$ 500,955                   |  |

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**
**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2024  
(IN THOUSANDS)**

|                                                              | ENTERPRISE FUNDS                            |                                     |                           |                                 |                |                              |  |
|--------------------------------------------------------------|---------------------------------------------|-------------------------------------|---------------------------|---------------------------------|----------------|------------------------------|--|
|                                                              | FAMILY &<br>MEDICAL<br>BENEFIT<br>INSURANCE | STATE<br>COLLEGES &<br>UNIVERSITIES | UNEMPLOYMENT<br>INSURANCE | NONMAJOR<br>ENTERPRISE<br>FUNDS | TOTAL          | INTERNAL<br>SERVICE<br>FUNDS |  |
| Cash Flows from Operating Activities:                        |                                             |                                     |                           |                                 |                |                              |  |
| Receipts from Customers                                      | \$ —                                        | \$ 792,125                          | \$ 769,690                | \$ 1,341,682                    | \$ 2,903,497   | \$ 1,590,763                 |  |
| Receipts from Other Revenues                                 | —                                           | —                                   | 36,727                    | 47,547                          | 84,274         | 14,220                       |  |
| Receipts from Repayment of Program Loans                     | —                                           | 1,468                               | —                         | —                               | 1,468          | —                            |  |
| Financial Aid Disbursements                                  | —                                           | (82,250)                            | —                         | —                               | (82,250)       | —                            |  |
| Payments to Claimants                                        | —                                           | —                                   | (1,207,579)               | (708,647)                       | (1,916,226)    | (1,132,424)                  |  |
| Payments to Suppliers                                        | (248)                                       | (452,426)                           | —                         | (163,140)                       | (615,814)      | (251,543)                    |  |
| Payments to Employees                                        | (129)                                       | (1,496,928)                         | —                         | (205,946)                       | (1,703,003)    | (153,945)                    |  |
| Payments to Others                                           | —                                           | —                                   | —                         | (67,547)                        | (67,547)       | (716)                        |  |
| Net Cash Flows from Operating Activities                     | \$ (377)                                    | \$ (1,238,011)                      | \$ (401,162)              | \$ 243,949                      | \$ (1,395,601) | \$ 66,355                    |  |
| Cash Flows from Noncapital Financing Activities:             |                                             |                                     |                           |                                 |                |                              |  |
| Grant Receipts                                               | \$ —                                        | \$ 454,977                          | \$ 312                    | \$ 356                          | \$ 455,645     | \$ —                         |  |
| Grant Disbursements                                          | —                                           | (13,909)                            | (234)                     | (35,976)                        | (50,119)       | —                            |  |
| Transfers-In                                                 | 668,321                                     | 957,694                             | —                         | 24,357                          | 1,650,372      | 12,500                       |  |
| Transfers-Out                                                | (2,649)                                     | —                                   | (8,316)                   | (194,203)                       | (205,168)      | (31,139)                     |  |
| Repayment of Advances from Other Funds                       | —                                           | —                                   | (85)                      | —                               | (85)           | —                            |  |
| Net Cash Flows from Noncapital Financing Activities          | \$ 665,672                                  | \$ 1,398,762                        | \$ (8,323)                | \$ (205,466)                    | \$ 1,850,645   | \$ (18,639)                  |  |
| Cash Flows from Capital and Related Financing Activities:    |                                             |                                     |                           |                                 |                |                              |  |
| Transfers-In                                                 | \$ —                                        | \$ 23,229                           | \$ —                      | \$ —                            | \$ 23,229      | \$ —                         |  |
| Investment in Capital Assets                                 | —                                           | (120,500)                           | —                         | (22,439)                        | (142,939)      | (46,307)                     |  |
| Proceeds from Disposal of Capital Assets                     | —                                           | 1,816                               | —                         | 3,257                           | 5,073          | 6,886                        |  |
| Proceeds from Capital Bonds                                  | —                                           | 6,800                               | —                         | —                               | 6,800          | —                            |  |
| Proceeds from Loans                                          | —                                           | —                                   | —                         | —                               | —              | 42,431                       |  |
| Receipts from Leases                                         | —                                           | —                                   | —                         | 6                               | 6              | —                            |  |
| Lease/Subscription Payments                                  | —                                           | (22,399)                            | —                         | (7,398)                         | (29,797)       | (16,793)                     |  |
| Right-to-Use Assets Advance Payments                         | —                                           | —                                   | —                         | —                               | —              | (396)                        |  |
| Repayment of Loan Principal                                  | —                                           | (1,126)                             | —                         | —                               | (1,126)        | (20,462)                     |  |
| Repayment of Bond Principal                                  | —                                           | (33,668)                            | —                         | —                               | (33,668)       | —                            |  |
| Interest Paid                                                | —                                           | (3,591)                             | —                         | (255)                           | (3,846)        | (4,500)                      |  |
| Net Cash Flows from Capital and Related Financing Activities | \$ —                                        | \$ (149,439)                        | \$ —                      | \$ (26,829)                     | \$ (176,268)   | \$ (39,141)                  |  |
| Cash Flows from Investing Activities:                        |                                             |                                     |                           |                                 |                |                              |  |
| Proceeds from Sales and Maturities of Investments            | \$ —                                        | \$ 2,843                            | \$ —                      | \$ —                            | \$ 2,843       | \$ —                         |  |
| Purchase of Investments                                      | —                                           | (4,382)                             | —                         | —                               | (4,382)        | —                            |  |
| Investment/Interest Earnings                                 | 31,359                                      | 33,150                              | 37,836                    | 11,224                          | 113,569        | 27,353                       |  |
| Net Cash Flows from Investing Activities                     | \$ 31,359                                   | \$ 31,611                           | \$ 37,836                 | \$ 11,224                       | \$ 112,030     | \$ 27,353                    |  |
| Net Increase (Decrease) in Cash and Cash Equivalents         | \$ 696,654                                  | \$ 42,923                           | \$ (371,649)              | \$ 22,878                       | \$ 390,806     | \$ 35,928                    |  |
| Cash and Cash Equivalents, Beginning, as Reported            | \$ —                                        | \$ 1,178,917                        | \$ 1,552,745              | \$ 424,854                      | \$ 3,156,516   | \$ 596,085                   |  |
| Change in Reporting Entity                                   | —                                           | —                                   | —                         | (3,258)                         | (3,258)        | —                            |  |
| Cash and Cash Equivalents, Beginning, as Restated            | \$ —                                        | \$ 1,178,917                        | \$ 1,552,745              | \$ 421,596                      | \$ 3,153,258   | \$ 596,085                   |  |
| Cash and Cash Equivalents, Ending                            | \$ 696,654                                  | \$ 1,221,840                        | \$ 1,181,096              | \$ 444,474                      | \$ 3,544,064   | \$ 632,013                   |  |

CONTINUED

**STATE OF MINNESOTA**
**PROPRIETARY FUNDS (CONTINUED)  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2024  
(IN THOUSANDS)**

|                                                                                        | ENTERPRISE FUNDS                            |                                     |                           |                                 |                |                              |  |
|----------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------|---------------------------|---------------------------------|----------------|------------------------------|--|
|                                                                                        | FAMILY &<br>MEDICAL<br>BENEFIT<br>INSURANCE | STATE<br>COLLEGES &<br>UNIVERSITIES | UNEMPLOYMENT<br>INSURANCE | NONMAJOR<br>ENTERPRISE<br>FUNDS | TOTAL          | INTERNAL<br>SERVICE<br>FUNDS |  |
| Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities: |                                             |                                     |                           |                                 |                |                              |  |
| Operating Income (Loss)                                                                | \$ (1,093)                                  | \$ (1,366,575)                      | \$ (344,100)              | \$ 248,680                      | \$ (1,463,088) | \$ 6,524                     |  |
| Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities: |                                             |                                     |                           |                                 |                |                              |  |
| Depreciation and Amortization                                                          | \$ —                                        | \$ 161,296                          | \$ —                      | \$ 18,107                       | \$ 179,403     | \$ 35,580                    |  |
| Miscellaneous Nonoperating Revenues                                                    | —                                           | —                                   | —                         | —                               | —              | 71                           |  |
| Miscellaneous Nonoperating Expenses                                                    | —                                           | —                                   | —                         | (16,569)                        | (16,569)       | (716)                        |  |
| Loan Principal Repayments                                                              | —                                           | 1,468                               | —                         | —                               | 1,468          | —                            |  |
| Provision for Loan Defaults                                                            | —                                           | 9                                   | —                         | —                               | 9              | —                            |  |
| Loans Forgiven                                                                         | —                                           | 1,005                               | —                         | —                               | 1,005          | —                            |  |
| Change in Assets, Liabilities, Deferred Outflows and Inflows of Resources:             |                                             |                                     |                           |                                 |                |                              |  |
| Accounts Receivable                                                                    | —                                           | 6,559                               | (29,788)                  | 613                             | (22,616)       | (2,385)                      |  |
| Leases Receivable                                                                      | —                                           | (205)                               | —                         | —                               | (205)          | —                            |  |
| Inventories                                                                            | —                                           | 790                                 | —                         | (7,400)                         | (6,610)        | (213)                        |  |
| Other Assets                                                                           | —                                           | —                                   | —                         | (58)                            | (58)           | 2,537                        |  |
| Deferred Outflows of Resources                                                         | —                                           | 22,338                              | —                         | 6,790                           | 29,128         | 10,365                       |  |
| Accounts Payable                                                                       | 716                                         | (14,376)                            | (4,152)                   | 544                             | (17,268)       | 13,747                       |  |
| Claims Payable                                                                         | —                                           | —                                   | —                         | 1,816                           | 1,816          | 9,883                        |  |
| Compensated Absences Payable                                                           | —                                           | 6,350                               | —                         | 1,010                           | 7,360          | 1,836                        |  |
| Unearned Revenue                                                                       | —                                           | (3,807)                             | (23,385)                  | (3,619)                         | (30,811)       | 763                          |  |
| Other Postemployment Benefits                                                          | —                                           | 20,581                              | —                         | 1,528                           | 22,109         | 194                          |  |
| Net Pension Liability                                                                  | —                                           | (32,753)                            | —                         | (14,351)                        | (47,104)       | (19,778)                     |  |
| Other Liabilities                                                                      | —                                           | 4,696                               | 263                       | —                               | 4,959          | —                            |  |
| Deferred Inflows of Resources                                                          | —                                           | (45,387)                            | —                         | 6,858                           | (38,529)       | 7,947                        |  |
| Net Reconciling Items to be Added to (Deducted from) Operating Income                  | \$ 716                                      | \$ 128,564                          | \$ (57,062)               | \$ (4,731)                      | \$ 67,487      | \$ 59,831                    |  |
| Net Cash Flows from Operating Activities                                               | \$ (377)                                    | \$ (1,238,011)                      | \$ (401,162)              | \$ 243,949                      | \$ (1,395,601) | \$ 66,355                    |  |
| Noncash Investing, Capital and Financing Activities:                                   |                                             |                                     |                           |                                 |                |                              |  |
| Donated Capital Assets                                                                 | \$ —                                        | \$ 1,142                            | \$ —                      | \$ —                            | \$ 1,142       | \$ —                         |  |
| Leases Receivable Additions                                                            | —                                           | —                                   | —                         | —                               | —              | 1,897                        |  |
| Right-to-Use Assets Acquired through Lease/Subscription                                | —                                           | 13,657                              | —                         | 14,517                          | 28,174         | 17,487                       |  |
| Right-to-Use Assets Remeasurement Additions                                            | —                                           | —                                   | —                         | —                               | —              | 214                          |  |
| Right-to-Use Assets Remeasurement Deletions                                            | —                                           | —                                   | —                         | (590)                           | (590)          | (189)                        |  |
| Bond Premium Amortization                                                              | —                                           | 4,393                               | —                         | —                               | 4,393          | —                            |  |

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**
**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2024  
(IN THOUSANDS)**

|                                                                                                                         | PENSION<br>TRUST | INVESTMENT<br>TRUST | CUSTODIAL  |
|-------------------------------------------------------------------------------------------------------------------------|------------------|---------------------|------------|
| <b>ASSETS</b>                                                                                                           |                  |                     |            |
| Cash and Cash Equivalent Investments .....                                                                              | \$ 91,598        | \$ —                | \$ 292,294 |
| Investment Pools, at fair value:                                                                                        |                  |                     |            |
| Cash Equivalent Investments .....                                                                                       | \$ 3,798,395     | \$ 74,417           | \$ —       |
| Investments .....                                                                                                       | 106,383,701      | 1,434,697           | —          |
| Accrued Interest and Dividends .....                                                                                    | 259,196          | 2,660               | —          |
| Securities Trade Receivable (Payable) .....                                                                             | (682,224)        | (7,002)             | —          |
| Total Investment Pool Participation .....                                                                               | \$ 109,759,068   | \$ 1,504,772        | \$ —       |
| Receivables:                                                                                                            |                  |                     |            |
| Accounts Receivable .....                                                                                               | \$ —             | \$ —                | \$ 295     |
| Interfund Receivables .....                                                                                             | 21,847           | —                   | —          |
| Taxes Receivable .....                                                                                                  | —                | —                   | 69,129     |
| Other Receivables .....                                                                                                 | 133,818          | —                   | —          |
| Total Receivables .....                                                                                                 | \$ 155,665       | \$ —                | \$ 69,424  |
| Securities Lending Collateral .....                                                                                     | \$ 4,015,712     | \$ —                | \$ —       |
| Right-to-Use Assets (Net) .....                                                                                         | 184              | —                   | —          |
| Depreciable Capital Assets (Net) .....                                                                                  | 21,384           | —                   | —          |
| Nondepreciable Capital Assets .....                                                                                     | 4,866            | —                   | —          |
| Total Assets .....                                                                                                      | \$ 114,048,477   | \$ 1,504,772        | \$ 361,718 |
| <b>LIABILITIES</b>                                                                                                      |                  |                     |            |
| Accounts Payable .....                                                                                                  | \$ 98,176        | \$ —                | \$ 313,583 |
| Interfund Payables .....                                                                                                | 16,947           | —                   | —          |
| Accrued Expense .....                                                                                                   | 10               | —                   | —          |
| Revenue Bonds Payable .....                                                                                             | 1,024            | —                   | —          |
| Lease/Subscription Payable .....                                                                                        | 192              | —                   | —          |
| Compensated Absences Payable .....                                                                                      | 4,277            | —                   | —          |
| Securities Lending Liabilities .....                                                                                    | 4,015,712        | —                   | —          |
| Other Liabilities .....                                                                                                 | 3,297            | —                   | —          |
| Total Liabilities .....                                                                                                 | \$ 4,139,635     | \$ —                | \$ 313,583 |
| <b>NET POSITION</b>                                                                                                     |                  |                     |            |
| Net Position Restricted for Pensions, Pooled Investments<br>and Individuals, Organizations, and Other Governments ..... | \$ 109,908,842   | \$ 1,504,772        | \$ 48,135  |

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, 2024  
(IN THOUSANDS)**

|                                                                     | PENSION<br>TRUST | INVESTMENT<br>TRUST | CUSTODIAL    |
|---------------------------------------------------------------------|------------------|---------------------|--------------|
| <b>Additions:</b>                                                   |                  |                     |              |
| Contributions:                                                      |                  |                     |              |
| Employer .....                                                      | \$ 1,869,673     | \$ —                | \$ —         |
| Member .....                                                        | 2,097,506        | —                   | —            |
| Contributions From Other Sources .....                              | 9,717            | —                   | —            |
| Participating Plans .....                                           | —                | 9,691               | —            |
| Total Contributions .....                                           | \$ 3,976,896     | \$ 9,691            | \$ —         |
| Net Investment Income (Loss):                                       |                  |                     |              |
| Investment Income (Loss) .....                                      | \$ 12,471,362    | \$ 245,399          | \$ —         |
| Less: Investment Expenses .....                                     | (354,663)        | (750)               | —            |
| Net Investment Income (Loss) .....                                  | \$ 12,116,699    | \$ 244,649          | \$ —         |
| Securities Lending Revenues (Expenses):                             |                  |                     |              |
| Securities Lending Income .....                                     | \$ 249,052       | \$ —                | \$ —         |
| Securities Lending Rebates and Fees .....                           | (231,614)        | —                   | —            |
| Net Securities Lending Revenue .....                                | \$ 17,438        | \$ —                | \$ —         |
| Total Investment Income (Loss) .....                                | \$ 12,134,137    | \$ 244,649          | \$ —         |
| Tax Collections for Other Governments .....                         | \$ —             | \$ —                | \$ 922,723   |
| Beneficiary Deposits - Child Support .....                          | —                | —                   | 505,521      |
| Beneficiary Deposits - Corrections .....                            | —                | —                   | 28,700       |
| Beneficiary Deposits - Regional Treatment Centers .....             | —                | —                   | 6,276        |
| Beneficiary Deposits - Veterans Homes .....                         | —                | —                   | 1,742        |
| Employee Insurance Trust .....                                      | —                | —                   | 42,415       |
| Courts Interest Held for Other Governments and<br>Individuals ..... | —                | —                   | 22,025       |
| Legal Settlements for External Parties .....                        | —                | —                   | 2,662        |
| Miscellaneous .....                                                 | —                | —                   | 4,178        |
| Other Additions .....                                               | 17,176           | —                   | —            |
| Transfers-In .....                                                  | 581,779          | —                   | —            |
| Total Additions .....                                               | \$ 16,709,988    | \$ 254,340          | \$ 1,536,242 |

**STATE OF MINNESOTA**
**FIDUCIARY FUNDS  
STATEMENT OF CHANGES  
IN NET POSITION  
YEAR ENDED JUNE 30, 2024  
(IN THOUSANDS)**

|                                                                                                                                                     | PENSION<br>TRUST | INVESTMENT<br>TRUST | CUSTODIAL    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------|--------------|
| Deductions:                                                                                                                                         |                  |                     |              |
| Benefits .....                                                                                                                                      | \$ 6,324,147     | \$ —                | \$ —         |
| Refunds and Withdrawals .....                                                                                                                       | 687,169          | 121,449             | —            |
| Administrative Expenses .....                                                                                                                       | 84,756           | 125                 | 1,136        |
| Tax Payments to Other Governments .....                                                                                                             | —                | —                   | 922,696      |
| Beneficiary Payments - Child Support .....                                                                                                          | —                | —                   | 505,569      |
| Beneficiary Payments - Corrections .....                                                                                                            | —                | —                   | 28,672       |
| Beneficiary Payments - Regional Treatment Centers .....                                                                                             | —                | —                   | 5,570        |
| Beneficiary Payments - Veterans Homes .....                                                                                                         | —                | —                   | 1,571        |
| Federal Revenue Pass through .....                                                                                                                  | —                | —                   | 11           |
| Employee Insurance Trust .....                                                                                                                      | —                | —                   | 40,680       |
| Court Payments to Other Governments and Individuals .....                                                                                           | —                | —                   | 23,792       |
| Legal Settlements Paid to External Parties .....                                                                                                    | —                | —                   | 2,667        |
| Miscellaneous .....                                                                                                                                 | —                | —                   | 1,130        |
| Transfers-Out .....                                                                                                                                 | 19,434           | —                   | —            |
| Total Deductions .....                                                                                                                              | \$ 7,115,506     | \$ 121,574          | \$ 1,533,494 |
| Net Increase (Decrease) .....                                                                                                                       | \$ 9,594,482     | \$ 132,766          | \$ 2,748     |
| Net Position Restricted for Pensions, Pooled Investments,<br>and Individuals, Organizations, and Other Governments<br>Beginning, as Reported .....  | \$ 100,295,906   | \$ 1,371,865        | \$ 45,387    |
| Change in Accounting Principle .....                                                                                                                | 224              | —                   | —            |
| Change in Reporting Entity .....                                                                                                                    | 18,230           | 141                 | —            |
| Net Position Restricted for Pensions, Pooled Investments,<br>and Individuals, Organizations, and Other Governments,<br>Beginning, as Restated ..... | \$ 100,314,360   | \$ 1,372,006        | \$ 45,387    |
| Net Position Restricted for Pensions, Pooled Investments,<br>and Individuals, Organizations, and Other Governments,<br>Ending .....                 | \$ 109,908,842   | \$ 1,504,772        | \$ 48,135    |

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**
**COMPONENT UNIT FUNDS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023 and JUNE 30, 2024  
(IN THOUSANDS)**

|                                                                       | HOUSING<br>FINANCE<br>AGENCY | METROPOLITAN<br>COUNCIL | UNIVERSITY<br>OF<br>MINNESOTA | NONMAJOR<br>COMPONENT<br>UNITS | TOTAL<br>COMPONENT<br>UNITS |
|-----------------------------------------------------------------------|------------------------------|-------------------------|-------------------------------|--------------------------------|-----------------------------|
| ASSETS                                                                |                              |                         |                               |                                |                             |
| Current Assets:                                                       |                              |                         |                               |                                |                             |
| Cash and Cash Equivalents .....                                       | \$ 84,132                    | \$ 587,663              | \$ 572,184                    | \$ 1,071,126                   | \$ 2,315,105                |
| Investments .....                                                     | —                            | 447,352                 | 1,272,051                     | 265,019                        | 1,984,422                   |
| Accounts Receivable .....                                             | 7,617                        | 24,055                  | 576,863                       | 60,192                         | 668,727                     |
| Due from Primary Government .....                                     | 129                          | 207,420                 | 40,344                        | 207,624                        | 455,517                     |
| Accrued Investment/Interest Earnings .....                            | 27,912                       | 2,493                   | 7,288                         | 19,467                         | 57,160                      |
| Federal Aid Receivable .....                                          | 3,602                        | 17,722                  | —                             | 1,777                          | 23,101                      |
| Inventories .....                                                     | —                            | 40,955                  | 23,499                        | 38                             | 64,492                      |
| Loans and Notes Receivable .....                                      | 95,765                       | 127                     | 7,235                         | 252,356                        | 355,483                     |
| Leases Receivable .....                                               | —                            | 20,309                  | 4,987                         | 7,444                          | 32,740                      |
| Other Assets .....                                                    | 591                          | 2,183                   | 37,689                        | 4,725                          | 45,188                      |
| Total Current Assets .....                                            | \$ 219,748                   | \$ 1,350,279            | \$ 2,542,140                  | \$ 1,889,768                   | \$ 6,001,935                |
| Noncurrent Assets:                                                    |                              |                         |                               |                                |                             |
| Cash and Cash Equivalents-Restricted .....                            | \$ 663,948                   | \$ 755,585              | \$ 132,941                    | \$ 262,959                     | \$ 1,815,433                |
| Investments-Restricted .....                                          | 5,153,619                    | —                       | 437,049                       | 23,815                         | 5,614,483                   |
| Accounts Receivable-Restricted .....                                  | —                            | 195,538                 | —                             | 1,368                          | 196,906                     |
| Due from Primary Government-Restricted .....                          | —                            | 21,589                  | —                             | —                              | 21,589                      |
| Due from Primary Government .....                                     | —                            | —                       | —                             | 1,323                          | 1,323                       |
| Investments .....                                                     | —                            | 315,129                 | 6,817,870                     | —                              | 7,132,999                   |
| Interest Rate Swap Agreements .....                                   | 48,457                       | —                       | —                             | —                              | 48,457                      |
| Accounts Receivable .....                                             | —                            | —                       | 196,743                       | 278,195                        | 474,938                     |
| Loans and Notes Receivable .....                                      | 1,038,384                    | 30,317                  | 37,341                        | 2,136,694                      | 3,242,736                   |
| Leases Receivable .....                                               | —                            | —                       | 282,853                       | 310,432                        | 593,285                     |
| Right-to-Use Assets (Net) .....                                       | 6,436                        | 13,559                  | 250,424                       | 6,335                          | 276,754                     |
| Depreciable Capital Assets (Net) .....                                | 1,744                        | 3,368,929               | 2,538,924                     | 764,498                        | 6,674,095                   |
| Nondepreciable Capital Assets .....                                   | —                            | 3,266,684               | 557,177                       | 36,446                         | 3,860,307                   |
| Other Assets .....                                                    | 690                          | —                       | 7,461                         | 1,271                          | 9,422                       |
| Total Noncurrent Assets .....                                         | \$ 6,913,278                 | \$ 7,967,330            | \$ 11,258,783                 | \$ 3,823,336                   | \$ 29,962,727               |
| Total Assets .....                                                    | \$ 7,133,026                 | \$ 9,317,609            | \$ 13,800,923                 | \$ 5,713,104                   | \$ 35,964,662               |
| DEFERRED OUTFLOWS OF RESOURCES                                        |                              |                         |                               |                                |                             |
| Accumulated Decrease in Fair Value of<br>Derivative Instruments ..... | \$ 61                        | \$ 1,756                | \$ —                          | \$ —                           | \$ 1,817                    |
| Bond Refunding .....                                                  | —                            | —                       | 309                           | 3,705                          | 4,014                       |
| Deferred Outflows .....                                               | —                            | —                       | 4,330                         | —                              | 4,330                       |
| Deferred Pension Outflows .....                                       | 8,031                        | 116,624                 | 171,138                       | 2,750                          | 298,543                     |
| Deferred Other Postemployment Benefits<br>Outflows .....              | 390                          | 29,752                  | 7,525                         | 103                            | 37,770                      |
| Total Deferred Outflows of Resources .....                            | \$ 8,482                     | \$ 148,132              | \$ 183,302                    | \$ 6,558                       | \$ 346,474                  |

**STATE OF MINNESOTA**
**COMPONENT UNIT FUNDS**
**STATEMENT OF NET POSITION**
**DECEMBER 31, 2023 and JUNE 30, 2024**
**(IN THOUSANDS)**

|                                                                     | HOUSING<br>FINANCE<br>AGENCY | METROPOLITAN<br>COUNCIL | UNIVERSITY<br>OF<br>MINNESOTA | NONMAJOR<br>COMPONENT<br>UNITS | TOTAL<br>COMPONENT<br>UNITS |
|---------------------------------------------------------------------|------------------------------|-------------------------|-------------------------------|--------------------------------|-----------------------------|
| <b>LIABILITIES</b>                                                  |                              |                         |                               |                                |                             |
| <b>Current Liabilities:</b>                                         |                              |                         |                               |                                |                             |
| Accounts Payable .....                                              | \$ 19,813                    | \$ 98,881               | \$ 469,454                    | \$ 40,068                      | \$ 628,216                  |
| Due to Primary Government .....                                     | —                            | 1,866                   | 36                            | 21,863                         | 23,765                      |
| Unearned Revenue .....                                              | —                            | 31,669                  | 62,128                        | 34,032                         | 127,829                     |
| Accrued Interest Payable .....                                      | 82,476                       | 3,909                   | 18,514                        | 17,004                         | 121,903                     |
| Bonds and Notes Payable .....                                       | 236,430                      | 213,790                 | 277,252                       | 65,574                         | 793,046                     |
| Lease/Subscription Payable .....                                    | 1,861                        | 1,794                   | 31,078                        | 516                            | 35,249                      |
| Certificates of Participation Payable .....                         | —                            | 760                     | —                             | —                              | 760                         |
| Claims Payable .....                                                | —                            | 15,743                  | 49,296                        | 260,953                        | 325,992                     |
| Compensated Absences Payable .....                                  | 473                          | 33,850                  | 113,293                       | 256                            | 147,872                     |
| Other Postemployment Benefits .....                                 | 140                          | —                       | 4,498                         | 37                             | 4,675                       |
| Other Liabilities .....                                             | —                            | —                       | 4,749                         | 99                             | 4,848                       |
| Total Current Liabilities .....                                     | \$ 341,193                   | \$ 402,262              | \$ 1,030,298                  | \$ 440,402                     | \$ 2,214,155                |
| <b>Noncurrent Liabilities:</b>                                      |                              |                         |                               |                                |                             |
| Accounts Payable-Restricted .....                                   | \$ —                         | \$ 162,785              | \$ 30,777                     | \$ —                           | \$ 193,562                  |
| Unearned Revenue-Restricted .....                                   | —                            | 207,973                 | —                             | —                              | 207,973                     |
| Accrued Interest Payable-Restricted .....                           | —                            | 12,758                  | —                             | —                              | 12,758                      |
| Accounts Payable .....                                              | 61,381                       | —                       | —                             | —                              | 61,381                      |
| Due to Primary Government .....                                     | —                            | —                       | —                             | 101,876                        | 101,876                     |
| Unearned Revenue .....                                              | —                            | —                       | 6,061                         | 1,259                          | 7,320                       |
| Interest Rate Swap Agreements .....                                 | 61                           | —                       | —                             | —                              | 61                          |
| Bonds and Notes Payable .....                                       | 5,176,258                    | 1,623,007               | 1,609,580                     | 958,790                        | 9,367,635                   |
| Lease/Subscription Payable .....                                    | 4,989                        | 11,514                  | 159,837                       | 5,900                          | 182,240                     |
| Claims Payable .....                                                | —                            | 17,475                  | 12,026                        | 473,022                        | 502,523                     |
| Compensated Absences Payable .....                                  | 3,808                        | 8,989                   | 27,149                        | 1,479                          | 41,425                      |
| Other Postemployment Benefits .....                                 | 2,129                        | 288,196                 | 44,062                        | 562                            | 334,949                     |
| Net Pension Liability .....                                         | 6,694                        | 102,130                 | 140,532                       | 2,297                          | 251,653                     |
| Funds Held in Trust .....                                           | 78,833                       | —                       | 450,529                       | 7,305                          | 536,667                     |
| Other Liabilities .....                                             | —                            | —                       | 102,908                       | 1,161                          | 104,069                     |
| Total Noncurrent Liabilities .....                                  | \$ 5,334,153                 | \$ 2,434,827            | \$ 2,583,461                  | \$ 1,553,651                   | \$ 11,906,092               |
| Total Liabilities .....                                             | \$ 5,675,346                 | \$ 2,837,089            | \$ 3,613,759                  | \$ 1,994,053                   | \$ 14,120,247               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                              |                         |                               |                                |                             |
| <b>Accumulated Increase in Fair Value of Derivative Instruments</b> |                              |                         |                               |                                |                             |
| Derivative Instruments .....                                        | \$ 48,457                    | \$ —                    | \$ —                          | \$ —                           | \$ 48,457                   |
| Bond Refunding .....                                                | —                            | —                       | 25,521                        | —                              | 25,521                      |
| Deferred Leases .....                                               | —                            | 20,184                  | 263,005                       | 298,336                        | 581,525                     |
| Deferred Revenue .....                                              | 19,186                       | —                       | 1,568                         | 42,800                         | 63,554                      |
| Deferred Pension Inflows .....                                      | 6,368                        | 119,934                 | 155,989                       | 2,242                          | 284,533                     |
| Deferred Other Postemployment Benefits Inflows .....                | 255                          | 72,371                  | 9,094                         | 67                             | 81,787                      |
| Total Deferred Inflows of Resources .....                           | \$ 74,266                    | \$ 212,489              | \$ 455,177                    | \$ 343,445                     | \$ 1,085,377                |
| <b>NET POSITION</b>                                                 |                              |                         |                               |                                |                             |
| Net Investment in Capital Assets .....                              | \$ 1,330                     | \$ 4,898,005            | \$ 1,585,650                  | \$ 787,736                     | \$ 7,272,721                |
| Restricted-Expendable .....                                         | 2,085,290                    | 1,204,740               | 4,439,774                     | 2,442,935                      | 10,172,739                  |
| Restricted-Nonexpendable .....                                      | —                            | —                       | 1,919,054                     | —                              | 1,919,054                   |
| Unrestricted .....                                                  | (694,724)                    | 313,418                 | 1,970,811                     | 151,493                        | 1,740,998                   |
| Total Net Position .....                                            | \$ 1,391,896                 | \$ 6,416,163            | \$ 9,915,289                  | \$ 3,382,164                   | \$ 21,105,512               |

The notes are an integral part of the financial statements.

**STATE OF MINNESOTA**
**COMPONENT UNIT FUNDS**
**STATEMENT OF ACTIVITIES**
**YEARS ENDED DECEMBER 31, 2023 and JUNE 30, 2024**
**(IN THOUSANDS)**

|                                            | HOUSING<br>FINANCE<br>AGENCY | METROPOLITAN<br>COUNCIL | UNIVERSITY<br>OF<br>MINNESOTA | NONMAJOR<br>COMPONENT<br>UNITS | TOTAL<br>COMPONENT<br>UNITS |
|--------------------------------------------|------------------------------|-------------------------|-------------------------------|--------------------------------|-----------------------------|
| <b>Net Expenses:</b>                       |                              |                         |                               |                                |                             |
| Total Expenses .....                       | \$ 810,830                   | \$ 1,321,468            | \$ 5,290,605                  | \$ 868,260                     | \$ 8,291,163                |
| <b>Program Revenues:</b>                   |                              |                         |                               |                                |                             |
| Charges for Services .....                 | \$ 38,474                    | \$ 388,463              | \$ 1,531,747                  | \$ 149,165                     | \$ 2,107,849                |
| Operating Grants and Contributions .....   | 1,238,519                    | 952,969                 | 2,291,369                     | 452,990                        | 4,935,847                   |
| Capital Grants and Contributions .....     | —                            | 543,544                 | 70,976                        | 4,176                          | 618,696                     |
| Net (Expense) Revenue .....                | \$ 466,163                   | \$ 563,508              | \$ (1,396,513)                | \$ (261,929)                   | \$ (628,771)                |
| <b>General Revenues:</b>                   |                              |                         |                               |                                |                             |
| Taxes .....                                | \$ —                         | \$ 90,443               | \$ —                          | \$ 2,251                       | \$ 92,694                   |
| Investment/Interest Earnings .....         | 205,976                      | 113,804                 | 655,661                       | 79,549                         | 1,054,990                   |
| Other Revenues .....                       | —                            | 201                     | 644,206                       | 7,162                          | 651,569                     |
| Total General Revenues before Grants ..... | \$ 205,976                   | \$ 204,448              | \$ 1,299,867                  | \$ 88,962                      | \$ 1,799,253                |
| State Grants Not Restricted .....          | —                            | —                       | 796,758                       | 324,398                        | 1,121,156                   |
| Total General Revenues .....               | \$ 205,976                   | \$ 204,448              | \$ 2,096,625                  | \$ 413,360                     | \$ 2,920,409                |
| Change in Net Position .....               | \$ 672,139                   | \$ 767,956              | \$ 700,112                    | \$ 151,431                     | \$ 2,291,638                |
| Net Position, Beginning, as Reported ..... | \$ 719,757                   | \$ 5,648,207            | \$ 9,215,177                  | \$ 3,230,733                   | \$ 18,813,874               |
| Net Position, Ending .....                 | \$ 1,391,896                 | \$ 6,416,163            | \$ 9,915,289                  | \$ 3,382,164                   | \$ 21,105,512               |

The notes are an integral part of the financial statements.

## 2024 Annual Comprehensive Financial Report

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## 2024 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 and Implementation Guides for the fiscal year ended June 30, 2024:

- GASB Statement No. 99 "Omnibus 2022" was issued April 2022. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This statement has no material impact on the state. Portions of this statement were implemented in fiscal year ended June 30, 2023 and the remaining portions were implemented for the fiscal year ended June 30, 2024. See Note 14 – Contingent Liabilities for details on the impacts of financial guarantees for exchange and exchange-like transactions.
- GASB Statement No. 100 "Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62 was issued June 2022. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. See Note 20 – Change in Reporting Entity and Change in Accounting Principle for details of the impact from this Statement.
- Implementation Guide No. 2021-1 "Implementation Guidance Update - 2021". This guide provides guidance to clarify, explain, or elaborate on GASB statements previously implemented.
- Implementation Guide No. 2023-1 "Implementation Guidance Update - 2023". This guide provides guidance to clarify, explain, or elaborate on GASB statements previously implemented.

##### Financial Reporting Entity of the State of Minnesota

This report includes the state departments, agencies, institutions, and organizational units that are controlled by or dependent upon the Minnesota Legislature or its constitutional officers. The state of Minnesota, as a primary government, consists of all organizations that make up its legal entity. This report also includes other legally separate organizations as component units. GASB has established criteria for determining which organizations should be included as component units. Legally separate organizations are reported as component units if either the state is financially accountable for the organization or the nature and significance of the organization's relationship with the state are such that exclusion would cause the state's financial statements to be misleading. These criteria include the state's ability to appoint a voting majority of an organization's governing body, and either the state's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. All of the state's component units are discretely presented component units that are shown separately from the primary government. The "Component Units" column in the accompanying financial statements includes the financial data of the state's discretely presented component units. Discretely presented component units are also identified separately in the note disclosures because of their separate legal status. All discretely presented component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting.

#### Discretely Presented Component Units

The following provides a description of the state's discretely presented component units:

- **Housing Finance Agency (HFA)** – HFA provides money for loans and technical assistance for constructing and rehabilitating housing for families of low and moderate incomes. The HFA board has seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. The state has the ability to significantly influence the programs, projects, and levels of services provided by HFA. HFA issues bonds in its own name.
- **Metropolitan Council (MC)** – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members, including the chair, subject to the advice and consent of the Minnesota senate. The state has the ability to significantly influence the projects and levels of services provided by MC. The regional administrator, appointed by the council, is responsible for the administration of council activities. The fiscal year for MC ends December 31.
- **University of Minnesota (U of M)** – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of U of M's operating budget. The Minnesota Legislature elects the twelve-member board of regents, which governs U of M, but the state does not have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several nonprofit organizations as component units.
- **Agricultural and Economic Development Board (AEDB)** – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. The state has the ability to significantly influence the programs and projects of AEDB. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.
- **Minnesota Comprehensive Health Association (MCHA)** – MCHA administers the Premium Security Plan (PSP), a risk mitigation program designed to keep premiums affordable to individual purchasers within the state of Minnesota. The purpose is to promote the public health and welfare of the people of Minnesota by making available certain health insurance plans to residents of the state who are not otherwise able to obtain such coverage in the marketplace. The board has 13 members, seven of whom are selected by commissioners of state departments. The state has appropriated funding for the program and has the ability to approve or reject the parameters for making payments to health carriers. The fiscal year for MCHA ends December 31.
- **Minnesota Sports Facilities Authority (MSFA)** – MSFA's mission is to provide for the construction, financing, and long-term use of a multi-purpose stadium and related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural, and commercial activities. The board of the authority has five members, including a chair

and two members whom are appointed by the governor. The state provides administrative funding to MSFA.

- **National Sports Center Foundation (NSCF)** – The Minnesota Amateur Sports Commission (MASC), consisting of 14 members, 9 of whom are appointed by the state, contracts with NSCF to operate various sports facilities, including the National Sports Center. The facilities are used primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The MASC appoints all foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The fiscal year for NSCF ends December 31.
- **Office of Higher Education (OHE)** – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE's name with limitations set by the Minnesota Legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints the OHE director with the advice and consent of the senate.
- **Public Facilities Authority (PFA)** – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. The state provides funding and administrative services for PFA. PFA is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.
- **Rural Finance Authority (RFA)** – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of the Department of Agriculture, who is a member of the board. The state has issued general obligation bond debt for RFA programs.
- **Workers' Compensation Assigned Risk Plan (WCARP)** – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.

A discretely presented component unit is classified as major or nonmajor, 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, 1750 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 overall financial operations for the state, 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 overall reporting for the state, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and its discretely presented component units. Eliminations have been made in the statement of activities so that certain allocated expenses are recorded only once in the function for which the expenses were made. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the general government function.

The focus of the Government-wide Financial Statements is on financial information of the state as an entity and the change in the overall financial position of the state as a result of the activities of the fiscal year. Government-wide Financial Statements are presented using the economic resources measurement focus and the full accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting government, both current and long-term, are reported in the Government-wide Financial Statements. Under the full accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Amounts paid to acquire capital assets, including right-to-use are capitalized as assets in the Government-wide Financial Statements. These amounts are reported as expenditures in the Government-wide 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, including right-to-use 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 Earnings." 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 three major enterprise funds, the Family and Medical Benefit Insurance Fund, the State Colleges and Universities Fund and the Unemployment Insurance Fund. The Family and Medical Benefit Insurance Fund will receive contributions from employers starting January 1, 2026 for paid family and medical insurance and pay family and medical benefits to eligible individuals. The State Colleges and Universities Fund accounts for the activities of the Minnesota State Colleges and Universities (MnSCU) system, which is the largest higher education system in the state. The Unemployment Insurance Fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

**Fiduciary Fund Types** – These funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. Pension trust, Investment trust, and the Custodial Fund are included in this fund category.

- Pension trust funds report retirement funds administered by independent boards for which the state has a fiduciary role.
- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.
- The Custodial Fund accounts for resources held in a custodial capacity for individuals, private organizations, or other governmental units. Some examples include resources held for inmates of correctional facilities or residents of veterans and group homes, sales taxes to be distributed to local governments, and child support collections to be distributed to custodial parents.

#### **Basis of Accounting, Measurement Focus, and Fund Financial Statement Presentation**

All governmental funds focus on the flow of current financial resources and use the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) to fund balances. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year-end. The state considers receivables collected after June 30, but by the close of the books in late August, to be available, and recognizes these receivables as current year revenues in governmental funds. Individual income taxes, property taxes, sales taxes, and federal grants are the major revenue sources susceptible to accrual. Receivables not collected by the close of the books in late August are reported as deferred revenue. Revenues collected prior to meeting eligibility requirements (excluding time requirements), including certain federal grant revenues, are reported as unearned revenue until the eligibility requirements are met, at which time revenue is recognized. However, revenues collected prior to meeting only time requirements are reported as deferred revenue. Expenditures and related liabilities are recognized when fund obligations are incurred, except for debt service, compensated absences, leases/subscriptions, 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/amortization of capital assets, including right-to-use 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, Stillborn Child, 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, including Right-to-Use Assets

Capital assets, including right-to-use assets, are reported in the Government-wide Financial Statements and the Fund Financial Statements for proprietary and fiduciary funds. Capital assets are generally defined by the state as assets with an initial, individual cost of more than \$300,000 for buildings and depreciable infrastructure, \$30,000 for equipment, \$300,000 for non-depreciable infrastructure, \$30,000 to \$2,000,000 for internally generated computer software depending on the fund and fund type, and \$30,000 for art and historical treasures. All land and easement assets are capitalized, regardless of cost. Capital assets must also have an estimated useful life of two or more years. Right-to-use assets are generally defined by the state as right-to-use assets with a value that is more than the capital assets thresholds by category noted above.

Capital assets are recorded at cost or, for donated assets, at acquisition value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available; therefore, estimated historical costs have been used in these situations. Permanent School Fund (permanent fund) land is reported at estimated historical cost. The land included in the Permanent School Fund was granted to the state by the federal government in connection with the state being admitted to the United States. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 20-50 years for buildings and depreciable infrastructure, 20-50 years for large improvements, 3-10 years for small improvements, 3-15 years for equipment, 3-10 years for internally generated computer software, and 20-50 years for easements. Transportation infrastructure assets using the modified approach, land, construction, and development in progress, permanent easements with indefinite useful lives, and works of art and historical treasures, such as the state capitol, are not depreciated.

Right-to-use assets consist of leased assets and subscription-based assets. Leased assets are recorded at present value of the payments expected to be made during the lease term, plus any amounts paid or lease incentives received from the lessor at or before the commencement of the lease term and any initial direct costs necessary to place the leased asset into service. Leased assets are amortized over the shorter of the lease term or the life of the leased asset. Subscription-based assets are recorded at present value of the payments to be made during the subscription term, which begins when the initial implementation stage is completed. The subscription-based assets consists of the subscription liability plus payments to the lessor at the commencement of the subscription term and capitalizable initial implementation costs. Subscription-based assets are amortized over the shorter of the lease term or the life of the subscription-based leased asset.

GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" allows an alternative (modified) approach to the recording of infrastructure assets in which costs to maintain and preserve these assets are expensed in lieu of depreciation. The transportation infrastructure capital assets of pavement and bridges are reported using the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state's pavement and bridges are included in Required Supplementary Information Modified Approach for Infrastructure. See Note 6 – Capital Assets, including Right-to-Use Assets for further information on capital assets, including right-to-use assets.

## Current and Noncurrent Assets

At the government-wide level, assets are classified as either current or noncurrent. Governmental activity current assets are those considered available for appropriation and expenditure and include cash, various receivables, and short-term investments. Current assets in business-type activities are those that are available or can readily be made available to meet the cost of operating or to pay current liabilities. All other assets are considered noncurrent. Assets are classified as current or noncurrent in proprietary funds, but assets are not classified at the fund level for governmental funds.

## Deferred Outflows of Resources

In the Government-wide Financial Statements, the differences between the net carrying amounts and the reacquisition price on refunding bonds are reported as a deferred outflow of resources when the net carrying amount exceeds the reacquisition price. These amounts are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In addition, contributions to pension plans and

transactions to other postemployment benefit (OPEB) plans subsequent to the measurement date of the net pension liability and the total OPEB liability before the fiscal year end are reported as deferred outflows of resources. In addition, amounts related to the increases in the net pension liability and the total OPEB liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and net differences between projected and actual investment earnings for pensions are reported as deferred outflows of resources. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable plan, with the exception of the difference between projected and actual earnings, which is amortized over five years.

#### Current and Noncurrent Liabilities

In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Long-term liabilities are the amount of liabilities not due and payable during the fiscal year resulting from debt issuances, compensated absences, closure and post closure care for landfills, workers' compensation claims, supplementary and second injury benefit claims, pollution remediation obligations, leases/subscriptions, net pension, other postemployment benefits, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts during the current period. The face amounts of the debt issued are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the Government-wide Financial Statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

See Note 11 – Long-Term Liabilities - Primary Government for further information.

#### Deferred Inflows of Resources

In the governmental funds, when an asset is recorded but the revenue is not available, the amount is reported as a deferred inflow of resources until the revenue becomes available. Amounts that are not permitted to be used until the next fiscal year remain as deferred inflows of resources in the Government-wide Financial Statements. In addition, differences between the reacquisition price and the net carrying amounts on refunding bonds when the reacquisition price exceeds the net carrying amount is reported as a deferred inflow of resources on the Government-wide Financial Statements. This amount is amortized as interest expense over the shorter of the remaining life of the old debt or the life of the new debt. Amounts related to the decreases in the net pension liability and total other postemployment benefits (OPEB) liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and net differences between projected and actual investment earnings for pensions are reported as deferred inflows of resources. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable plan, with the exception of the difference between projected and actual earnings, which is amortized over five years. A deferred inflow of resources is also recorded for any applicable lease receivable and is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. These amounts are amortized over the term of the lease.

#### Deferred Compensation Plan

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The Minnesota Deferred Compensation Fund (pension trust fund) represents the value of all assets of the plan. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement System. Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with state statute, effective July 1, 1997, contributions are held for the exclusive benefit of the participants and their beneficiaries. These amounts are held in trust, in custodial accounts, or in qualifying contracts, as required by federal law. The State Board of Investment determines the investment options available to plan participants and oversees the activities of the investment managers. The majority of the assets of the plan are invested in various mutual funds. The state is not liable for any investment losses under the plan.

#### Net Position/Fund Balances and Fund Balance Classification Policies and Procedures

The difference between fund total assets and deferred outflows of resources and total liabilities and deferred inflows of resources 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, including right-to-use assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of bonds, mortgages, notes, lease/subscription payables 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 statutes; 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 statutes, 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 statutes further require 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.

#### **Land Held for Investment**

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 2,510,691 total acres as of June 30, 2024.

## 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. For accounting purposes, derivative instruments are considered to be investments and not hedges.

The cash inflows, cash outflows, and changes in fair value of investment derivative instruments are reported as investment income. The June 30, 2024 fair value of investment derivative instruments is reported as investments.

*Synthetic Guaranteed Investment Contract (SGIC):* SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Fund (SIF) - Stable Value Fund of the pension and investment trust funds' portfolio. The investment objective of the Supplemental Investment Fund (SIF) is to protect investors from loss of their original investment and to provide a competitive interest rate. On June 30, 2024, the Supplemental Investment Fund (SIF) - Stable Value Fund had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of \$1,440,617,000 that is \$76,223,000 below the value protected by the wrap contract. The Supplemental Investment Fund (SIF) - Stable Value Fund also includes liquid investment pools with a combined fair value of \$20,017,000.

The following table summarizes, by derivative instrument type, the investment derivative instrument activity, and June 30 positions for fiscal year 2024.

**Primary Government  
Derivative Instrument Activity for the Year Ended June 30, 2024  
By Derivative Instrument Type  
(In Thousands)**

| Derivative Instrument Type        | Change in Fair Value | Year End Fair Value | Year End Notional Amount |
|-----------------------------------|----------------------|---------------------|--------------------------|
| Governmental Activities:          |                      |                     |                          |
| Futures                           | \$ 7,018             | \$ —                | \$ 64,335                |
| Total Governmental Activities     | <u>\$ 7,018</u>      | <u>\$ —</u>         | <u>\$ 64,335</u>         |
| Fiduciary Activities:             |                      |                     |                          |
| Futures                           | \$ (3,804)           | \$ —                | \$ 774,613               |
| Fixed Income Options Written      | 98                   | —                   | (17,061)                 |
| Futures Options Bought            | (9,423)              | 640                 | 2,184                    |
| Futures Options Written           | 3,449                | (250)               | (3,118)                  |
| FX Forwards                       | 132,660              | 104,769             | 22,284,307               |
| Warrants/Stock Rights             | 45                   | 85                  | 378                      |
| Credit Default Swaps Bought       | 100                  | (752)               | 11,996                   |
| Credit Default Swaps Written      | 1,672                | 6,152               | 171,407                  |
| Pay Fixed Interest Rate Swaps     | 5,691                | 4,042               | 266,338                  |
| Receive Fixed Interest Rate Swaps | (1,996)              | (731)               | 113,751                  |
| Total Return Swaps Equity         | 358                  | 30                  | (2,683)                  |
| Total Fiduciary Activities        | <u>\$ 128,850</u>    | <u>\$ 113,985</u>   | <u>\$ 23,602,112</u>     |

Credit Risk: Minnesota is exposed to credit risk through twenty-seven 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 \$478,003,000 should these counterparties fail to perform. These counterparties have S&P Global Ratings (S&P) credit ratings of BBB+ or better. The primary government, excluding pension and investment trust funds, had no exposure to counterparty risk.

Foreign Currency Risk: Currency futures and foreign stock index futures are exposed to foreign currency risk. Their currency risks are included in the Foreign Currency Risk schedule of this note.

Component Unit Derivative Instrument Activity: Derivative instrument activity of the state's component units is disclosed in the last section of this note.

## Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holders of the investment. Minnesota Statutes limit investments in debt securities to the top four quality rating categories by a nationally recognized rating agency. SBI may also invest in unrated corporate obligations or in corporate obligations that are not rated among the top four quality categories provided that:

### Unrated Corporate Obligations

- Aggregate value may not exceed 5 percent of the fair value of the fund for which the state board is investing.
- SBI's participation is limited to 50 percent of a single offering.
- SBI's participation is limited to 25 percent of the issuer's unrated obligations.

### Corporate Stock

- Aggregate value of corporate stock may not exceed 85 percent of the fair market or book value, whichever is less, of a fund.
- Investment in corporate stock may not exceed 5 percent of the total outstanding shares of any one corporation with limited exceptions.

The state does not have a credit risk policy that is more stringent than the statutory requirements. The contracts between SBI and investment managers include guidelines or limitations regarding credit risk. The exposure to credit risk is based on the lower of S&P or Moody's Investors Service Inc (Moody's) Quality Ratings. For clarity of reporting, Moody's ratings are displayed in this exhibit using the comparable S&P rating.

**Primary Government  
Governmental, Proprietary, and Custodial Funds  
Investments and Cash Equivalent Investments  
Credit Risk Exposure  
As of June 30, 2024  
(In Thousands)**

| Quality Rating        | Fair Value           |
|-----------------------|----------------------|
| AAA                   | \$ 3,122,272         |
| AA                    | 4,232,443            |
| A                     | 1,291,012            |
| BBB                   | 438,484              |
| BB                    | 130,279              |
| CCC                   | 5,763                |
| Unrated               | 22,407,910           |
| Agencies              | 4,377                |
| U.S. Governments      | 3,964                |
| Total Debt Securities | <u>\$ 31,636,504</u> |

**Primary Government  
Pension and Investment Trust Funds  
Investments and Cash Equivalent Investments  
Credit Risk Exposure  
As of June 30, 2024  
(In Thousands)**

| Quality Rating        | Fair Value           |
|-----------------------|----------------------|
| AAA                   | \$ 798,950           |
| AA                    | 14,660,170           |
| A                     | 719,437              |
| BBB                   | 2,634,875            |
| BB                    | 1,192,094            |
| B                     | 975,260              |
| CCC                   | 466,961              |
| CC                    | 57,770               |
| C                     | 2,482                |
| D                     | 11,030               |
| Unrated               | 3,893,827            |
| Total Debt Securities | <u>\$ 25,412,856</u> |

Interest Rate Risk – Investments

Interest rate risk is the risk that the fair value of an investment is adversely impacted by the changes in interest rates of debt investments. The state does not have a policy on interest rate risk. The contracts between SBI and investment managers contain the guidelines and limitations regarding interest rate risk. Debt securities are constrained around the quality rating, sector mix, and duration of the Barclays Capital U.S. Aggregate Bond index. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

**Primary Government  
Governmental, Proprietary, and Custodial Funds  
Investments and Cash Equivalent Investments  
Interest Rate Risk  
As of June 30, 2024  
(In Thousands)**

| Security Type                       | Fair Value           | Weighted<br>Average<br>Maturity in<br>Years |
|-------------------------------------|----------------------|---------------------------------------------|
| Debt Securities:                    |                      |                                             |
| Asset-Backed Securities             | \$ 3,271,751         | 1.62                                        |
| Bank Loans                          | 18,825               | 0.00                                        |
| Collateralized Mortgage Obligations | 269,882              | 4.68                                        |
| Corporate Debt                      | 8,162,877            | 1.70                                        |
| Mortgage-Backed Securities          | 416,347              | 7.34                                        |
| Short-Term Investment Securities    | 16,556,485           | 0.00                                        |
| State or Local Government Bonds     | 94,141               | 6.28                                        |
| U.S. Agencies                       | 1,290,490            | 0.57                                        |
| U.S. Treasury                       | 512,923              | 7.38                                        |
| Yankee Bonds                        | 1,042,783            | 0.96                                        |
| Total Debt Securities               | <u>\$ 31,636,504</u> |                                             |

**Primary Government  
Pension and Investment Trust Funds  
Investments and Cash Equivalent Investments  
Interest Rate Risk  
As of June 30, 2024  
(In Thousands)**

| Security Type                       | Fair Value           | Weighted<br>Average<br>Maturity in<br>Years |
|-------------------------------------|----------------------|---------------------------------------------|
| Debt Securities:                    |                      |                                             |
| Asset-Backed Securities             | \$ 999,696           | 5.21                                        |
| Bank Loans                          | 311,056              | 4.68                                        |
| Collateralized Mortgage Obligations | 843,629              | 8.87                                        |
| Corporate Debt                      | 4,258,660            | 6.06                                        |
| Foreign Country Bonds               | 387,178              | 7.69                                        |
| Mortgage-backed Securities          | 2,324,009            | 7.61                                        |
| Short-Term Investment Securities    | 3,474,463            | 6.21                                        |
| State or Local Government Bonds     | 46,351               | 14.23                                       |
| U.S. Agencies                       | 711,935              | 6.21                                        |
| U.S. Treasury                       | 10,835,388           | 13.18                                       |
| Yankee Bonds                        | 1,220,491            | 7.37                                        |
| Total Debt Securities               | <u>\$ 25,412,856</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, 2024 values, adjusted for cash flows. The investments measured at the NAV are typically not eligible for redemption. Distributions received as underlying investments within the funds are liquidated over the life of the investment. The typical liquidation period for alternative investments including private equity, real estate, real assets and private credit ranges from three to twelve years. The majority of the distribution is received during the liquidation period, however it is not uncommon for a minimal amount of the fund to remain open while waiting final close from the investor. Cash and a portion of the short-term investments are not leveled under GASB Statement No. 72 “Fair Value Measurement and Application”.

As of June 30, 2024 the alternative investments are not expected to be sold at an amount different from the NAV value of the SBI's interest in partner's capital. SBI has a total of \$11,702,253,000 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 energy and infrastructure 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, 2024  
(In Thousands)**

| Investments                     | Fair Value                          | Level 1             | Level 2              | Level 3           |
|---------------------------------|-------------------------------------|---------------------|----------------------|-------------------|
| Equity:                         |                                     |                     |                      |                   |
| Common Stock                    | \$ 2,650,487                        | \$ 2,650,050        | \$ 437               | \$ —              |
| Real Estate Investment Trust    | 54,745                              | 54,745              | —                    | —                 |
| Total Equity                    | <u>\$ 2,705,232</u>                 | <u>\$ 2,704,795</u> | <u>\$ 437</u>        | <u>\$ —</u>       |
| Fixed Income:                   |                                     |                     |                      |                   |
| Asset-backed Securities         | \$ 3,271,751                        | \$ —                | \$ 2,938,320         | \$ 333,431        |
| Mortgage-backed Securities      | 686,213                             | —                   | 686,213              | —                 |
| Corporate Bonds                 | 8,232,241                           | —                   | 8,157,038            | 75,203            |
| Government Issues               | 4,519,405                           | 8,358               | 4,511,047            | —                 |
| Total Fixed Income              | <u>\$ 16,709,610</u>                | <u>\$ 8,358</u>     | <u>\$ 16,292,618</u> | <u>\$ 408,634</u> |
| Total Investments by Fair Value | <u>\$ 19,414,842 <sup>(1)</sup></u> | <u>\$ 2,713,153</u> | <u>\$ 16,293,055</u> | <u>\$ 408,634</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, 2024  
(In Thousands)**

| Investments                                    | Fair Value                          | Level 1               | Level 2              | Level 3              |
|------------------------------------------------|-------------------------------------|-----------------------|----------------------|----------------------|
| Equity:                                        |                                     |                       |                      |                      |
| Common Stock                                   | \$ 45,791,806                       | \$ 45,790,116         | \$ 1,353             | \$ 337               |
| Real Estate Investment Trust                   | 815,886                             | 815,885               | —                    | 1                    |
| Other Equity                                   | 1,548,326                           | 854,311               | 3,307                | 690,708              |
| Total Equity                                   | <u>\$ 48,156,018</u>                | <u>\$ 47,460,312</u>  | <u>\$ 4,660</u>      | <u>\$ 691,046</u>    |
| Fixed Income:                                  |                                     |                       |                      |                      |
| Asset-backed Securities                        | \$ 1,139,371                        | \$ —                  | \$ 1,075,131         | \$ 64,240            |
| Mortgage-backed Securities                     | 3,685,080                           | —                     | 3,683,352            | 1,728                |
| Corporate Bonds                                | 6,050,264                           | —                     | 6,035,054            | 15,210               |
| Government Issues                              | 12,380,142                          | —                     | 12,380,142           | —                    |
| Other Debt Instruments                         | 839,964                             | —                     | 839,964              | —                    |
| Total Fixed Income                             | <u>\$ 24,094,821</u>                | <u>\$ —</u>           | <u>\$ 24,013,643</u> | <u>\$ 81,178</u>     |
| Investment Derivatives:                        |                                     |                       |                      |                      |
| Options, Rights, Warrants                      | \$ 475                              | \$ 475                | \$ —                 | \$ —                 |
| Total Investment Derivatives                   | <u>\$ 475</u>                       | <u>\$ 475</u>         | <u>\$ —</u>          | <u>\$ —</u>          |
| Total Investments by Fair Value                | <u>\$ 72,251,314</u>                | <u>\$ 47,460,787</u>  | <u>\$ 24,018,303</u> | <u>\$ 772,224</u>    |
| Investments Measured at Net Asset Value (NAV): |                                     |                       |                      |                      |
|                                                | NAV                                 | Number of Investments | Percent of NAV Value | Unfunded Commitments |
| Private Equity                                 | \$ 16,748,416                       | 192                   | 74 %                 | \$ 8,130,885         |
| Real Estate                                    | 2,130,085                           | 36                    | 9 %                  | 1,655,773            |
| Real Assets                                    | 2,057,434                           | 33                    | 9 %                  | 650,485              |
| Private Credit                                 | 1,841,955                           | 41                    | 8 %                  | 1,265,110            |
| Total Investments at NAV                       | <u>\$ 22,777,890</u>                | <u>302</u>            | <u>100 %</u>         | <u>\$ 11,702,253</u> |
| Total Investments by Fair Value and NAV        | <u>\$ 95,029,204 <sup>(1)</sup></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.

## Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The state does not have a formal policy regarding concentration of credit risk for rated corporate debt securities that are among the top four quality categories. For other types of investments, Minnesota Statutes 11A.24 established investment parameters which are outlined in the "Credit Risk of Debt Security Investments" section of this note. SBI determined the concentration of credit risk based on security identification number.

The state did not have exposure to any one single issuer that equaled or exceeded five percent of the overall portfolio as of June 30, 2024.

## 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, 2024. 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, 2024                               |                  |                      |                   |
| (In Thousands)                                    |                  |                      |                   |
| Currency                                          | Cash             | Equity               | Fixed Income      |
| Australian Dollar                                 | \$ 1,720         | \$ 646,432           | \$ 53             |
| Brazilian Real                                    | 2,092            | 192,793              | 34,213            |
| Canadian Dollar                                   | 16,269           | 1,059,276            | 3,456             |
| Danish Krone                                      | 486              | 453,687              | —                 |
| Euro Currency                                     | 9,044            | 5,157,446            | 150,919           |
| Hong Kong Dollar                                  | 2,505            | 817,667              | —                 |
| Japanese Yen                                      | 13,449           | 2,224,190            | 113               |
| Mexican Peso                                      | 3,171            | 82,136               | 40,254            |
| New Taiwan Dollar                                 | 4                | 615,569              | —                 |
| Pound Sterling                                    | 9,414            | 1,516,097            | 29,617            |
| Singapore Dollar                                  | 402              | 144,044              | —                 |
| South Korean Won                                  | 1                | 579,530              | —                 |
| Swedish Krona                                     | 576              | 318,816              | —                 |
| Swiss Franc                                       | 1,373            | 898,960              | —                 |
| Yuan Renminbi                                     | 11,429           | 119,674              | 7,222             |
| Others                                            | (11,057)         | 529,075              | 124,735           |
| Total                                             | <u>\$ 60,878</u> | <u>\$ 15,355,392</u> | <u>\$ 390,582</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, 2024, the investment pool had an average duration of 3 days and an average weighted maturity of 108.11 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, 2024, 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, 2024, were \$5,896,991,000 and \$5,675,062,000, respectively. Securities received as collateral for which the state does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the statement of net position. Cash collateral of \$4,015,712,000 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, 2024  
(In Thousands)**

| Investment Type          | Fair Value          |
|--------------------------|---------------------|
| Domestic Equities        | \$ 4,040,319        |
| U.S. Government Bonds    | 892,079             |
| International Equities   | 287,498             |
| Domestic Corporate Bonds | 455,166             |
| Total                    | <u>\$ 5,675,062</u> |

**Component Units**

**Housing Finance Agency**

As of June 30, 2024, the Housing Finance Agency (HFA) had \$748,080,000 of cash and cash equivalents and \$5,153,619,000 of investments. As of June 30, 2024, \$747,849,000 of deposits and \$5,093,636,000 of investment securities were subject to custodial credit risk. The following table shows the weighted average maturity for cash and cash equivalents and investments:

**Major Component Unit  
Housing Finance Authority  
Fair Value of Investments  
As of June 30, 2024  
(In Thousands)**

| Fair Value of Portfolio | Investment<br>Maturities |
|-------------------------|--------------------------|
| Less Than 1 Year        | \$ 1,464,614             |
| 1-5 Year(s)             | 164,083                  |
| 5-10 Years              | 1,056                    |
| 10+ Years               | 4,231,020                |
| Total                   | <u>\$ 5,860,773</u>      |

HFA cash equivalents included \$231,000 of investment agreements, which are generally uncollateralized, interest-bearing contracts.

HFA investments had an estimated fair value of \$5,153,619,000 as of June 30, 2024. Included in these investments were US Treasuries (not rated) with a par value of \$902,605,000, and \$4,244,239,000 in U.S. Agencies, also at par value, having an S&P rating of AA+ and Moody's rating of Aaa. An additional \$6,775,000 in municipal debt investments at par value had an S&P rating of AA.

HFA measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." HFA measured investments of \$816,555,000 and \$4,337,064,000 using Level 1 and Level 2 inputs, respectively.

HFA had investments in single issuers as of June 30, 2024, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of \$2,369,264,000 were issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and U.S. Agencies.

HFA entered into interest rate swap agreements that were considered to be derivative instruments under GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." These interest rate swap agreements have been determined to be effective hedges and were reported at fair value as of June 30, 2024, as both an asset and liability called "Interest Rate Swap Agreements." The inception-to-date change in fair value as of June 30, 2024, was reported in deferred outflows of resources as "Accumulated Decrease in Fair Value of Derivative Instruments" and in deferred inflows of resources as "Accumulated Increase in Fair Value of Derivative Instruments."

As of June 30, 2024, HFA had interest rate swap agreements with the following counterparties: the Bank of New York Mellon (eight agreements), Royal Bank of Canada (eight agreements), Wells Fargo (two agreements), and Bank of America (six agreements) for total notional amounts of \$200,465,000, \$244,215,000, \$62,295,000, and \$150,000,000 and fair values of \$25,897,000, \$19,895,000, \$4,814,000, and \$1,849,000 respectively. For these counterparties, the fair values for the fiscal year ended June 30, 2024, increased \$7,945,000, increased \$6,959,000, increased \$861,000, and increased \$1,849,000 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, Wells Fargo, and Bank of America have been rated by Moody's as Aa2, Aa1, Aa1, and Aa1 respectively, and by S&P as AA-, AA-, A+, and A+ respectively.

All swaps are pay-fixed, receive-variable. The initial notional amounts matched the original principal amounts and have terms which reduce the notional amounts to approximately follow the anticipated reductions in outstanding principal. HFA has also purchased the rights on the underlying mortgage loans, generally based upon a 300 percent PSA prepayment rate (the standard prepayment model of The Securities Industry and Financial Markets Association). This has further reduced the notional balances of the swaps as needed to match outstanding principal amounts of the associated bonds. HFA also has the right to terminate outstanding swaps in whole or in part at any time if it is not in default. The swap contracts may also be terminated by the counterparties, but are generally limited to HFA payment default or other HFA defaults that remain uncured for 30 days.

The variable rate HFA pays on its bonds resets weekly, but the variable rate received on its swaps is based on a percentage of the Secured Overnight Financing Rate (SOFR) index rate. This exposes HFA to basis risk (the risk that the rates do not equal), and this risk will vary over time due to inter-market conditions.

HFA assumes the risk that changes in the tax code may vary from the historical long-term relationship between taxable and tax-exempt short-term interest rates for economic reasons.

**Metropolitan Council**

As of December 31, 2023, the Metropolitan Council (MC) had \$1,343,248,000 in cash and cash equivalents and \$762,481,000 in investments. Of this amount, \$652,463,000 was subject to rating. Using the Moody's rating scale, \$313,136,000 of these investments ranged from Aaa-A1, while \$339,327,000 were not rated. The remaining amount of \$1,453,266,000 was not subject to rating.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. MC has a custodial credit risk exposure of \$1,900,000 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 \$1,150,290,000 and \$432,502,000 using Level 1 and Level 2 inputs, respectively. MC measured another \$297,076,000 of investments at the net asset value, while the remaining \$14,900,000 was cash and cash equivalents. MC also held \$210,831,000 in the Internal Equity Pool and \$130,000 in a cash fund with the

State Board of Investment (SBI) established as a trust account to pay other post-employment benefits (OPEB).

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

| <b>Major Component Unit<br/>Metropolitan Council<br/>Fair Value of Investments<br/>As of December 31, 2023<br/>(In Thousands)</b> |                         |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Fair Value of Portfolio                                                                                                           | Estimated<br>Fair Value |
| Less Than 1 Year                                                                                                                  | \$ 1,790,600            |
| 1-5 Year(s)                                                                                                                       | 302,461                 |
| 5+ Years                                                                                                                          | 12,668                  |
| Total                                                                                                                             | <u>\$ 2,105,729</u>     |

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 2023, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2023, MC had 286 New York Mercantile Exchange (NYMEX) heating oil futures contracts (9.07 million gallons) acquired from April 12, 2022 through December 21, 2023, to terminate on dates from January 31, 2024, through October 31, 2025. As of December 31, 2023, the ultra-low sulfur diesel futures contracts had a fair value of \$21,628,000.

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, 2024, the University of Minnesota (U of M), including its discretely presented component units, had \$705,125,000 of cash and cash equivalents and \$8,526,970,000 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 \$624,248,000 and investments of \$3,859,676,000.

As of June 30, 2024, U of M's bank balance of \$193,166,000 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.

The majority of U of M's investment pools have exposure to investment risks in which they have established policies to address the various types and manage through appropriate asset allocation and

portfolio construction. 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, 2024, \$1,383,903,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- \$1,152,254,000 was rated AA or better
- \$196,011,000 was rated BBB to A
- \$32,668,000 was rated BB or lower
- \$2,970,000 was not rated

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

- \$967,317,000 in government agencies with weighted average maturities of 2.1 to 2.4 years
- \$22,206,000 in mortgage-backed securities with a weighted average maturity of 12.4 years
- \$97,394,000 in corporate bonds with a weighted average maturity of 0.5 years
- \$296,986,000 in mutual funds with a weighted average maturity of 2.8 years

As of June 30, 2024, U of M had \$95,842,000 of equity investments subject to foreign currency risk. The two components of this amount are \$63,658,000 in Euro Currency and \$32,184,000 in British Pound Sterling.

As of June 30, 2024, none of the U of M's investment holdings are subject to custodial credit risk because the investment securities are held by the University and not by a counterparty.

U of M measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." U of M measured investments of \$233,289,000, \$1,342,797,000, and \$20,175,000 using Level 1, 2 and 3 inputs, respectively. U of M measured another \$2,263,415,000 of investments at the net asset value.

Nonmajor Component Units

**Nonmajor Component Units  
Cash, Cash Equivalents, and Investments  
As of December 31, 2023 or June 30, 2024, as applicable  
(In Thousands)**

| Component Unit                              | Cash and Cash<br>Equivalents | Investments       |
|---------------------------------------------|------------------------------|-------------------|
| Agricultural and Economic Development Board | \$ 940                       | \$ 23,815         |
| Minnesota Comprehensive Health Association  | 128                          | —                 |
| Minnesota Sports Facilities Authority       | 96,253                       | —                 |
| National Sports Center Foundation           | 4,956                        | —                 |
| Office of Higher Education                  | 562,082                      | —                 |
| Public Facilities Authority                 | 639,060                      | —                 |
| Rural Finance Authority                     | 19,583                       | —                 |
| Workers' Compensation Assigned Risk Plan    | 11,083                       | 265,019           |
| Total                                       | <u>\$ 1,334,085</u>          | <u>\$ 288,834</u> |

### Note 3 – Disaggregation of Receivables

**Primary Government  
Components of Net Receivables  
Government-wide  
As of June 30, 2024  
(In Thousands)**

| Description                           | Governmental Activities         |                        |                                            |                            |
|---------------------------------------|---------------------------------|------------------------|--------------------------------------------|----------------------------|
|                                       | General Fund <sup>(2)</sup>     | Federal Fund           | Nonmajor Governmental Funds <sup>(1)</sup> | Total                      |
| Taxes:                                |                                 |                        |                                            |                            |
| Corporate and Individual              | \$ 1,578,512                    | \$ —                   | \$ —                                       | \$ 1,578,512               |
| Sales and Use                         | 966,801                         | —                      | 92,936                                     | 1,059,737                  |
| Property                              | 389,394                         | —                      | —                                          | 389,394                    |
| Health Care Provider                  | 656,481                         | —                      | —                                          | 656,481                    |
| Motor Vehicle/Fuel                    | —                               | —                      | 70,168                                     | 70,168                     |
| Others                                | 78,737                          | —                      | 46,704                                     | 125,441                    |
| Child Support                         | 17,520                          | 16,757                 | 132                                        | 34,409                     |
| Workers' Compensation                 | —                               | —                      | 14,242                                     | 14,242                     |
| Others                                | 411,472                         | 313,613                | 294,096                                    | 1,019,181                  |
| Net Receivables                       | <u>\$ 4,098,917</u>             | <u>\$ 330,370</u>      | <u>\$ 518,278</u>                          | <u>\$ 4,947,565</u>        |
|                                       |                                 |                        |                                            |                            |
| Description                           | Business-type Activities        |                        |                                            |                            |
|                                       | State Colleges and Universities | Unemployment Insurance | Nonmajor Enterprise Funds                  | Total                      |
| Insurance Premiums                    | \$ —                            | \$ 381,693             | \$ —                                       | \$ 381,693                 |
| Tuition and Fees <sup>(3)</sup>       | 74,755                          | —                      | —                                          | 74,755                     |
| Others                                | —                               | —                      | 38,270                                     | 38,270                     |
| Net Receivables                       | <u>\$ 74,755</u>                | <u>\$ 381,693</u>      | <u>\$ 38,270</u>                           | <u>\$ 494,718</u>          |
| Total Government-wide Net Receivables |                                 |                        |                                            | <u><u>\$ 5,442,283</u></u> |

<sup>(1)</sup> Includes \$111.777 million for Internal Service Funds, less Internal Service Fund eliminations of \$105.032 million among Governmental Activities.

<sup>(2)</sup> Includes \$100 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 \$296.547 million.

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

- Corporate and Individual Taxes \$243,811,000
- Sales and Use Taxes \$46,754,000
- Child Support \$72,906,000
- Tuition and Fees \$38,040,000

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

- Corporate and Individual Taxes \$354,759,000
- Sales and Use Taxes \$107,400,000
- Child Support \$32,850,000
- Health Care Provider \$125,798,000
- Other Receivables \$241,491,000

## Note 4 – Loans, Notes, and Leases Receivable

### Primary Government

The following table is the loans and notes receivable, net of allowances outstanding as of June 30, 2024.

| <b>Primary Government<br/>Loans and Notes Receivable, Net of Allowance<br/>As of June 30, 2024<br/>(In Thousands)</b> |                  |                 |                                |                                      |                                  |
|-----------------------------------------------------------------------------------------------------------------------|------------------|-----------------|--------------------------------|--------------------------------------|----------------------------------|
| Loan Purpose                                                                                                          | General Fund     | Federal Fund    | Nonmajor Special Revenue Funds | State Colleges and Universities Fund | Total Loans and Notes Receivable |
| Student Loan Program                                                                                                  | \$ —             | \$ —            | \$ —                           | \$ 2,982                             | \$ 2,982                         |
| Economic Development                                                                                                  | 39,894           | 6,147           | 46,509                         | —                                    | 92,550                           |
| School Districts                                                                                                      | 1,389            | —               | —                              | —                                    | 1,389                            |
| Agricultural, Environmental and Energy Resources                                                                      | —                | —               | 109,889                        | —                                    | 109,889                          |
| Transportation                                                                                                        | —                | —               | 3,382                          | —                                    | 3,382                            |
| Others                                                                                                                | 7,490            | —               | 214                            | 1,119                                | 8,823                            |
| Total                                                                                                                 | <u>\$ 48,773</u> | <u>\$ 6,147</u> | <u>\$ 159,994</u>              | <u>\$ 4,101</u>                      | <u>\$ 219,015</u>                |

The state has entered into various lease arrangements where the state is the lessor for building space and vehicles. Lease term ranges vary from two to twenty-six years. The lease receivable was calculated based on the interest rate charged on the lease, if available, or the state's average annual short-term monthly incremental borrowing rate.

In the governmental activities, there are more than one hundred seventy leases for vehicles. There is one building space lease agreement through the Iron Range Resources and Rehabilitation (IRRR) to which the lessee has capital spending credits that can reduce or eliminate their lease payments. For fiscal year 2024, the lessee exercised this option to eliminate their lease payments to the state.

Minnesota State Colleges and University Fund (MnSCU) (enterprise fund) has entered into several lease agreements, primarily for building space. The leases expire at various dates through 2055.

### **Primary Government Leases Receivable and Revenue As of and for the Year June 30, 2024 (In Thousands)**

| Primary Government                   | Leases Receivable | Lease Revenue   |
|--------------------------------------|-------------------|-----------------|
| Nonmajor Special Revenue Funds       | \$ 4,134          | \$ 1,048        |
| Internal Service Funds               | 2,983             | 1,248           |
| State Colleges and Universities Fund | 9,847             | 3,058           |
| Nonmajor Enterprise Funds            | 30                | 115             |
| Total                                | <u>\$ 16,994</u>  | <u>\$ 5,469</u> |

### Component Units

The following table is the loans and notes receivable, net of allowances outstanding as of December 31, 2023 or June 30, 2024, as applicable.

### **Component Units Loans and Notes Receivable As of December 31, 2023 or June 30, 2024, as applicable (In Thousands)**

| Component Unit                    | Loans and Notes Receivable |
|-----------------------------------|----------------------------|
| Housing Finance Agency            | \$ 1,134,149               |
| Metropolitan Council              | 30,444                     |
| University of Minnesota           | 44,576                     |
| National Sports Center Foundation | 337                        |
| Office of Higher Education        | 415,142                    |
| Public Facilities Authority       | 1,855,916                  |
| Rural Finance Authority           | 117,655                    |
| Total                             | <u>\$ 3,598,219</u>        |

The following table is a schedule of leases receivable as of December 31, 2023 or June 30, 2024, as applicable, for the state's component units. The detail supporting the leases receivable of the discretely presented component units of the state can be found within the individual component units' financial statements and notes.

### **Component Units Leases Receivable As of December 31, 2023 or June 30, 2024, as applicable (In Thousands)**

| Component Unit                      | Leases Receivable |
|-------------------------------------|-------------------|
| Metropolitan Council                | \$ 20,309         |
| University of Minnesota             | 287,840           |
| Minnesota Sports Facility Authority | 317,876           |
| Total                               | <u>\$ 626,025</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. A description of unusual or unique interfund transactions are noted below.

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.

During fiscal year 2024, the following interfund transactions were considered to be significant, unusual or unique in nature:

- The General Fund has an interfund receivable due from the Nonmajor Governmental Funds (Building Capital Projects) for a bond sale advance for \$110,083,000. This activity is not considered unusual or unique, but does not occur every year.
- The Nonmajor Governmental Funds has transfers-in from the General Fund for a variety of program funding.
  - The Trunk Highway Fund (special revenue fund) has one-time transfers-in of \$152,650,000 for the state match for highway formula and discretionary grants under the federal Infrastructure Investment and Jobs Acts, and for related state investments.
  - The Miscellaneous Special Revenue Fund (special revenue fund) has a \$62,254,000 transfers-in related to various programs and projects including solar for schools program, weatherization and pre-weatherization work, heat pump rebate program, electric school bus program, electric grid resiliency grants, and grain indemnity plant protection.
  - The Environmental and Remediation Fund (special revenue fund) has a \$27,397,000 transfers-in related to payment of the metropolitan landfill contingency action trust.
  - The General Projects Fund (capital projects fund) has one-time transfers-in from the General Fund of \$1,071,013,000, including related interfund receivable of \$23,192,000 for capital improvement projects authorized by the Minnesota State Legislature.
- The Family and Medical Benefit Insurance Fund has a transfers-in from the General Fund for \$668,321,000. This was a one time payment to assist in the creation of the new Family and Medical Benefit Insurance Fund.
- The Fiduciary Funds has one time transfers-in from the General Fund for one time state aid payment to all of the pension trust funds totaling \$470,153,000. See Note 8 – Pension and Investment Trust Funds for further details.

### Primary Government Interfund Receivables and Payables As of June 30, 2024 (In Thousands)

| Description                                                        | Amount            |
|--------------------------------------------------------------------|-------------------|
| Due to the General Fund from:                                      |                   |
| Federal Fund                                                       | \$ 165,369        |
| Nonmajor Governmental Funds                                        | 159,590           |
| Nonmajor Enterprise Funds                                          | 27,000            |
| Internal Service Funds                                             | 60,339            |
| Fiduciary Funds                                                    | 100               |
| Total Due to General Fund from Other Funds                         | <u>\$ 412,398</u> |
| Due to the Federal Fund from:                                      |                   |
| Unemployment Insurance Fund                                        | \$ 19             |
| Total Due to Federal Fund from Other Funds                         | <u>\$ 19</u>      |
| Due to Nonmajor Governmental Funds from:                           |                   |
| General Fund                                                       | \$ 23,500         |
| Nonmajor Governmental Funds                                        | 191,731           |
| Unemployment Insurance Fund                                        | 58,748            |
| Nonmajor Enterprise Funds                                          | 2,990             |
| Total Due to Nonmajor Governmental Funds from Other Funds          | <u>\$ 276,969</u> |
| Due to the State Colleges and Universities Fund from:              |                   |
| General Fund                                                       | \$ 500            |
| Nonmajor Governmental Funds                                        | 35,385            |
| Total Due to State Colleges and Universities Fund from Other Funds | <u>\$ 35,885</u>  |
| Due to Nonmajor Enterprise Funds from:                             |                   |
| General Fund                                                       | \$ 3,128          |
| Total Due to Nonmajor Enterprise Funds from Other Funds            | <u>\$ 3,128</u>   |
| Due to the Internal Service Funds from:                            |                   |
| General Fund                                                       | \$ 11             |
| Nonmajor Governmental Funds                                        | 34                |
| Total Due to Internal Service Funds from Other Funds               | <u>\$ 45</u>      |
| Due to Fiduciary Funds from:                                       |                   |
| General Fund                                                       | \$ 5,000          |
| Fiduciary Funds                                                    | 16,847            |
| Total Due to Fiduciary Funds from Other Funds                      | <u>\$ 21,847</u>  |

**Primary Government  
Interfund Transfers  
Year Ended June 30, 2024  
(In Thousands)**

| Description                                                                   | Amount              |
|-------------------------------------------------------------------------------|---------------------|
| Transfers to the General Fund from:                                           |                     |
| Federal Fund                                                                  | \$ 11,279           |
| Nonmajor Governmental Funds                                                   | 42,082              |
| Family and Medical Benefit Insurance Fund                                     | 2,649               |
| Nonmajor Enterprise Funds                                                     | 154,674             |
| Internal Service Funds                                                        | 24,126              |
| Total Transfers to General Fund from Other Funds                              | <u>\$ 234,810</u>   |
| Transfers to the Federal Fund from:                                           |                     |
| Unemployment Insurance Fund                                                   | \$ 16               |
| Nonmajor Governmental Funds                                                   | 1,341               |
| Total Transfers to Federal Fund from Other Funds                              | <u>\$ 1,357</u>     |
| Transfers to Nonmajor Governmental Funds from:                                |                     |
| General Fund                                                                  | \$ 1,932,612        |
| Federal Fund                                                                  | 3,788               |
| Unemployment Insurance Fund                                                   | 35,599              |
| Nonmajor Governmental Funds                                                   | 271,168             |
| Nonmajor Enterprise Funds                                                     | 42,563              |
| Internal Service Funds                                                        | 7,013               |
| Total Transfers to Nonmajor Governmental Funds from Other Funds               | <u>\$ 2,292,743</u> |
| Transfers to the Family and Medical Benefit Insurance Fund from:              |                     |
| General Fund                                                                  | \$ 668,321          |
| Total Transfers to Family and Medical Benefit Insurance Fund from Other Funds | <u>\$ 668,321</u>   |
| Transfers to the State Colleges and Universities Fund from:                   |                     |
| General Fund                                                                  | \$ 958,211          |
| Nonmajor Governmental Funds                                                   | 43,223              |
| Total Transfers to State Colleges and Universities Fund from Other Funds      | <u>\$ 1,001,434</u> |
| Transfers to Nonmajor Enterprise Funds from:                                  |                     |
| General Fund                                                                  | \$ 18,588           |
| Nonmajor Governmental Funds                                                   | 5,769               |
| Total Transfers to Nonmajor Enterprise Funds from Other Funds                 | <u>\$ 24,357</u>    |
| Transfers to Internal Service Funds From:                                     |                     |
| General Fund                                                                  | \$ 12,500           |
| Total Transfers to Internal Service Funds                                     | <u>\$ 12,500</u>    |
| Transfers to Fiduciary Funds from:                                            |                     |
| General Fund                                                                  | \$ 562,345          |
| Fiduciary Funds                                                               | 19,434              |
| Total Transfers to Fiduciary Funds from Other Funds                           | <u>\$ 581,779</u>   |

**Component Units**

**Primary Government and Component Units  
Receivables and Payables  
As of December 31, 2023 or June 30, 2024, as applicable  
(In Thousands)**

| Component Units                | Due from<br>Primary<br>Government | Due to<br>Primary<br>Government  |
|--------------------------------|-----------------------------------|----------------------------------|
| Major Component Units:         |                                   |                                  |
| Housing Finance Agency         | \$ 129                            | \$ —                             |
| Metropolitan Council           | 229,009                           | 1,866                            |
| University of Minnesota        | 40,344                            | 36                               |
| Total Major Component Units    | <u>\$ 269,482</u>                 | <u>\$ 1,902</u>                  |
| Nonmajor Component Units       | 208,947                           | 123,739                          |
| Total Component Units          | <u>\$ 478,429</u>                 | <u>\$ 125,641</u>                |
| Primary Government             |                                   |                                  |
| Major Governmental Funds:      |                                   |                                  |
| General Fund                   | \$ 12,032                         | \$ 222,135                       |
| Federal Fund                   | —                                 | 154,618                          |
| Total Major Governmental Funds | <u>\$ 12,032</u>                  | <u>\$ 376,753</u>                |
| Nonmajor Governmental Funds    | 105,005                           | 100,600                          |
| Nonmajor Enterprise Funds      | —                                 | 12                               |
| Total Primary Government       | <u>\$ 117,037</u>                 | <u>\$ 477,365</u> <sup>(1)</sup> |

<sup>(1)</sup> Due to Component Units on the Government-wide Statement of Net Position totals \$478.999 million and includes \$1.634 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 \$8,604,000 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 \$1,064,000 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 \$1,634,000 loans payable disclosed above.

## Note 6 – Capital Assets, including Right-to-Use Assets

### Primary Government

| <b>Primary Government<br/>Capital Assets, including Right-to-Use Asset Activity<br/>Government-wide Governmental Activities<br/>Year Ended June 30, 2024<br/>(In Thousands)</b> |                             |                            |                            |                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|
| Asset Category                                                                                                                                                                  | Beginning                   | Additions                  | Deductions                 | Ending                      |
| Governmental Activities:                                                                                                                                                        |                             |                            |                            |                             |
| Capital Assets not Depreciated:                                                                                                                                                 |                             |                            |                            |                             |
| Land <sup>(1)</sup>                                                                                                                                                             | \$ 2,956,671                | \$ 113,517                 | \$ (10,545)                | \$ 3,059,643                |
| Buildings, Structures, Improvements                                                                                                                                             | 342,252                     | —                          | —                          | 342,252                     |
| Construction in Progress                                                                                                                                                        | 440,359                     | 228,337                    | (437,768)                  | 230,928                     |
| Development in Progress                                                                                                                                                         | 280,336                     | 44,274                     | (32,708)                   | 291,902                     |
| Infrastructure                                                                                                                                                                  | 13,250,715                  | 509,230                    | (11,246)                   | 13,748,699                  |
| Easements                                                                                                                                                                       | 571,395                     | 39,056                     | (12,231)                   | 598,220                     |
| Art and Historical Treasures                                                                                                                                                    | 12,290                      | —                          | —                          | 12,290                      |
| Total Capital Assets not Depreciated                                                                                                                                            | <u>\$ 17,854,018</u>        | <u>\$ 934,414</u>          | <u>\$ (504,498)</u>        | <u>\$ 18,283,934</u>        |
| Capital Assets Depreciated:                                                                                                                                                     |                             |                            |                            |                             |
| Buildings, Structures, Improvements <sup>(2)</sup>                                                                                                                              | \$ 3,592,453                | \$ 329,020                 | \$ (12,429)                | \$ 3,909,044                |
| Infrastructure                                                                                                                                                                  | 521,764                     | 87,949                     | —                          | 609,713                     |
| Easements                                                                                                                                                                       | 4,389                       | 1,561                      | (18)                       | 5,932                       |
| Internally Generated Computer Software                                                                                                                                          | 475,076                     | 32,704                     | —                          | 507,780                     |
| Equipment, Furniture, Fixtures <sup>(2)</sup>                                                                                                                                   | 1,033,824                   | 152,727                    | (98,814)                   | 1,087,737                   |
| Total Capital Assets Depreciated                                                                                                                                                | <u>\$ 5,627,506</u>         | <u>\$ 603,961</u>          | <u>\$ (111,261)</u>        | <u>\$ 6,120,206</u>         |
| Accumulated Depreciation for:                                                                                                                                                   |                             |                            |                            |                             |
| Buildings, Structures, Improvements <sup>(2)</sup>                                                                                                                              | \$ (1,795,776)              | \$ (96,836)                | \$ 8,576                   | \$ (1,884,036)              |
| Infrastructure                                                                                                                                                                  | (176,603)                   | (18,051)                   | —                          | (194,654)                   |
| Easements                                                                                                                                                                       | (1,628)                     | (335)                      | 6                          | (1,957)                     |
| Internally Generated Computer Software                                                                                                                                          | (317,336)                   | (47,653)                   | —                          | (364,989)                   |
| Equipment, Furniture, Fixtures <sup>(2)</sup>                                                                                                                                   | (611,618)                   | (78,268)                   | 87,469                     | (602,417)                   |
| Total Accumulated Depreciation                                                                                                                                                  | <u>\$ (2,902,961)</u>       | <u>\$ (241,143)</u>        | <u>\$ 96,051</u>           | <u>\$ (3,048,053)</u>       |
| Total Capital Assets Depreciated, Net                                                                                                                                           | <u>\$ 2,724,545</u>         | <u>\$ 362,818</u>          | <u>\$ (15,210)</u>         | <u>\$ 3,072,153</u>         |
| Right-to-Use Assets Amortized:                                                                                                                                                  |                             |                            |                            |                             |
| Leased Buildings, Structures, Improvements <sup>(2)</sup>                                                                                                                       | \$ 497,820                  | \$ 34,616                  | \$ (17,732)                | \$ 514,704                  |
| Leased Easements                                                                                                                                                                | 794                         | 3,204                      | (43)                       | 3,955                       |
| Leased Equipment, Furniture, Fixtures                                                                                                                                           | 20,627                      | 870                        | (1,050)                    | 20,447                      |
| IT Subscriptions                                                                                                                                                                | 106,764                     | 44,451                     | (23,930)                   | 127,285                     |
| Total Right-to-Use Assets Amortized                                                                                                                                             | <u>\$ 626,005</u>           | <u>\$ 83,141</u>           | <u>\$ (42,755)</u>         | <u>\$ 666,391</u>           |
| Accumulated Amortization for:                                                                                                                                                   |                             |                            |                            |                             |
| Leased Buildings, Structures, Improvements <sup>(2)</sup>                                                                                                                       | \$ (124,202)                | \$ (64,166)                | \$ 2,493                   | \$ (185,875)                |
| Leased Easements                                                                                                                                                                | (250)                       | (696)                      | 43                         | (903)                       |
| Leased Equipment, Furniture, Fixtures                                                                                                                                           | (7,853)                     | (3,754)                    | 1,048                      | (10,559)                    |
| IT Subscriptions                                                                                                                                                                | (28,332)                    | (32,906)                   | 2,984                      | (58,254)                    |
| Total Accumulated Amortization                                                                                                                                                  | <u>\$ (160,637)</u>         | <u>\$ (101,522)</u>        | <u>\$ 6,568</u>            | <u>\$ (255,591)</u>         |
| Total Right-to-Use Assets Amortized, Net                                                                                                                                        | <u>\$ 465,368</u>           | <u>\$ (18,381)</u>         | <u>\$ (36,187)</u>         | <u>\$ 410,800</u>           |
| Governmental Activities Capital Assets, including Right-to-Use Assets, Net                                                                                                      | <u><u>\$ 21,043,931</u></u> | <u><u>\$ 1,278,851</u></u> | <u><u>\$ (555,895)</u></u> | <u><u>\$ 21,766,887</u></u> |

<sup>(1)</sup> The beginning balance was restated to remove \$15,953 for land held for investment reported in the Permanent School Fund (permanent fund).

<sup>(2)</sup> The beginning balances were restated for a change in reporting entity for Buildings, Structures, Improvement, Equipment, Furniture, Fixtures, and Leased Buildings, Structures, Improvements by \$2,353, \$1,065, and \$8,397, respectively along with corresponding accumulated depreciation/amortization by \$2,295, \$1,065, and \$1,928 respectively. See Note 20 – Change in Reporting Entity and Change in Accounting Principle for further detail.

Capital outlay expenditures in the governmental funds totaled \$1,048,747,000 for fiscal year 2024. Donations of general capital assets received were valued at \$26,139,000. Transfers of \$460,178,000 were primarily from construction in progress for completed projects. Right-to-use assets include remeasurement additions of \$22,048,000. Internal service funds had additions of \$64,190,000 and right-to-use assets remeasurement additions totaling \$214,000.

| <b>Primary Government<br/>Capital Assets, including Right-to-Use Asset Activity<br/>Government-wide Business-type Activities<br/>Year Ended June 30, 2024<br/>(In Thousands)</b> |                            |                         |                            |                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------|----------------------------|----------------------------|
| Asset Category                                                                                                                                                                   | Beginning                  | Additions               | Deductions                 | Ending                     |
| Capital Assets not Depreciated:                                                                                                                                                  |                            |                         |                            |                            |
| Land                                                                                                                                                                             | \$ 93,817                  | \$ —                    | \$ —                       | \$ 93,817                  |
| Construction in Progress                                                                                                                                                         | 97,391                     | 86,320                  | (103,506)                  | 80,205                     |
| Development in Progress                                                                                                                                                          | 424                        | 4,402                   | (424)                      | 4,402                      |
| Other Intangibles                                                                                                                                                                | 596                        | —                       | —                          | 596                        |
| Total Capital Assets not Depreciated                                                                                                                                             | <u>\$ 192,228</u>          | <u>\$ 90,722</u>        | <u>\$ (103,930)</u>        | <u>\$ 179,020</u>          |
| Capital Assets Depreciated:                                                                                                                                                      |                            |                         |                            |                            |
| Buildings, Structures, Improvements <sup>(1)</sup>                                                                                                                               | \$ 4,055,819               | \$ 115,763              | \$ (1,153)                 | \$ 4,170,429               |
| Infrastructure                                                                                                                                                                   | 30,734                     | —                       | (1)                        | 30,733                     |
| Library Collections                                                                                                                                                              | 32,803                     | 4,391                   | (5,274)                    | 31,920                     |
| Internally Generated Computer Software                                                                                                                                           | 71,277                     | 4,018                   | (1,677)                    | 73,618                     |
| Equipment, Furniture, Fixtures <sup>(1)</sup>                                                                                                                                    | 364,189                    | 33,117                  | (15,690)                   | 381,616                    |
| Total Capital Assets Depreciated                                                                                                                                                 | <u>\$ 4,554,822</u>        | <u>\$ 157,289</u>       | <u>\$ (23,795)</u>         | <u>\$ 4,688,316</u>        |
| Accumulated Depreciation for:                                                                                                                                                    |                            |                         |                            |                            |
| Buildings, Structures, Improvements <sup>(1)</sup>                                                                                                                               | \$ (2,400,020)             | \$ (124,501)            | \$ 251                     | \$ (2,524,270)             |
| Infrastructure                                                                                                                                                                   | (21,414)                   | (979)                   | —                          | (22,393)                   |
| Library Collections                                                                                                                                                              | (19,062)                   | (4,560)                 | 5,274                      | (18,348)                   |
| Internally Generated Computer Software                                                                                                                                           | (46,355)                   | (6,916)                 | 1,677                      | (51,594)                   |
| Equipment, Furniture, Fixtures <sup>(1)</sup>                                                                                                                                    | (295,300)                  | (15,927)                | 14,399                     | (296,828)                  |
| Total Accumulated Depreciation                                                                                                                                                   | <u>\$ (2,782,151)</u>      | <u>\$ (152,883)</u>     | <u>\$ 21,601</u>           | <u>\$ (2,913,433)</u>      |
| Total Capital Assets Depreciated, Net                                                                                                                                            | <u>\$ 1,772,671</u>        | <u>\$ 4,406</u>         | <u>\$ (2,194)</u>          | <u>\$ 1,774,883</u>        |
| Right-to-Use Assets Amortized:                                                                                                                                                   |                            |                         |                            |                            |
| Leased Buildings, Structures, Improvements <sup>(1)</sup>                                                                                                                        | \$ 51,694                  | \$ 18,338               | \$ (9,394)                 | \$ 60,638                  |
| Leased Equipment, Furniture, Fixtures                                                                                                                                            | 16,561                     | 3,325                   | (600)                      | 19,286                     |
| IT Subscriptions                                                                                                                                                                 | 48,500                     | 6,511                   | (2,798)                    | 52,213                     |
| Total Right-to-Use Assets Amortized                                                                                                                                              | <u>\$ 116,755</u>          | <u>\$ 28,174</u>        | <u>\$ (12,792)</u>         | <u>\$ 132,137</u>          |
| Accumulated Amortization for:                                                                                                                                                    |                            |                         |                            |                            |
| Leased Buildings, Structures, Improvements <sup>(1)</sup>                                                                                                                        | \$ (19,432)                | \$ (9,074)              | \$ 6,397                   | \$ (22,109)                |
| Leased Equipment, Furniture, Fixtures                                                                                                                                            | (8,448)                    | (5,979)                 | 600                        | (13,827)                   |
| IT Subscriptions                                                                                                                                                                 | (11,983)                   | (11,467)                | 2,207                      | (21,243)                   |
| Total Accumulated Amortization                                                                                                                                                   | <u>\$ (39,863)</u>         | <u>\$ (26,520)</u>      | <u>\$ 9,204</u>            | <u>\$ (57,179)</u>         |
| Total Right-to-Use Assets Amortized, Net                                                                                                                                         | <u>\$ 76,892</u>           | <u>\$ 1,654</u>         | <u>\$ (3,588)</u>          | <u>\$ 74,958</u>           |
| Business-type Activities Capital Assets, including Right-to-Use Assets, Net                                                                                                      | <u><u>\$ 2,041,791</u></u> | <u><u>\$ 96,782</u></u> | <u><u>\$ (109,712)</u></u> | <u><u>\$ 2,028,861</u></u> |

<sup>(1)</sup> The beginning balances were restated for a change in reporting entity for Buildings, Structures, Improvement, Equipment, Furniture, Fixtures, and Leased Buildings, Structures, Improvements by \$2,353, \$1,065, and \$8,397, respectively along with corresponding accumulated depreciation/amortization by \$2,295, \$1,065, and \$1,928 respectively. See Note 20 – Change in Reporting Entity and Change in Accounting Principle for further detail.

Transfers for Business-type Activities totaling \$103,930,000 primarily related to construction in progress for completed projects.

**Primary Government  
Capital Assets, including Right-to-Use Asset Activity  
Fiduciary Funds  
Year Ended June 30, 2024  
(In Thousands)**

| Asset Category                                                      | Beginning               | Additions            | Deductions         | Ending                  |
|---------------------------------------------------------------------|-------------------------|----------------------|--------------------|-------------------------|
| Capital Assets not Depreciated:                                     |                         |                      |                    |                         |
| Land                                                                | \$ 429                  | \$ —                 | \$ —               | \$ 429                  |
| Construction in Progress                                            | 123                     | 3,389                | —                  | 3,512                   |
| Development in Progress                                             | —                       | 925                  | —                  | 925                     |
| Total Capital Assets not Depreciated                                | <u>\$ 552</u>           | <u>\$ 4,314</u>      | <u>\$ —</u>        | <u>\$ 4,866</u>         |
| Capital Assets Depreciated:                                         |                         |                      |                    |                         |
| Buildings                                                           | \$ 29,763               | \$ —                 | \$ —               | \$ 29,763               |
| Internally Generated Computer Software                              | 36,020                  | —                    | (64)               | 35,956                  |
| Equipment, Furniture, Fixtures                                      | 8,023                   | 488                  | (1,346)            | 7,165                   |
| Total Capital Assets Depreciated                                    | <u>\$ 73,806</u>        | <u>\$ 488</u>        | <u>\$ (1,410)</u>  | <u>\$ 72,884</u>        |
| Accumulated Depreciation for:                                       |                         |                      |                    |                         |
| Buildings                                                           | \$ (16,464)             | \$ (739)             | \$ —               | \$ (17,203)             |
| Internally Generated Computer Software                              | (24,975)                | (3,063)              | 64                 | (27,974)                |
| Equipment, Furniture, Fixtures                                      | (7,377)                 | (292)                | 1,346              | (6,323)                 |
| Total Accumulated Depreciation                                      | <u>\$ (48,816)</u>      | <u>\$ (4,094)</u>    | <u>\$ 1,410</u>    | <u>\$ (51,500)</u>      |
| Total Capital Assets Depreciated, Net                               | <u>\$ 24,990</u>        | <u>\$ (3,606)</u>    | <u>\$ —</u>        | <u>\$ 21,384</u>        |
| Right-to-Use Assets Amortized:                                      |                         |                      |                    |                         |
| Leased Equipment, Furniture, Fixtures                               | \$ 116                  | \$ —                 | \$ —               | \$ 116                  |
| IT Subscriptions                                                    | 243                     | —                    | —                  | 243                     |
| Total Right-to-Use Assets Amortized                                 | <u>\$ 359</u>           | <u>\$ —</u>          | <u>\$ —</u>        | <u>\$ 359</u>           |
| Accumulated Amortization for:                                       |                         |                      |                    |                         |
| Leased Equipment, Furniture, Fixtures                               | \$ (51)                 | \$ (25)              | \$ —               | \$ (76)                 |
| IT Subscriptions                                                    | (50)                    | (49)                 | —                  | (99)                    |
| Total Accumulated Amortization                                      | <u>\$ (101)</u>         | <u>\$ (74)</u>       | <u>\$ —</u>        | <u>\$ (175)</u>         |
| Total Right-to-Use Assets Amortized, Net                            | <u>\$ 258</u>           | <u>\$ (74)</u>       | <u>\$ —</u>        | <u>\$ 184</u>           |
| Fiduciary Funds, Capital Assets, including Right-to-Use Assets, Net | <u><u>\$ 25,800</u></u> | <u><u>\$ 634</u></u> | <u><u>\$ —</u></u> | <u><u>\$ 26,434</u></u> |

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

**Primary Government  
Depreciation/Amortization Expense  
Government-wide  
Year Ended June 30, 2024  
(In Thousands)**

| Function                                       | Depreciation/<br>Amortization<br>Expense |
|------------------------------------------------|------------------------------------------|
| Governmental Activities:                       |                                          |
| Agricultural, Environmental & Energy Resources | \$ 34,916                                |
| Economic and Workforce Development             | 11,943                                   |
| General Education                              | 7,392                                    |
| General Government                             | 70,736                                   |
| Health and Human Services                      | 69,245                                   |
| Higher Education                               | 323                                      |
| Public Safety and Corrections                  | 55,087                                   |
| Transportation                                 | 57,443                                   |
| Internal Service Funds                         | 35,580                                   |
| Total Governmental Activities                  | <u><u>\$ 342,665</u></u>                 |
| Business-type Activities:                      |                                          |
| State Colleges and Universities                | \$ 161,296                               |
| Lottery                                        | 2,892                                    |
| Others                                         | 15,215                                   |
| Total Business-type Activities                 | <u><u>\$ 179,403</u></u>                 |

**Primary Government  
Significant Project Authorizations and Commitments  
As of June 30, 2024  
(In Thousands)**

| Description                       | Administration           | Transportation          |
|-----------------------------------|--------------------------|-------------------------|
| Authorization                     | \$ 1,437,997             | \$ 2,105,093            |
| Less: Expended (through June 30)  | (760,468)                | (1,679,160)             |
| Less: Unexpended Commitment       | <u>(477,693)</u>         | <u>(377,174)</u>        |
| Remaining Available Authorization | <u><u>\$ 199,836</u></u> | <u><u>\$ 48,759</u></u> |

## Component Units

**Component Units**  
**Capital Asset, including Right-to-Use Assets**  
**As of December 31, 2023 or June 30, 2024, 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                                                               | \$ —                   | \$ 326,893                 | \$ 271,830                 | \$ 32,145                | \$               | 630,868                  |
| Construction in Progress                                           | —                      | 2,939,791                  | 162,540                    | 4,301                    |                  | 3,106,632                |
| Easements                                                          | —                      | —                          | 5                          | —                        |                  | 5                        |
| Museums and Collections                                            | —                      | —                          | 122,802                    | —                        |                  | 122,802                  |
| Total Capital Assets not Depreciated                               | <u>\$ —</u>            | <u>\$ 3,266,684</u>        | <u>\$ 557,177</u>          | <u>\$ 36,446</u>         | <u>\$</u>        | <u>3,860,307</u>         |
| Capital Assets Depreciated:                                        |                        |                            |                            |                          |                  |                          |
| Buildings, Structures, Improvements                                | \$ —                   | \$ 5,536,541               | \$ 5,113,099               | \$ 879,756               | \$               | 11,529,396               |
| Infrastructure                                                     | —                      | —                          | 460,704                    | 43,814                   |                  | 504,518                  |
| Other Intangibles                                                  | —                      | —                          | 6,903                      | —                        |                  | 6,903                    |
| Library                                                            | —                      | —                          | 188,089                    | —                        |                  | 188,089                  |
| Internally Generated Computer Software                             | 7,766                  | —                          | 203,924                    | —                        |                  | 211,690                  |
| Equipment, Furniture, Fixtures                                     | 3,542                  | 1,342,488                  | 894,943                    | 241,612                  |                  | 2,482,585                |
| Total Capital Assets Depreciated                                   | <u>\$ 11,308</u>       | <u>\$ 6,879,029</u>        | <u>\$ 6,867,662</u>        | <u>\$ 1,165,182</u>      | <u>\$</u>        | <u>14,923,181</u>        |
| Total Accumulated Depreciation                                     | <u>\$ (9,564)</u>      | <u>\$ (3,510,100)</u>      | <u>\$ (4,350,106)</u>      | <u>\$ (400,684)</u>      | <u>\$</u>        | <u>(8,270,454)</u>       |
| Total Capital Assets Depreciated, Net <sup>(1)</sup>               | <u>\$ 1,744</u>        | <u>\$ 3,368,929</u>        | <u>\$ 2,517,556</u>        | <u>\$ 764,498</u>        | <u>\$</u>        | <u>6,652,727</u>         |
| Right-to-Use Assets Amortized:                                     |                        |                            |                            |                          |                  |                          |
| Leased Buildings, Structures, Improvements                         | \$ 9,739               | \$ 9,045                   | \$ 291,849                 | \$ 6,224                 | \$               | 316,857                  |
| Leased Easements                                                   | —                      | 5,168                      | 2,348                      | —                        |                  | 7,516                    |
| Leased Equipment, Furniture, Fixtures                              | —                      | —                          | 4,349                      | 1,175                    |                  | 5,524                    |
| IT Subscriptions                                                   | 4,049                  | 4,259                      | 59,010                     | 181                      |                  | 67,499                   |
| Total Right-to-Use Assets Amortized                                | <u>\$ 13,788</u>       | <u>\$ 18,472</u>           | <u>\$ 357,556</u>          | <u>\$ 7,580</u>          | <u>\$</u>        | <u>397,396</u>           |
| Total Accumulated Amortization                                     | <u>\$ (7,352)</u>      | <u>\$ (4,913)</u>          | <u>\$ (107,132)</u>        | <u>\$ (1,245)</u>        | <u>\$</u>        | <u>(120,642)</u>         |
| Total Right-to-Use Assets Amortized, Net                           | <u>\$ 6,436</u>        | <u>\$ 13,559</u>           | <u>\$ 250,424</u>          | <u>\$ 6,335</u>          | <u>\$</u>        | <u>276,754</u>           |
| Component Units Capital Assets, including Right-to-Use Assets, Net | <u><u>\$ 8,180</u></u> | <u><u>\$ 6,649,172</u></u> | <u><u>\$ 3,325,157</u></u> | <u><u>\$ 807,279</u></u> | <u><u>\$</u></u> | <u><u>10,789,788</u></u> |

<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 \$21.368 million as of June 30, 2024.

## Note 7 – Disaggregation of Payables

**Primary Government**  
**Components of Accounts Payable**  
**Government-wide**  
**As of June 30, 2024**  
**(In Thousands)**

| Description               | Governmental Activities     |                     |                                            |                     |
|---------------------------|-----------------------------|---------------------|--------------------------------------------|---------------------|
|                           | General Fund <sup>(1)</sup> | Federal Fund        | Nonmajor Governmental Funds <sup>(2)</sup> | Total               |
| School Aid Programs       | \$ 1,212,225                | \$ 485,015          | \$ 20                                      | \$ 1,697,260        |
| Tax Refunds               | 919,312                     | —                   | —                                          | 919,312             |
| Medical Care Programs     | 1,101,699                   | 1,649,236           | 13,817                                     | 2,764,752           |
| Grants                    | 577,710                     | 296,489             | 422,134                                    | 1,296,333           |
| Salaries and Benefits     | 97,909                      | 15,515              | 44,383                                     | 157,807             |
| Vendors/Service Providers | 264,361                     | 96,392              | 271,839                                    | 632,592             |
| Net Payables              | <u>\$ 4,173,216</u>         | <u>\$ 2,542,647</u> | <u>\$ 752,193</u>                          | <u>\$ 7,468,056</u> |

| Description                        | Business-type Activities             |                                 |                        |                            |
|------------------------------------|--------------------------------------|---------------------------------|------------------------|----------------------------|
|                                    | Family Medical and Benefit Insurance | State Colleges and Universities | Unemployment Insurance | Nonmajor Enterprise Funds  |
| Salaries and Benefits              | \$ 595                               | \$ 106,570                      | \$ —                   | \$ 7,167                   |
| Vendors/Service Providers          | 121                                  | 55,624                          | 51,457                 | 70,285                     |
| Net Payables                       | <u>\$ 716</u>                        | <u>\$ 162,194</u>               | <u>\$ 51,457</u>       | <u>\$ 77,452</u>           |
| Total Government-wide Net Payables |                                      |                                 |                        | <u><u>\$ 7,759,875</u></u> |

<sup>(1)</sup> Includes \$5.000 million for an Interfund Payable to the Fiduciary Funds reclassified to Accounts Payable on the Government-wide Statement of Net Position.

<sup>(2)</sup> Includes \$48.799 million for Internal Service Funds, less Internal Service Fund eliminations of \$105.032 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. The Secure Choice Trust Fund only has administrative activity in fiscal year 2024, the plan will not be open for enrollment until mid- to late-2025, therefore it does not have a stand-alone report for fiscal year 2024.

| Plan Administrator                                | Plans Covered                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Minnesota State Retirement System (MSRS)          | State Employees Retirement Fund<br>Correctional Employees Retirement Fund<br>Judges Retirement Fund<br>Legislators Retirement Fund<br>State Patrol Retirement Fund<br>Hennepin County Supplemental Retirement Fund<br>Health Care Savings Fund<br>Unclassified Employees Retirement Fund<br>Minnesota Deferred Compensation Fund |
| Public Employees Retirement Association (PERA)    | General Employees Retirement Fund<br>Police and Fire Fund<br>Public Employees Correctional Fund<br>Volunteer Firefighter Retirement Fund<br>Defined Contribution Fund                                                                                                                                                            |
| Teachers Retirement Association (TRA)             | Teachers Retirement Fund                                                                                                                                                                                                                                                                                                         |
| Minnesota State Colleges and Universities (MnSCU) | State Colleges and Universities Retirement Fund                                                                                                                                                                                                                                                                                  |
| Secure Choice Retirement Program                  | Secure Choice Trust 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, 2024, this presentation resulted in a negative asset within the total investment pool participation.

### Non-Primary Government Administered Plan

The state contributes as a non-employer contributing entity into the St. Paul Teachers’ Retirement Fund, but does not perform any other fiduciary responsibilities. Separately-issued financial statements for the St. Paul Teachers’ Retirement Fund Association may be obtained at St. Paul Teachers’ Retirement Association, 2550 University Ave W 312N, St. Paul, MN 55114-1005.

### Defined Benefit Plans

#### Primary Government Administered Multiple-Employer Cost Sharing Plans

The State Employees Retirement Fund (SERF) covers most state employees, the University of Minnesota (component unit) non-faculty employees, and selected metropolitan agency employees. Fourteen employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

|                         |                                                                                                                                                                                                                                                                          |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Benefit Formula         | Members hired before July 1, 1989: Step or Level formula, whichever is greater.<br>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. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024.                               |

The Correctional Employees Retirement Fund (CERF) primarily covers state employees who have direct contact with inmates or patients in Minnesota correctional facilities, the state operated forensic service program, or the Minnesota sex offender program. Three employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

|                 |                                                                                                                         |
|-----------------|-------------------------------------------------------------------------------------------------------------------------|
| Benefit Formula | Members hired before July 1, 2010: 2.4 percent of the high-five average salary for each year of allowable service.      |
|                 | Members hired on or after July 1, 2010: 2.2 percent of the high-five average salary for each year of allowable service. |

**Annual Benefit Increase** 1.5 percent fixed rate. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024.

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. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and former MERF members of 4 percent minus the actual 2024 benefit increase and for coordinated members, 2.5 percent minus the actual 2024 benefit increase, payable in a lump sum by March 31, 2024.

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. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 3.0 percent payable in a lump sum by March 31, 2024.

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 before July 1, 2025 and 2.2 percent for each year of allowable service on or after July 1, 2025.

**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 until it no longer meets the conditions, then the benefit increase will return to 2.5 percent maximum. The benefit increase of 2.0 percent is projected for all years. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 benefit increase payable in a lump sum by March 31, 2024.

In the prior measurement period, the benefit increase of 2.0 percent was projected through 2055, and 1.5 percent thereafter.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state except those teachers employed by the city of St Paul and the University of Minnesota. Approximately 600 employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

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

**Benefit Formula** Members hired before July 1, 1989: Step or Level formula, whichever is greater. Members hired on or after July 1, 1989: Level formula.

Step Formula: Coordinated members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service prior to July 1, 2006, and 1.4 percent for any of the first 10 years after that date. For allowable years of service after the first ten years, Coordinated members receive 1.7 percent for each year prior to July 1, 2006 and 1.9 percent for years after that date.

Basic members receive 2.2 percent of the high-five average salary for each of the first 10 years of allowable service, and 2.7 percent for each year thereafter.

The Step formula also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater).

Level Formula: Coordinated members receive 1.7 percent of the high-five average salary for all years of allowable service prior to July 1, 2006 and 1.9 percent for years thereafter.

Basic members receive 2.7 percent of the high-five average salary for all years of allowable service.

The Level formula provides full benefits at normal retirement age. Not eligible for benefits under the Rule of 90.

**Annual Benefit Increase** 1.0 percent through December 31, 2023, then increase by 0.1 percent each year over five years, and 1.5 percent thereafter. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and coordinated members of 2.9 percent and 1.4 percent, respectively, payable in a lump sum by March 31, 2024. 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 <sup>(1)(3)</sup> | CERF <sup>(3)</sup> | GERF <sup>(3)</sup> | P&FF <sup>(3)(4)</sup> | TRF <sup>(2)(3)(5)</sup> |
|-----------------------------------------------------|------------------------|---------------------|---------------------|------------------------|--------------------------|
| Minnesota Statutory Authority                       | 352.04                 | 352.92              | 353.27<br>353.505   | 353.65                 | 354.42<br>354.435,436    |
| Required Contribution Rate:                         |                        |                     |                     |                        |                          |
| Active Members                                      | 5.5%                   | 9.6%                | 6.5-9.75%           | 11.8%                  | 7.75-11.25%              |
| Employer(s)                                         | 6.25%                  | 18.85%              | 7.5-11.78%          | 17.7%                  | 8.75-12.75%              |
| Non-Employer Contributing Entity                    | \$ 76,440              | \$ 10,446           | \$ 186,093          | \$ 28,397              | \$ 207,254               |
| Primary Government Contributions – Reporting Period | \$ 269,703             | \$ 72,546           | \$ 187,472          | \$ 28,968              | \$ 227,067               |

<sup>(1)</sup> Member contribution rates increase by 0.50 percent effective fiscal year 2026.

<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 16.39 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2026. Employer contribution rates increase by 0.75 percent effective fiscal year 2026.

<sup>(3)</sup> Non-Employer contributions include a one-time state aid contribution for SERF, CERF, GERF, P&FF, and TRF of \$76.440 million, \$10.446 million, \$170.093 million, \$19.397 million, and \$176.167 million, respectively.

<sup>(4)</sup> Non-Employer contributions include a \$9 million state contribution for P&FF until the earlier of the plan is fully funded for three consecutive years or July 1, 2048, this contribution was previously due to continue until the earlier of the plan is fully funded for one year or July 1, 2048.

<sup>(5)</sup> A one-time state aid contribution for fiscal year 2025 for TRF will be \$28.462 million.

**Primary Government Administered Multiple-Employer Cost Sharing Plans**  
**Summary of Pension Amounts**  
**As of June 30, 2024**  
(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                                                                                      | \$ 734,188          | \$ 537,961          | \$ 14,125           | \$ 4,467            | \$ 293,451         | \$ 1,584,192        |
| Non-Employer Contributing Entity                                                              | —                   | —                   | 150,014             | 66,866              | 472,132            | 689,012             |
| Total                                                                                         | <u>\$ 734,188</u>   | <u>\$ 537,961</u>   | <u>\$ 164,139</u>   | <u>\$ 71,333</u>    | <u>\$ 765,583</u>  | <u>\$ 2,273,204</u> |
| Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of: |                     |                     |                     |                     |                    |                     |
| Current Year Measurement Date                                                                 | 76.41%              | 99.91%              | 2.94%               | 4.13%               | 9.27%              |                     |
| Prior Year Measurement Date                                                                   | 76.37%              | 99.95%              | 3.13%               | 4.46%               | 9.36%              |                     |
| Deferred Outflows of Resources                                                                | \$ 957,250          | \$ 220,522          | \$ 219,434          | \$ 131,778          | \$ 323,843         | \$ 1,852,827        |
| Deferred Inflows of Resources                                                                 | \$ 698,494          | \$ 98,934           | \$ 66,609           | \$ 114,317          | \$ 94,405          | \$ 1,072,759        |
| Net Pension Expense                                                                           | \$ 169,568          | \$ 89,158           | \$ 17,331           | \$ 33,953           | \$ (59,619)        | \$ 250,391          |

<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)(5)(6)</sup> | CERF <sup>(1)</sup>      | GERF <sup>(1)(6)</sup>   | P&FF <sup>(2)</sup>      | TRF <sup>(3)</sup> |  |
|-----------------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------|--|
| Actuarial Valuation/<br>Measurement Date      | June 30, 2023             | June 30, 2023            | June 30, 2023            | June 30, 2023            | June 30, 2023      |  |
| Long-Term Expected<br>Rate                    | 7.00%                     | 7.00%                    | 7.00%                    | 7.00%                    | 7.00%              |  |
| 20 Year Municipal Bond<br>Rate <sup>(4)</sup> | 3.86%                     | 3.86%                    | 3.86%                    | 3.86%                    | 3.66%              |  |
| Experience Study Dates                        | 2014-2018                 | 2015-2019                | 2014-2018                | 2015-2019                | 2014-2018          |  |
| Inflation                                     | 2.25%                     | 2.25%                    | 2.25%                    | 2.25%                    | 2.50%              |  |
| Salary Increases                              | Service<br>Related Rates  | Service<br>Related Rates | Service<br>Related Rates | Service<br>Related Rates | 2.85-9.25%         |  |
| Payroll Growth                                | 3.00%                     | 3.00%                    | 3.00%                    | 3.00%                    | 3.00%              |  |

<sup>(1)</sup> For SERF, CERF, and GERF mortality rate assumptions, the Pub-2010 General Mortality Table was used and adjusted for mortality improvements based on Scale MP-2018 for SERF, Scale MP-2019 for CERF, and Scale MP-2021 for GERF. There are various adjustments in each plan to match experience. In fiscal year 2025, SERF will adjust for mortality improvements based on Scale MP-2021.

<sup>(2)</sup> For P&FF mortality rate assumptions, the Pub-2010 Public Safety Mortality Table was used and adjusted for mortality improvements based on Scale MP-2021. There are various adjustments to match experience. For the prior measurement period, Scale MP-2020 was used.

<sup>(3)</sup> For TRF mortality rate assumptions, the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2015. There are various adjustments to match experience. In fiscal year 2025, TRA will use the Pub-2010 Mortality Tables for mortality rate assumptions.

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

<sup>(5)</sup> For SERF, in fiscal year 2025, the assumed rates of salary increases will change, resulting in a decrease in gross salary increase rates.

<sup>(6)</sup> For SERF and GERF, in fiscal year 2025, the assumed rates of retirement will change.

**Primary Government Administered Multiple-Employer Cost Sharing Plans  
Deferred Outflows of Resources  
As of June 30, 2024  
(In Thousands)**

| Description                                                                                                                | SERF              | CERF              | GERF              | P&FF              | TRF               | Total               |
|----------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Difference Between<br>Expected and Actual<br>Experience                                                                    | \$ 88,253         | \$ 40,116         | \$ 5,390          | \$ 19,669         | \$ 7,590          | \$ 161,018          |
| Changes in Assumption                                                                                                      | 573,161           | 107,725           | 26,572            | 82,776            | 89,186            | 879,420             |
| Change in<br>Proportionate<br>Difference Between<br>Actual Contributions<br>and Proportionate<br>Share of<br>Contributions | 26,133            | 135               | —                 | 365               | —                 | 26,633              |
| Contributions<br>Subsequent to the<br>Measurement Date                                                                     | 269,703           | 72,546            | 187,472           | 28,968            | 227,067           | 785,756             |
| Total                                                                                                                      | <u>\$ 957,250</u> | <u>\$ 220,522</u> | <u>\$ 219,434</u> | <u>\$ 131,778</u> | <u>\$ 323,843</u> | <u>\$ 1,852,827</u> |

**Primary Government Administered Multiple-Employer Cost Sharing Plans  
Deferred Inflows of Resources  
As of June 30, 2024  
(In Thousands)**

| Description                                                                 | SERF              | CERF             | GERF             | P&FF              | TRF              | Total               |
|-----------------------------------------------------------------------------|-------------------|------------------|------------------|-------------------|------------------|---------------------|
| Difference Between<br>Expected and Actual<br>Experience                     | \$ 5,052          | \$ 1,892         | \$ 1,131         | \$ —              | \$ 11,148        | \$ 19,223           |
| Changes in Assumption                                                       | 618,450           | 90,617           | 44,989           | 100,295           | —                | 854,351             |
| Net Difference<br>Between Projected<br>and Actual Earnings<br>on Investment | 73,214            | 6,263            | 6,138            | 3,424             | 2,839            | 91,878              |
| Change in<br>Proportionate Share<br>of Contributions                        | 1,778             | 162              | 14,351           | 10,598            | 80,418           | 107,307             |
| Total                                                                       | <u>\$ 698,494</u> | <u>\$ 98,934</u> | <u>\$ 66,609</u> | <u>\$ 114,317</u> | <u>\$ 94,405</u> | <u>\$ 1,072,759</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, 2024  
(In Thousands)**

| Description                                                                    | SERF               | CERF              | GERF               | P&FF               | TRF               | Total             |
|--------------------------------------------------------------------------------|--------------------|-------------------|--------------------|--------------------|-------------------|-------------------|
| 2025                                                                           | \$ (28,514)        | \$ 20,138         | \$ (1,064)         | \$ (465)           | \$ (19,984)       | \$ (29,889)       |
| 2026                                                                           | (22,742)           | 10,747            | (32,197)           | (2,957)            | (27,415)          | (74,564)          |
| 2027                                                                           | 147,151            | 24,404            | 1,173              | 16,240             | 70,824            | 259,792           |
| 2028                                                                           | (106,842)          | (6,247)           | (2,559)            | (5,705)            | (18,428)          | (139,781)         |
| 2029                                                                           | —                  | —                 | —                  | (18,620)           | (2,626)           | (21,246)          |
| Net Pension Expense                                                            | <u>\$ (10,947)</u> | <u>\$ 49,042</u>  | <u>\$ (34,647)</u> | <u>\$ (11,507)</u> | <u>\$ 2,371</u>   | <u>\$ (5,688)</u> |
| Deferred Outflow of<br>Resources as a<br>Reduction to Net<br>Pension Liability | 269,703            | 72,546            | 187,472            | 28,968             | 227,067           | 785,756           |
| Net Deferred Outflows<br>(Inflows) of Resources                                | <u>\$ 258,756</u>  | <u>\$ 121,588</u> | <u>\$ 152,825</u>  | <u>\$ 17,461</u>   | <u>\$ 229,438</u> | <u>\$ 780,068</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.

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 and for retirements on or after July 1, 2023 when a member is at least age 62 with at least 30 years of service. Not eligible for benefits under the Rule of 90.

Annual Benefit Increase 1.0 percent fixed rate. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and coordinated members of 3.0 percent and 1.5 percent, respectively, payable in a lump sum by March 31, 2024. Benefit increases for retirements on or after July 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)(2)(3)</sup> |
|--------------------------------------------------------------------------------|----------------------------|
| Minnesota Statutory Authority                                                  | 354A.12                    |
| Required Contribution Rate:                                                    |                            |
| Active Members                                                                 | 7.75-10.25%                |
| Employer(s)                                                                    | 9.0-12.5%                  |
| Primary Government as Non-Employer Contributing Entity - Statutory Requirement | \$ 31,411                  |
| Primary Government Contributions - Reporting Period                            | \$ 31,426                  |

<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 16.14 percent. Member contribution rates decrease by 0.25 percent effective fiscal year 2025, then increase by 1.25 percent effective fiscal year 2026 and an additional increase by 0.25 percent effective fiscal year 2027. Employer contribution rates increase by 0.75 percent effective fiscal year 2026.

<sup>(2)</sup> Non-Employer contributions include a one-time state aid contribution of \$15.747 million.

<sup>(3)</sup> A one-time state aid contribution for fiscal year 2025 will be \$1.538 million.

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plan  
Summary of Pension Amounts  
As of June 30, 2024  
(In Thousands)**

| Description                                                                                   | SPTRF <sup>(1)</sup> |
|-----------------------------------------------------------------------------------------------|----------------------|
| Primary Government's Proportionate Share of the Net Pension Liability as an:                  |                      |
| Employer                                                                                      | \$ 250               |
| Non-Employer Contributing Entity                                                              | 195,832              |
| Total                                                                                         | <u>\$ 196,082</u>    |
| Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of: |                      |
| Current Measurement Date                                                                      | 29.06%               |
| Prior Measurement Date                                                                        | 28.88%               |
| Deferred Outflows of Resources                                                                | \$ 45,764            |
| Deferred Inflows of Resources                                                                 | \$ 12,768            |
| Net Pension Expense                                                                           | \$ 32,709            |

<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, 2023        |
| Long-Term Expected Rate                    | 7.00%                |
| 20 Year Municipal Bond Rate <sup>(2)</sup> | 3.86%                |
| Experience Study Dates                     | 2016-2021            |
| Inflation                                  | 2.50%                |
| Salary Increases                           | 2.50-8.00%           |
| Payroll Growth                             | 2.50%                |

<sup>(1)</sup> For mortality rate assumptions, the Pub-2010 Teachers Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2021 for the current measurement period. There are various adjustments to match experience. In the prior year measurement period, the RP-2014 Mortality table was used and adjusted for mortality improvements based on Scale MP-2021.

<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, 2024  
(In Thousands)**

| Description                                                        | SPTRF            |
|--------------------------------------------------------------------|------------------|
| Changes in Assumption                                              | \$ 9,879         |
| Net Difference Between Projected and Actual Earnings on Investment | 3,763            |
| Change in Proportionate Share of Contributions                     | 696              |
| Contributions Subsequent to the Measurement Date                   | 31,426           |
| Total                                                              | <u>\$ 45,764</u> |

**Non-Primary Government Administered Multiple-Employer Cost Sharing Plan  
Deferred Inflows of Resources  
As of June 30, 2024  
(In Thousands)**

| Description                                       | SPTRF            |
|---------------------------------------------------|------------------|
| Difference Between Expected and Actual Experience | \$ 4,260         |
| Changes in Assumption                             | 4,561            |
| Change in Proportionate Share of Contributions    | 3,947            |
| Total                                             | <u>\$ 12,768</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, 2024  
(In Thousands)**

| Description                                                           | SPTRF            |
|-----------------------------------------------------------------------|------------------|
| 2025                                                                  | \$ 1,631         |
| 2026                                                                  | (7,472)          |
| 2027                                                                  | 9,263            |
| 2028                                                                  | (1,852)          |
| Net Pension Expense                                                   | <u>\$ 1,570</u>  |
| Deferred Outflow of Resources as a Reduction to Net Pension Liability | 31,426           |
| Net Deferred Outflows (Inflows) of Resources                          | <u>\$ 32,996</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 217 employers participating in this plan. The plan provides retirement and survivor benefits only. If fire state aid plus investment income are not expected to cover the normal cost of benefits during the next calendar year, an employer contribution is calculated and payable by the end of the next calendar year. Benefits are determined by employee years of service multiplied by a benefit level chosen by the entity sponsoring the fire department from possible levels ranging from \$500 to \$15,000 per year of service. Plan provisions

include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent. The plan is established and administered in accordance with Minnesota Statutes 353G. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

Primary Government Administered Single-Employer Plans

The Judges Retirement Fund (JRF) covers judges of the Supreme Court, appellate, and district courts. The plan provides retirement, survivor, and disability benefits.

**Benefit Formula** Judges appointed or elected before July 1, 2013: 2.7 percent of the high-five average salary for each year of allowable service prior to July 1, 1980, and 3.2 percent for each year thereafter, up to 76.8 percent.

Judges appointed or elected on or after July 1, 2013: 2.5 percent of the high-five average salary for each year of allowable service. There is no maximum benefit.

**Annual Benefit Increase** 1.5 percent fixed rate. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024.

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. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024.

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. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 3.0 percent payable in a lump sum by March 31, 2024.

**Primary Government Administered Single-Employer Plans  
Statutory Contribution Rates  
(In Thousands)**

| Description                                         | JRF <sup>(4)</sup>   | LRF <sup>(4)</sup> | SPRF <sup>(4)</sup>  |
|-----------------------------------------------------|----------------------|--------------------|----------------------|
| Minnesota Statutory Authority                       | 490.123              | 3A.03              | 352B.02              |
| Required Contribution Rate:                         |                      |                    |                      |
| Active Members                                      | 7.0-9.0%             | 9.0%               | 15.4%                |
| Employer                                            | 22.5% <sup>(1)</sup> | N/A <sup>(2)</sup> | 23.1% <sup>(3)</sup> |
| Primary Government Contributions – Reporting Period | \$ 19,534            | \$ 8,813           | \$ 46,035            |

<sup>(1)</sup> Employer contributions include an additional \$6 million each year until the earlier of the plan is fully funded for three consecutive years or July 1, 2048.

<sup>(2)</sup> Employer contributions are funded on a pay-as-you-go basis.

<sup>(3)</sup> Additional supplemental employer contributions rate is 7.0 percent. This brings the top of the Employer contribution range to 30.1 percent. The 7.0 percent will remain in effect until the plan is 100 percent funded for three consecutive years.

<sup>(4)</sup> Employer contributions include a one-time state aid contribution for JRF, LRF, and SPRF of \$293 thousand, \$91 thousand, and \$11.971 million, respectively.

**Primary Government Administered Single-Employer Plans  
Membership Statistics**

| Description                                                      | JRF | LRF | SPRF  |
|------------------------------------------------------------------|-----|-----|-------|
| Members (or their beneficiaries)<br>Currently Receiving Benefits | 421 | 349 | 1,168 |
| Members Entitled to, but not Receiving<br>Benefits               | 17  | 19  | 76    |
| Active Members                                                   | 321 | 7   | 979   |

**Primary Government Administered Single-Employer Plans  
Summary of Pension Amounts  
As of June 30, 2024  
(In Thousands)**

| Description                    | JRF        | LRF        | SPRF       | Total      |
|--------------------------------|------------|------------|------------|------------|
| Net Pension Liability          | \$ 161,539 | \$ 108,397 | \$ 227,097 | \$ 497,033 |
| Deferred Outflows of Resources | 30,636     | 8,813      | 128,680    | 168,129    |
| Deferred Inflows of Resources  | 17,875     | —          | 58,854     | 76,729     |
| Net Pension Expense            | 17,176     | 3,089      | 16,371     | 36,636     |

**Primary Government Administered Single-Employer Plans  
Actuarial Assumptions**

| Description                                | JRF <sup>(1)</sup> | LRF <sup>(1)</sup> | SPRF <sup>(1)</sup>   |
|--------------------------------------------|--------------------|--------------------|-----------------------|
| Actuarial Valuation / Measurement Date     | June 30, 2023      | June 30, 2023      | June 30, 2023         |
| Long-Term Expected Rate                    | 7.00%              | N/A                | 7.00%                 |
| 20 Year Municipal Bond Rate <sup>(2)</sup> | 3.86%              | 3.86%              | 3.86%                 |
| Experience Study Dates                     | 2015-2019          | N/A                | 2015-2019             |
| Inflation                                  | 2.25%              | 2.25%              | 2.25%                 |
| Salary Increases                           | 2.50%              | 4.25%              | Service Related Rates |
| Payroll Growth                             | 2.50%              | N/A                | 3.00%                 |

<sup>(1)</sup> For mortality rate assumptions, the Pub-2010 General Mortality Table was used and adjusted for mortality improvements based on Scale MP-2019 for JRF and SPRF, and Scale MP-2018 for LRF. There are various adjustments in each plan to match experience. In fiscal year 2025, LRF will adjust for mortality improvements based on Scale MP-2021.

<sup>(2)</sup> Source: Fidelity Index 20-Year Municipal GO AA Index.

**Primary Government Administered Single-Employer Plans  
Schedule of Net Pension Liability  
As of June 30, 2024  
(In Thousands)**

| Description                                                                      | JRF        | LRF        | SPRF         | Total        |
|----------------------------------------------------------------------------------|------------|------------|--------------|--------------|
| Total Pension Liability (TPL):                                                   |            |            |              |              |
| Service Cost                                                                     | \$ 11,063  | \$ 340     | \$ 29,951    | \$ 41,354    |
| Interest on the Total Pension Liability                                          | 28,538     | 4,052      | 77,346       | 109,936      |
| Benefit Changes                                                                  | 295        | 87         | 2,002        | 2,384        |
| Difference Between Expected and Actual Experience of the Total Pension Liability | (2,002)    | 230        | (1,787)      | (3,559)      |
| Changes in Assumptions                                                           | (9,979)    | (1,607)    | (34,912)     | (46,498)     |
| Benefit Payments, Including Refunds of Member Contributions                      | (29,287)   | (8,712)    | (66,580)     | (104,579)    |
| Net Change in Total Pension Liability                                            | \$ (1,372) | \$ (5,610) | \$ 6,020     | \$ (962)     |
| Total Pension Liability, Beginning                                               | \$ 431,898 | \$ 114,007 | \$ 1,164,176 | \$ 1,710,081 |
| Total Pension Liability, Ending                                                  | \$ 430,526 | \$ 108,397 | \$ 1,170,196 | \$ 1,709,119 |
| Fiduciary Net Position (FNP):                                                    |            |            |              |              |
| Contributions – Employer                                                         | \$ 18,245  | \$ 8,699   | \$ 32,537    | \$ 59,481    |
| Contributions – Member                                                           | 4,121      | 49         | 16,434       | 20,604       |
| Net Investment Income                                                            | 22,013     | —          | 77,364       | 99,377       |
| Benefit Payments, Including Refunds of Member Contributions                      | (29,287)   | (8,712)    | (66,580)     | (104,579)    |
| Pension Plan Administrative Expenses                                             | (76)       | (36)       | (235)        | (347)        |
| Other Changes                                                                    | —          | —          | (2)          | (2)          |
| Net Change in Plan Fiduciary Net Position                                        | \$ 15,016  | \$ —       | \$ 59,518    | \$ 74,534    |
| Plan Fiduciary Net Position, Beginning                                           | \$ 253,971 | \$ —       | \$ 883,581   | \$ 1,137,552 |
| Plan Fiduciary Net Position, Ending                                              | \$ 268,987 | \$ —       | \$ 943,099   | \$ 1,212,086 |
| Net Pension Liability (NPL)                                                      | \$ 161,539 | \$ 108,397 | \$ 227,097   | \$ 497,033   |

**Primary Government Administered Single-Employer Plans  
Deferred Outflows of Resources  
As of June 30, 2024  
(In Thousands)**

| Description                                       | JRF              | LRF             | SPRF              | Total             |
|---------------------------------------------------|------------------|-----------------|-------------------|-------------------|
| Difference Between Expected and Actual Experience | \$ 1,224         | \$ —            | \$ 37,573         | \$ 38,797         |
| Changes in Assumption                             | 9,878            | —               | 45,072            | 54,950            |
| Contributions Subsequent to the Measurement Date  | 19,534           | 8,813           | 46,035            | 74,382            |
| Total                                             | <u>\$ 30,636</u> | <u>\$ 8,813</u> | <u>\$ 128,680</u> | <u>\$ 168,129</u> |

**Primary Government Administered Single-Employer Plans  
Deferred Inflows of Resources  
As of June 30, 2024  
(In Thousands)**

| Description                                                        | JRF              | SPRF             | Total            |
|--------------------------------------------------------------------|------------------|------------------|------------------|
| Difference Between Expected and Actual Experience                  | \$ 2,356         | \$ 1,668         | \$ 4,024         |
| Changes in Assumption                                              | 14,138           | 52,749           | 66,887           |
| Net Difference Between Projected and Actual Earnings on Investment | 1,381            | 4,437            | 5,818            |
| Total                                                              | <u>\$ 17,875</u> | <u>\$ 58,854</u> | <u>\$ 76,729</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, 2024  
(In Thousands)**

| Description                                                           | JRF               | LRF             | SPRF             | Total            |
|-----------------------------------------------------------------------|-------------------|-----------------|------------------|------------------|
| 2025                                                                  | \$ (2,025)        | \$ —            | \$ 4,484         | \$ 2,459         |
| 2026                                                                  | (3,230)           | —               | (859)            | (4,089)          |
| 2027                                                                  | 1,901             | —               | 32,900           | 34,801           |
| 2028                                                                  | (3,419)           | —               | (6,617)          | (10,036)         |
| 2029                                                                  | —                 | —               | (6,117)          | (6,117)          |
| Net Pension Expense                                                   | <u>\$ (6,773)</u> | <u>\$ —</u>     | <u>\$ 23,791</u> | <u>\$ 17,018</u> |
| Deferred Outflow of Resources as a Reduction to Net Pension Liability | 19,534            | 8,813           | 46,035           | 74,382           |
| Net Deferred Outflows (Inflows) of Resources                          | <u>\$ 12,761</u>  | <u>\$ 8,813</u> | <u>\$ 69,826</u> | <u>\$ 91,400</u> |

Summary of Defined Benefit Plans

**Summary of Defined Benefit Plans  
As of June 30, 2024  
(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          | \$ 2,273,204                                                         | \$ 196,082                                                              | \$ 497,033                                            | \$ 2,966,319 |
| Deferred Outflows of Resources | 1,852,827                                                            | 45,764                                                                  | 168,129                                               | 2,066,720    |
| Deferred Inflows of Resources  | 1,072,759                                                            | 12,768                                                                  | 76,729                                                | 1,162,256    |
| Net Pension Expense            | 250,391                                                              | 32,709                                                                  | 36,636                                                | 319,736      |

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, 2024**

| Asset Class          | Target Allocation | Long-Term Expected Rate of Return (Geometric Mean) |
|----------------------|-------------------|----------------------------------------------------|
| Domestic Stocks      | 33.50 %           | 5.10 %                                             |
| International Stocks | 16.50 %           | 5.30 %                                             |
| Bonds                | 25.00 %           | 0.75 %                                             |
| Alternative Assets   | 25.00 %           | 5.90 %                                             |
| Total                | <u>100.00 %</u>   |                                                    |

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, 2024**  
**(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>(3)</sup>   | 6.00 %             | \$ 2,475,043       | 7.00 %                | \$ 734,188         | 8.00 %             | \$ (602,343)       |
| CERF <sup>(3)</sup>   | 6.00 %             | 853,555            | 7.00 %                | 537,961            | 8.00 %             | 281,777            |
| GERF <sup>(3)</sup>   | 6.00 %             | 290,375            | 7.00 %                | 164,139            | 8.00 %             | 60,305             |
| P&FF <sup>(3)</sup>   | 6.00 %             | 141,531            | 7.00 %                | 71,333             | 8.00 %             | 13,619             |
| TRF                   | 6.00 %             | 1,221,049          | 7.00 %                | 765,583            | 8.00 %             | 392,729            |
| SPTRF                 | 6.00 %             | 264,612            | 7.00 %                | 196,082            | 8.00 %             | 139,424            |
| JRF <sup>(3)</sup>    | 6.00 %             | 203,865            | 7.00 %                | 161,539            | 8.00 %             | 125,158            |
| LRF <sup>(3)(4)</sup> | 2.86 %             | 118,494            | 3.86 % <sup>(2)</sup> | 108,397            | 4.86 %             | 99,741             |
| SPRF <sup>(3)</sup>   | 6.00 %             | 377,891            | 7.00 %                | 227,097            | 8.00 %             | 103,182            |

<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 6.75 percent for SERF, CERF, JRF, and SPRF, from 6.50 percent for GERF, from 5.40 percent for P&FF, and from 3.69 percent for LRF.

<sup>(4)</sup> The discount rate for fiscal year 2025 will change to 3.97 percent for LRF.

#### Defined Contribution Plans

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds and a state-sponsored private employee retirement fund. 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 \$180,166,000 for the fiscal year ended June 30, 2024.

The Unclassified Employees Retirement Fund (UERF), authorized by Minnesota Statutes 352D, covers only those state employees who are included either by statutes or policy in the "unclassified service" of the state, specified employees of various statutorily designated entities, or judges who exceed the maximum benefit cap under the Judges Retirement Fund (pension trust fund). Statutory contribution rates are 5.50 percent of employee's salary for employee and 6.25 percent for the employer. Employee contribution rates increase by 0.50 percent effective fiscal year 2026. However, contribution rates for participating judges are 8.0 percent of employee's salary with no state contribution. Benefits are either an annuity based on age, value of the participant's account, and the effective actuarial assumptions, or the participant's account balance withdrawals.

The Minnesota Deferred Compensation Fund (DCPF) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes 352.965. The plan is primarily composed of employee contributions and accumulated investment gains or losses. Some employer units or bargaining units may match a portion of an employee's contributions annually. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs who are only eligible if they meet certain qualifications), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. The statutory contribution rate is 5.0 percent of employee's salary for both the employee and employer (local units of government, elected officials, and physicians). For other participants, the contribution rate is determined by the employer with a fixed percentage for the employee. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes 354B and 354C, covers unclassified teachers, librarians, administrators, and certain other staff members. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and administrators, participate in the IRAP. For those members eligible before July 1, 2018, the employer and employee statutory contribution rates are 8.75 and 7.75 percent, respectively. For those members eligible after July 1, 2018, the employer and employee statutory contribution rates are 8.75 and 7.75 percent, respectively, and member contribution rates increase by 0.25 percent effective fiscal year 2026. 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.

The Secure Choice Trust Fund, authorized by Minnesota Statutes 187, is a state-sponsored retirement program for employees in the private sector who have no opportunity to save for retirement through an

employer-sponsored retirement plan. The program offers IRAs as authorized under sections 408 and 408A of the Internal Revenue Code. It will not open for enrollment until mid- to late-2025. During fiscal year 2024, the General Fund made a one-time transfer of \$5 million to establish and administer the program. Employers that do not sponsor a retirement plan will be required to enroll employees in the program. Employees may change the contribution rate or opt out of the plan. Plan benefits will be either a lifetime income option or the participant's account balance withdrawals.

**Primary Government  
Defined Contribution Plans Contributions  
As of June 30, 2024  
(In Thousands)**

| Description                      | HCSRF        | UERF             | DCPF            | DCF             | CURF             |
|----------------------------------|--------------|------------------|-----------------|-----------------|------------------|
| Member Contributions             | \$ 31        | \$ 9,090         | \$ 403,877      | \$ 2,374        | \$ 55,648        |
| Employer Contributions:          |              |                  |                 |                 |                  |
| Primary Government Contributions | \$ —         | \$ 9,746         | \$ 9,157        | \$ —            | \$ 61,162        |
| Other Employer Contributions     | 31           | 609              | —               | 2,475           | —                |
| Total Employer Contributions     | <u>\$ 31</u> | <u>\$ 10,355</u> | <u>\$ 9,157</u> | <u>\$ 2,475</u> | <u>\$ 61,162</u> |

**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, 2023 or June 30, 2024, as applicable  
(In Thousands)**

| Description                                      | Major Component Units |           |            | Nonmajor Component Units |          |        | Total      |
|--------------------------------------------------|-----------------------|-----------|------------|--------------------------|----------|--------|------------|
|                                                  | HFA                   | MC        | U of M     | MSFA                     | OHE      | PFA    |            |
| Proportionate Share of the Net Pension Liability | \$ 6,694              | \$ 83,483 | \$ 128,257 | \$ 96                    | \$ 1,483 | \$ 718 | \$ 220,731 |
| Deferred Outflows of Resources                   | 8,031                 | 86,288    | 150,488    | 110                      | 1,779    | 861    | 247,557    |
| Deferred Inflows of Resources                    | 6,368                 | 90,214    | 137,950    | 146                      | 1,412    | 684    | 236,774    |
| Net Pension Expense (Income)                     | 1,546                 | 12,895    | 14,386     | 13                       | 342      | 166    | 29,348     |

**Major Component Units  
Summary of Pension Amounts  
Police and Fire Fund  
As of December 31, 2023 or June 30, 2024, as applicable  
(In Thousands)**

| Description                                      | MC        | U of M    | Total     |
|--------------------------------------------------|-----------|-----------|-----------|
| Proportionate Share of the Net Pension Liability | \$ 18,647 | \$ 12,275 | \$ 30,922 |
| Deferred Outflows of Resources                   | 30,336    | 20,650    | 50,986    |
| Deferred Inflows of Resources                    | 29,720    | 18,039    | 47,759    |
| Net Pension Expense                              | 5,412     | 3,911     | 9,323     |

**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 57 former faculty members and staff currently receive this benefit. The cost of the benefits was \$2,309,000 during fiscal year ended June 30, 2024, with a remaining liability as of June 30, 2024, of \$2,372,000.

**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 2024 was \$46,569,000.

**Primary Government Single-Employer Plan  
Employee Statistics**

| Description                                                              | Employees |
|--------------------------------------------------------------------------|-----------|
| Inactive Employees (or their beneficiaries) Currently Receiving Benefits | 3,173     |
| Active Employees                                                         | 46,941    |

**Primary Government Single-Employer Plan  
Summary of OPEB Amounts  
As of June 30, 2024  
(In Thousands)**

| Description                    | Amount <sup>(1)</sup> |
|--------------------------------|-----------------------|
| Total OPEB Liability           | \$ 786,228            |
| Deferred Outflows of Resources | 145,493               |
| Deferred Inflows of Resources  | 89,603                |
| Total OPEB Expense             | 62,730                |

<sup>(1)</sup> Amounts represent the primary government's total proportionate share of 99.6 percent. The remaining 0.4 percent represents discretely presented component units' proportionate share.

**Single-Employer Plan  
Actuarial Assumptions**

| Description                                               | OPEB Plan                    |
|-----------------------------------------------------------|------------------------------|
| Actuarial Valuation <sup>(1)</sup>                        | July 1, 2022                 |
| Measurement Date <sup>(1)</sup>                           | June 30, 2023                |
| Discount Rate: 20 Year Municipal Bond Rate <sup>(2)</sup> | 3.65%                        |
| Healthcare Cost Trend Rate                                | 8.4% reduced to 3.7% by 2073 |
| Experience Study Dates                                    | 2018 - 2022                  |
| 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-2021 as applicable to the employee group covered.

**Single-Employer Plan  
Schedule of Total OPEB Liability  
As of June 30, 2024  
(In Thousands)**

| Description                                        | Primary<br>Government's<br>Share <sup>(1)</sup> | Component<br>Unit's Share <sup>(1)</sup> | Plan<br>Total     |
|----------------------------------------------------|-------------------------------------------------|------------------------------------------|-------------------|
| Total OPEB Liability:                              |                                                 |                                          |                   |
| Service Cost                                       | \$ 43,523                                       | \$ 102                                   | \$ 43,625         |
| Interest                                           | 26,695                                          | 97                                       | 26,792            |
| Differences between Expected and Actual Experience | 9,717                                           | 35                                       | 9,752             |
| Changes in Assumptions or Other Inputs             | 17,101                                          | 62                                       | 17,163            |
| Benefit Payments                                   | (42,350)                                        | (154)                                    | (42,504)          |
| Net Changes in Total OPEB Liability                | \$ 54,686                                       | \$ 142                                   | \$ 54,828         |
| Total OPEB Liability, Beginning                    | 731,542                                         | 2,726                                    | 734,268           |
| Total OPEB Liability, Ending                       | <u>\$ 786,228</u>                               | <u>\$ 2,868</u>                          | <u>\$ 789,096</u> |

<sup>(1)</sup> The primary government's total proportionate share is 99.6 percent and the component units' proportionate share is 0.4 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, 2024  
(In Thousands)**

| Description                                       | Deferred<br>Outflows of<br>Resources <sup>(1)</sup> | Deferred<br>Inflows of<br>Resources <sup>(1)</sup> |
|---------------------------------------------------|-----------------------------------------------------|----------------------------------------------------|
| Difference between Expected and Actual Experience | \$ 41,941                                           | \$ 42,221                                          |
| Changes of Assumption                             | 56,983                                              | 47,382                                             |
| Transactions Subsequent to the Measurement Date   | 46,569                                              | NA                                                 |
| Total                                             | <u>\$ 145,493</u>                                   | <u>\$ 89,603</u>                                   |

<sup>(1)</sup> Amounts represent the primary government's total proportionate share of 99.6 percent. The remaining 0.4 percent represents discretely presented component units' proportionate share.

**Primary Government Single-Employer Plan  
Net Deferred Outflows (Inflows) of Resources  
Recognized as OPEB Expense or a Reduction to the Total OPEB Liability  
As of June 30, 2024  
(In Thousands)**

| Description                                                              | Amount <sup>(1)</sup> |
|--------------------------------------------------------------------------|-----------------------|
| 2025                                                                     | \$ (4,245)            |
| 2026                                                                     | 1,895                 |
| 2027                                                                     | 3,954                 |
| 2028                                                                     | 1,778                 |
| 2029                                                                     | 2,401                 |
| Thereafter                                                               | 3,538                 |
| Net OPEB Expense                                                         | <u>\$ 9,321</u>       |
| Deferred Outflow of Resources as a Reduction of the Total OPEB Liability | <u>46,569</u>         |
| Net Deferred Outflows (Inflows) of Resources                             | <u>\$ 55,890</u>      |

<sup>(1)</sup> Amounts represent the primary government's total proportionate share of 99.6 percent. The remaining 0.4 percent represents discretely presented component units' proportionate share.

The following tables present the total OPEB liability (TOPEBL) for the defined benefit plan for the primary government's proportionate share of the TOPEBL, calculated using the corresponding discount rate and healthcare trend rate as well as what the TOPEBL would be if the rates were one percentage point higher or lower.

**Primary Government  
Sensitivity of the Total OPEB liability to Changes in the Discount Rate  
As of June 30, 2024  
(In Thousands)**

| With a 1% Decrease |            | Current Discount Rate |            | With a 1% Increase |            |
|--------------------|------------|-----------------------|------------|--------------------|------------|
| Rate               | TOPEBL     | Rate <sup>(1)</sup>   | TOPEBL     | Rate               | TOPEBL     |
| 2.65%              | \$ 843,770 | 3.65%                 | \$ 786,228 | 4.65%              | \$ 731,944 |

<sup>(1)</sup> The discount rate changed from 3.54 percent.

**Sensitivity of the Total OPEB liability to Changes in the Healthcare Trend Rates  
As of June 30, 2024  
(In Thousands)**

| With a 1% Decrease |            | Current Healthcare Trend Rate |            | With a 1% Increase |            |
|--------------------|------------|-------------------------------|------------|--------------------|------------|
| Rate               | TOPEBL     | Rate                          | TOPEBL     | Rate               | TOPEBL     |
| 2.7%               | \$ 706,649 | 3.7%                          | \$ 786,228 | 4.7%               | \$ 879,301 |

### 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 \$330 million as of December 31, 2023 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, 2024  
(In Thousands)**

| Description                              | Major Component Unit |       | Nonmajor Component Unit |     | Total    |
|------------------------------------------|----------------------|-------|-------------------------|-----|----------|
|                                          | HFA                  |       | OHE                     |     |          |
| Proportionate Share Total OPEB Liability | \$                   | 2,269 | \$                      | 599 | \$ 2,868 |
| Deferred Outflows of Resources           |                      | 390   |                         | 103 | 493      |
| Deferred Inflows of Resources            |                      | 255   |                         | 67  | 322      |
| Total OPEB Expense                       |                      | 187   |                         | 60  | 247      |

**Major Component Units  
Summary of OPEB Amounts  
Other Plans  
As of December 31, 2023 or June 30, 2024, as applicable  
(In Thousands)**

|                                          | Major Component Units |           |            |  |
|------------------------------------------|-----------------------|-----------|------------|--|
| Description                              | MC                    | U of M    | Total      |  |
| Proportionate Share Total OPEB Liability | \$ 288,196            | \$ 48,560 | \$ 336,756 |  |
| Deferred Outflows of Resources           | 29,752                | 7,525     | 37,277     |  |
| Deferred Inflows of Resources            | 72,371                | 9,094     | 81,465     |  |
| Total OPEB Expense                       | 14,836                | 5,966     | 20,802     |  |

### 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, 2024, were as follows:

| Primary Government<br>Encumbrances<br>As of June 30, 2024<br>(In Thousands) |                     |
|-----------------------------------------------------------------------------|---------------------|
| Description                                                                 | Amount              |
| General Fund                                                                | \$ 1,551,580        |
| Nonmajor Governmental Funds                                                 | 3,612,250           |
| Total Encumbrances                                                          | <u>\$ 5,163,830</u> |

##### Enterprise Fund - Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of \$187,866,000 for construction and renovation of college and university facilities and replacement of legacy ERP system as of June 30, 2024.

#### Component Units

As of June 30, 2024, the Housing Finance Agency had committed approximately \$1,184,553,000 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, 2023, unpaid commitments for Metro Transit Bus services were approximately \$429,807,000. Future commitments for Metro Transit Light Rail were approximately \$419,722,000, while future commitments for Metro Transit Commuter Rail were approximately \$5,889,000. Future commitments for Regional Transit and Environmental Services were approximately \$49,568,000 and \$233,137,000, respectively. Finally, amounts authorized and initiated in the calendar year 2023 budget but not completely expended in calendar year 2023 were \$4,579,000.

The University of Minnesota had construction projects in progress with an estimated completion cost of \$327,059,000 as of June 30, 2024. These costs will be funded from plant account assets and state appropriations.

As of June 30, 2024, the Public Facilities Authority (PFA) had committed approximately \$173,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed \$129,000,000 for grants.

# **Note 11 – Long-Term Liabilities - Primary Government**

## **Primary Government Long-Term Liabilities Year Ended June 30, 2024 (In Thousands)**

| Liability Type                               | Beginning Balances   | Increases           | Decreases           | Ending Balances      | Amounts Due Within One Year |
|----------------------------------------------|----------------------|---------------------|---------------------|----------------------|-----------------------------|
| <b>Governmental Activities:</b>              |                      |                     |                     |                      |                             |
| General Obligation Bonds                     | \$ 7,211,161         | \$ 1,124,868        | \$ 1,338,717        | \$ 6,997,312         | \$ 580,339                  |
| Revenue Bonds                                | 23,885               | 41,976              | 1,760               | 64,101               | 2,745                       |
| State Appropriation Bonds                    | 449,028              | 26,080              | 46,839              | 428,269              | 46,575                      |
| Loans                                        | 61,713               | 74,527              | 22,861              | 113,379              | 22,297                      |
| Due to Component Units                       | 1,936                | —                   | 302                 | 1,634                | 311                         |
| Leases <sup>(1) (3)</sup>                    | 318,804              | 35,421              | 89,206              | 265,019              | 64,912                      |
| IT Subscription Payables <sup>(2)</sup>      | 78,426               | 42,643              | 56,339              | 64,730               | 25,236                      |
| Certificates of Participation                | 70,345               | 478,854             | 3,758               | 545,441              | 16,335                      |
| Claims                                       | 921,714              | 1,236,771           | 1,221,356           | 937,129              | 199,564                     |
| Compensated Absences <sup>(3)</sup>          | 419,773              | 467,188             | 420,949             | 466,012              | 62,877                      |
| Other Postemployment Benefits                | 639,699              | 69,143              | 36,566              | 672,276              | 41,560                      |
| Net Pension Liability                        | 3,401,286            | 40,188              | 846,478             | 2,594,996            | —                           |
| <b>Total</b>                                 | <b>\$ 13,597,770</b> | <b>\$ 3,637,659</b> | <b>\$ 4,085,131</b> | <b>\$ 13,150,298</b> | <b>\$ 1,062,751</b>         |
| <b>Business-type Activities:</b>             |                      |                     |                     |                      |                             |
| General Obligation Bonds                     | \$ 166,577           | \$ 6,800            | \$ 22,572           | \$ 150,805           | \$ 17,371                   |
| Revenue Bonds                                | 188,542              | —                   | 15,489              | 173,053              | 15,590                      |
| Loans                                        | 22,855               | —                   | 1,126               | 21,729               | 1,202                       |
| Leases <sup>(1) (3)</sup>                    | 38,763               | 21,664              | 17,824              | 42,603               | 10,467                      |
| IT Subscription Payables <sup>(2)</sup>      | 36,260               | 6,510               | 12,563              | 30,207               | 11,339                      |
| Claims                                       | 24,217               | 235,292             | 234,101             | 25,408               | 23,792                      |
| Compensated Absences <sup>(3)</sup>          | 165,641              | 40,040              | 32,680              | 173,001              | 21,558                      |
| Other Postemployment Benefits <sup>(3)</sup> | 91,843               | 27,894              | 5,785               | 113,952              | 6,992                       |
| Net Pension Liability <sup>(3)</sup>         | 418,427              | 41,204              | 88,308              | 371,323              | —                           |
| <b>Total</b>                                 | <b>\$ 1,153,125</b>  | <b>\$ 379,404</b>   | <b>\$ 430,448</b>   | <b>\$ 1,102,081</b>  | <b>\$ 108,311</b>           |

- <sup>(1)</sup> The increase and decrease columns for leases include remeasurement activity. For fiscal year 2024, increases in remeasurements for governmental and internal service funds totaled \$14,290 and \$214, respectively. For fiscal year 2024, decreases in remeasurements for governmental activities totaled \$9,083.
- <sup>(2)</sup> The increase and decrease columns for IT Subscription Payables include remeasurement activity. For fiscal year 2024, increases in remeasurements for governmental funds totaled \$7,758. For fiscal year 2024, decreases in remeasurements for governmental activities and internal service funds totaled \$14,866 and \$189, respectively and \$590 for Business-type Activities.
- <sup>(3)</sup> Leases, Compensated Absences, Other Postemployment Benefits and Net Pension Liability were restated in both the governmental activities and business-type by \$6,499, \$874, \$1,121, and \$2,818 as a result of the change in reporting entity. See Note 20 – Change in Reporting Entity and Change in Accounting Principle for further detail.

## **Primary Government Resources for Repayment of Long-Term Liabilities Year Ended June 30, 2024 (In Thousands)**

| Liability Type                | Governmental Activities |                       |                        |                          | Total                |
|-------------------------------|-------------------------|-----------------------|------------------------|--------------------------|----------------------|
|                               | General Fund            | Special Revenue Funds | Internal Service Funds | Business-type Activities |                      |
| General Obligation Bonds      | \$ 4,679,677            | \$ 2,317,635          | \$ —                   | \$ 150,805               | \$ 7,148,117         |
| Revenue Bonds                 | 42,734                  | 21,367                | —                      | 173,053                  | 237,154              |
| State Appropriation Bonds     | 428,269                 | —                     | —                      | —                        | 428,269              |
| Loans                         | 46,708                  | 2,587                 | 64,084                 | 21,729                   | 135,108              |
| Due to Component Units        | —                       | 1,634                 | —                      | —                        | 1,634                |
| Leases                        | 146,643                 | 99,878                | 18,498                 | 42,603                   | 307,622              |
| IT Subscription Payables      | 38,107                  | 5,236                 | 21,387                 | 30,207                   | 94,937               |
| Certificates of Participation | 545,441                 | —                     | —                      | —                        | 545,441              |
| Claims                        | 211,320                 | 614,604               | 111,205                | 25,408                   | 962,537              |
| Compensated Absences          | 270,136                 | 178,118               | 17,758                 | 173,001                  | 639,013              |
| Other Postemployment Benefits | 663,167                 | —                     | 9,109                  | 113,952                  | 786,228              |
| Net Pension Liability         | 2,567,822               | —                     | 27,174                 | 371,323                  | 2,966,319            |
| <b>Total</b>                  | <b>\$ 9,640,024</b>     | <b>\$ 3,241,059</b>   | <b>\$ 269,215</b>      | <b>\$ 1,102,081</b>      | <b>\$ 14,252,379</b> |

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, state appropriation bonds, loans, due to component units, leases, IT subscription payables, 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            |
| 2025               | \$ 580,339              | \$ 249,968          | \$ 17,371                | \$ 6,017         | \$ 597,710          | \$ 255,985          |
| 2026               | 548,216                 | 224,683             | 16,754                   | 5,172            | 564,970             | 229,855             |
| 2027               | 513,780                 | 200,953             | 14,910                   | 4,453            | 528,690             | 205,406             |
| 2028               | 505,205                 | 178,274             | 13,460                   | 3,808            | 518,665             | 182,082             |
| 2029               | 488,113                 | 156,849             | 11,437                   | 3,242            | 499,550             | 160,091             |
| 2030-2034          | 1,974,747               | 512,196             | 41,963                   | 10,162           | 2,016,710           | 522,358             |
| 2035-2039          | 1,098,110               | 183,626             | 19,155                   | 3,052            | 1,117,265           | 186,678             |
| 2040-2044          | 402,880                 | 28,535              | 4,455                    | 351              | 407,335             | 28,886              |
| <b>Total</b>       | <b>\$ 6,111,390</b>     | <b>\$ 1,735,084</b> | <b>\$ 139,505</b>        | <b>\$ 36,257</b> | <b>\$ 6,250,895</b> | <b>\$ 1,771,341</b> |
| Bond Premium       | 885,922                 | —                   | 11,300                   | —                | 897,222             | —                   |
| <b>Total</b>       | <b>\$ 6,997,312</b>     | <b>\$ 1,735,084</b> | <b>\$ 150,805</b>        | <b>\$ 36,257</b> | <b>\$ 7,148,117</b> | <b>\$ 1,771,341</b> |

**Primary Government  
Revenue Bonds  
Principal and Interest Payments  
(In Thousands)**

| Year Ended<br>June 30 | Governmental Activities |                  | Business-type Activities |                  | Total             |                  |
|-----------------------|-------------------------|------------------|--------------------------|------------------|-------------------|------------------|
|                       | Principal               | Interest         | Principal                | Interest         | Principal         | Interest         |
| 2025                  | \$ 2,745                | \$ 2,682         | \$ 15,590                | \$ 6,190         | \$ 18,335         | \$ 8,872         |
| 2026                  | 3,125                   | 2,569            | 19,260                   | 5,422            | 22,385            | 7,991            |
| 2027                  | 3,245                   | 2,440            | 19,180                   | 4,565            | 22,425            | 7,005            |
| 2028                  | 3,380                   | 2,303            | 17,395                   | 3,757            | 20,775            | 6,060            |
| 2029                  | 3,525                   | 2,154            | 18,200                   | 2,989            | 21,725            | 5,143            |
| 2030-2034             | 20,115                  | 8,205            | 60,080                   | 6,164            | 80,195            | 14,369           |
| 2035-2039             | 10,250                  | 4,600            | 8,305                    | 401              | 18,555            | 5,001            |
| 2040-2044             | 13,080                  | 1,698            | —                        | —                | 13,080            | 1,698            |
| Total                 | \$ 59,465               | \$ 26,651        | \$ 158,010               | \$ 29,488        | \$ 217,475        | \$ 56,139        |
| Bond Premium          | 4,636                   | —                | 15,043                   | —                | 19,679            | —                |
| Total                 | <u>\$ 64,101</u>        | <u>\$ 26,651</u> | <u>\$ 173,053</u>        | <u>\$ 29,488</u> | <u>\$ 237,154</u> | <u>\$ 56,139</u> |

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

| Year Ended June 30 | Governmental Activities |                  |
|--------------------|-------------------------|------------------|
|                    | Principal               | Interest         |
| 2025               | \$ 46,575               | \$ 17,739        |
| 2026               | 48,910                  | 15,560           |
| 2027               | 52,415                  | 13,269           |
| 2028               | 55,360                  | 10,806           |
| 2029               | 58,490                  | 8,210            |
| 2030-2034          | 85,305                  | 16,225           |
| 2035-2039          | 40,820                  | 7,685            |
| 2040-2044          | 21,660                  | 1,208            |
| Total              | \$ 409,535              | \$ 90,702        |
| Bond Premium       | 18,734                  | —                |
| Total              | <u>\$ 428,269</u>       | <u>\$ 90,702</u> |

**Primary Government  
Loans Payable and Due to Component Units  
Principal and Interest Payments  
(In Thousands)**

| Year Ended<br>June 30 | Governmental Activities |                  | Business-type Activities |                 | Total             |                  |
|-----------------------|-------------------------|------------------|--------------------------|-----------------|-------------------|------------------|
|                       | Principal               | Interest         | Principal                | Interest        | Principal         | Interest         |
| 2025                  | \$ 22,608               | \$ 3,221         | \$ 1,202                 | \$ 478          | \$ 23,810         | \$ 3,699         |
| 2026                  | 19,353                  | 2,506            | 1,283                    | 447             | 20,636            | 2,953            |
| 2027                  | 14,185                  | 1,829            | 1,288                    | 413             | 15,473            | 2,242            |
| 2028                  | 10,006                  | 1,307            | 1,287                    | 384             | 11,293            | 1,691            |
| 2029                  | 5,032                   | 959              | 1,377                    | 355             | 6,409             | 1,314            |
| 2030-2034             | 6,865                   | 3,873            | 7,493                    | 1,291           | 14,358            | 5,164            |
| 2035-2039             | 7,405                   | 3,100            | 6,264                    | 496             | 13,669            | 3,596            |
| 2040-2044             | 6,816                   | 2,411            | 1,535                    | 31              | 8,351             | 2,442            |
| 2045-2049             | 7,466                   | 1,753            | —                        | —               | 7,466             | 1,753            |
| 2050-2054             | 8,178                   | 1,036            | —                        | —               | 8,178             | 1,036            |
| 2055-2059             | 7,099                   | 268              | —                        | —               | 7,099             | 268              |
| Total                 | <u>\$ 115,013</u>       | <u>\$ 22,263</u> | <u>\$ 21,729</u>         | <u>\$ 3,895</u> | <u>\$ 136,742</u> | <u>\$ 26,158</u> |

**Primary Government  
Leases  
Principal and Interest Payments  
(In Thousands)**

| Year Ended<br>June 30 | Governmental Activities |                  | Business-type Activities |                 | Total             |                  |
|-----------------------|-------------------------|------------------|--------------------------|-----------------|-------------------|------------------|
|                       | Principal               | Interest         | Principal                | Interest        | Principal         | Interest         |
| 2025                  | \$ 64,912               | \$ 6,656         | \$ 10,467                | \$ 1,625        | \$ 75,379         | \$ 8,281         |
| 2026                  | 54,516                  | 5,022            | 7,515                    | 1,512           | 62,031            | 6,534            |
| 2027                  | 38,838                  | 3,991            | 6,215                    | 1,502           | 45,053            | 5,493            |
| 2028                  | 32,944                  | 3,057            | 3,943                    | 978             | 36,887            | 4,035            |
| 2029                  | 19,952                  | 2,093            | 2,951                    | 733             | 22,903            | 2,826            |
| 2030-2034             | 50,680                  | 3,919            | 10,200                   | 1,896           | 60,880            | 5,815            |
| 2035-2039             | 2,412                   | 35               | 934                      | 118             | 3,346             | 153              |
| 2040-2044             | 765                     | 3                | 136                      | 144             | 901               | 147              |
| 2045-2049             | —                       | —                | 122                      | 176             | 122               | 176              |
| 2050-2054             | —                       | —                | 109                      | 208             | 109               | 208              |
| 2055-2059             | —                       | —                | 11                       | 23              | 11                | 23               |
| Total                 | <u>\$ 265,019</u>       | <u>\$ 24,776</u> | <u>\$ 42,603</u>         | <u>\$ 8,915</u> | <u>\$ 307,622</u> | <u>\$ 33,691</u> |

**Primary Government  
IT Subscription Payables  
Principal and Interest Payments  
(In Thousands)**

| Year Ended<br>June 30 | Governmental Activities |                 | Business-type Activities |                 | Total            |                 |
|-----------------------|-------------------------|-----------------|--------------------------|-----------------|------------------|-----------------|
|                       | Principal               | Interest        | Principal                | Interest        | Principal        | Interest        |
| 2025                  | \$ 25,236               | \$ 2,518        | \$ 11,339                | \$ 998          | \$ 36,575        | \$ 3,516        |
| 2026                  | 18,418                  | 1,312           | 8,306                    | 813             | 26,724           | 2,125           |
| 2027                  | 12,526                  | 681             | 5,118                    | 686             | 17,644           | 1,367           |
| 2028                  | 6,470                   | 253             | 2,509                    | 418             | 8,979            | 671             |
| 2029                  | 1,896                   | 54              | 1,547                    | 266             | 3,443            | 320             |
| 2030-2034             | 184                     | 14              | 1,388                    | 318             | 1,572            | 332             |
| Total                 | <u>\$ 64,730</u>        | <u>\$ 4,832</u> | <u>\$ 30,207</u>         | <u>\$ 3,499</u> | <u>\$ 94,937</u> | <u>\$ 8,331</u> |

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

| Year Ended June 30                       | Governmental Activities |                   |
|------------------------------------------|-------------------------|-------------------|
|                                          | Principal               | Interest          |
| 2025                                     | \$ 16,335               | \$ 25,374         |
| 2026                                     | 17,170                  | 24,542            |
| 2027                                     | 18,045                  | 23,665            |
| 2028                                     | 18,970                  | 22,743            |
| 2029                                     | 19,935                  | 21,774            |
| 2030-2034                                | 116,030                 | 92,520            |
| 2035-2039                                | 148,845                 | 59,708            |
| 2040-2044                                | 158,940                 | 20,662            |
| Total                                    | <u>\$ 514,270</u>       | <u>\$ 290,988</u> |
| Premium on Certificates of Participation | 31,171                  | —                 |
| Total                                    | <u>\$ 545,441</u>       | <u>\$ 290,988</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 payments 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 2024, 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, 2024  
(In Thousands)**

| Fund Type                                     | Amount            |
|-----------------------------------------------|-------------------|
| General Fund                                  | \$ 580,157        |
| Special Revenue Funds:                        |                   |
| Trunk Highway Fund                            | \$ 229,906        |
| Miscellaneous Special Revenue Fund            | 1,181             |
| Total Special Revenue Funds                   | <u>\$ 231,087</u> |
| Capital Project Funds:                        |                   |
| Building Fund                                 | \$ 511            |
| Transportation Fund                           | 79                |
| Total Capital Project Funds                   | <u>\$ 590</u>     |
| Internal Service Fund – Plant Management Fund | <u>\$ 5,787</u>   |
| Total Transfers to Debt Service Fund          | <u>\$ 817,621</u> |

## General Obligation Bond Issues

In August 2023, the state issued \$1,024,055,000 general obligation bonds, Series 2023A through Series 2023E:

- Series 2023A for \$160,725,000 in state various purpose bonds were issued at a true interest rate of 3.43 percent.
- Series 2023B for \$264,000,000 in state trunk highway bonds were issued at a true interest rate of 3.42 percent.
- Series 2023C for \$14,865,000 in taxable state various purpose bonds were issued at a true interest rate of 4.62 percent.
- Series 2023D for \$329,145,000 in state various purpose refunding bonds were issued at a true interest rate of 2.80 percent. The aggregate debt service payments decreased by \$16,648,000 and the economic gain (the present value of the debt service savings) for the state was \$20,016,000.
- Series 2023E for \$255,320,000 in state trunk highway refunding bonds were issued at a true interest rate of 2.75 percent. The aggregate debt service payments increased by \$16,387,000 and the economic gain (the present value of the debt service savings) for the state was \$12,864,000.

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, 2024 (In Thousands)

| Refunding Date   | Original Refunding Amount | Refunded Amount | Outstanding Amount | Refunded Bond Call/Maturity Date |
|------------------|---------------------------|-----------------|--------------------|----------------------------------|
| November 2, 2022 | N/A                       | \$ 10           | \$ 10              | August 1, 2024                   |
| March 14, 2024   | N/A                       | 10              | 10                 | August 1, 2025                   |
| March 14, 2024   | N/A                       | 20              | 20                 | August 1, 2025                   |
| March 14, 2024   | N/A                       | 40              | 40                 | August 1, 2025                   |
| March 14, 2024   | N/A                       | 5               | 5                  | August 1, 2025                   |
| March 14, 2024   | N/A                       | 10              | 10                 | August 1, 2025                   |
| Total            | \$ —                      | \$ 95           | \$ 95              |                                  |

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2024. 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, 2024 (In Thousands)

| Purpose                         | Authorized But Unissued | Amount Outstanding  | Interest Rates for Outstanding |
|---------------------------------|-------------------------|---------------------|--------------------------------|
| Maximum Effort School Loan      | \$ —                    | \$ 8,986            | 5.00%                          |
| Rural Finance Authority         | 45,550                  | 90,067              | 1.35-5.00%                     |
| State Transportation            | 366,037                 | 321,677             | 4.00-5.00%                     |
| Trunk Highway                   | 1,586,505               | 1,753,105           | 1.50-5.00%                     |
| Trunk Highway Refunding Bonds   | —                       | 564,530             | 0.40-5.00%                     |
| Various Purpose                 | 1,842,218               | 2,334,640           | 1.35-5.00%                     |
| Various Purpose Refunding Bonds | —                       | 1,177,890           | 0.47-5.00%                     |
| Total                           | <u>\$ 3,840,310</u>     | <u>\$ 6,250,895</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. In October 2022, the state issued \$338.3 million of state General Fund appropriation refunding bonds Series 2022A at a true interest rate of 3.27 percent. This issuance refunded State General Fund Appropriation Refunding Bonds Tax Exempt Series 2012B.

Minnesota Statutes 16A.967 as amended by the Laws of Minnesota Special Session 2017, Chapter 8, Article 2, Section 2, authorizes the state to issue state General Fund appropriation bonds not to exceed \$22,500,000 for financing land acquisition, design, engineering, and construction of facilities and infrastructure necessary to complete the next phase of the Lewis and Clark Regional Water System project, including completion of the pipeline to Magnolia, extension of the project to the Lincoln-Pipestone Rural Water System connection near Adrian, and engineering, design, and easement acquisition for the final phase of the project to Worthington. No bonds shall be sold until the commissioner of Minnesota Management and Budget determines that a nonstate match of at least \$9,000,000 is committed to this project phase. Grant agreements entered into under this section must provide for reimbursement to the state from any federal money provided for the project, consistent with the Lewis and Clark Regional Water System Incorporated Agreement. The nonstate match was met and in fiscal year 2017, state General Fund appropriation bonds of \$11,790,000 were issued. In fiscal year 2018, state General Fund appropriation bonds of \$7,570,000 were issued.

Minnesota Statutes 469.53 authorizes projects eligible for state appropriation support payments, upon approval by the city of Duluth. Eligible projects include: (1) two levels of expansion to an existing medical district parking ramp and a skywalk replacement; (2) a ramp with up to 1,400 new parking stalls to serve

the medical entity west; (3) extension of 6th Avenue East; (4) demolition of existing hospital structure; (5) roadway, utility, and site improvements and capacity upgrades to support medical entity west; (6) district energy connections; and (7) a ramp for up to 400 new parking stalls to serve the medical entity east. Minnesota Statutes 469.54 authorizes the city of Duluth, in lieu of directly receiving the appropriation support payments, to have the state issue state General Fund appropriation bonds. Minnesota Statutes 16A.968, as amended by Laws of Minnesota Regular Session 2020, Chapter 83, Article 1, Section 3, authorizes the state to issue state General Fund appropriation bonds not to exceed \$97,720,000 for the purpose of financing public infrastructure projects authorized and approved by the city of Duluth. In the event the state issues state General Fund appropriation bonds for these purposes, the amount of appropriation support payments in any year is reduced by an amount equal to the amount needed from the General Fund. Up to \$8,100,000 is appropriated from the General Fund each year beginning in fiscal year 2022 through fiscal year 2055 to pay debt service on the bonds, subject to Minnesota Statutes 469.54, subdivision 3 which allows a maximum appropriation support payment of \$3.7 million in fiscal year 2022. Debt service on these bonds is paid from a statutory General Fund appropriation that may be repealed, canceled, or unallotted. On November 5, 2020, the state issued \$66,300,000 in Duluth Regional Exchange District state General Fund appropriation bonds at a true interest rate of 2.50 percent. In October 2021, the state issued \$6,920,000 in Duluth Regional Exchange District state General Fund appropriation bonds at a true interest rate of 2.36 percent. In November 2023, the state issued \$26,080,000 in Duluth Regional Exchange District state General Fund appropriation bonds at a true interest rate of 5.91 percent.

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

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

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

The following table is a schedule of state appropriation bonds authorized, but unissued, and bonds outstanding as of June 30, 2024.

**Primary Government**  
**State Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding**  
**As of June 30, 2024**  
**(In Thousands)**

| Purpose                                                  | Amount Outstanding <sup>(1)</sup> | Interest Rates |
|----------------------------------------------------------|-----------------------------------|----------------|
| Refund Tobacco Securitization Authority                  | \$ 263,385                        | 5.00-5.00%     |
| Lewis and Clark Regional Water System <sup>(2)</sup>     | 12,720                            | 2.15-3.30%     |
| Duluth Regional Exchange District<br>Appropriation Bonds | 92,925                            | 1.55-7.00%     |
| Electric Vehicle Infrastructure                          | 1,545                             | 2.10-3.00%     |
| Public Television Equipment                              | 11,565                            | 2.10-3.00%     |
| Environmental Response PCA Superfund                     | 27,395                            | 2.10-3.00%     |
| Total                                                    | <u>\$ 409,535</u>                 |                |

<sup>(1)</sup> There were no state appropriation bonds authorized but unissued as of June 30, 2024.

<sup>(2)</sup> In January 2022, the remaining Authorized But Unissued amount for the Lewis and Clark Regional Water System was cancelled as required by Minnesota Statutes 16A.642.

**Loans Payable and Due to Component Unit**

Governmental activities loans and due to component units are loans/due to component units for transportation projects, energy efficiency improvements, and equipment purchase loans. The capital assets purchased for energy efficiency improvements and equipment purchases are pledged as collateral on the loans incurred to finance the purchase. On June 30, 2024, the state has an unused line of credit of \$73,066,833 to finance additional equipment purchases.

Business-type activities loans include loans 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.

**Lease / IT Subscription Payables**

The state implemented GASB Statement No. 87 "Leases" in fiscal year 2022, and GASB Statement No. 96 "Subscription-Based Information Technology Arrangements (SBITA)" in fiscal year 2023. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use leased asset. Similarly, under GASB Statement No. 96, a subscription liability (identified as IT Subscription Payables below) and an intangible right-to-use subscription asset are recognized for applicable SBITA contracts.

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

The governmental activities buildings, structures and improvement remaining lease terms are fixed payments ranging from one to 17 years. Two building lease agreements contain bargain purchase options. They are the Elmer L. Andersen and Orville L. Freeman Office buildings (Andersen and Freeman). When the final lease payment has been made in fiscal year 2026 for the Andersen and Freeman buildings, the titles will transfer to the state for minimal amounts.

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

The business-type activities buildings, structures, and improvement lease terms are fixed payments ranging from one to 31 years. The business-type activities lease agreements for equipment range from one to five years.

The governmental activities and business-type activities IT subscription payables consists of arrangements with vendors for the right-to-use IT software. The remaining IT subscription payables have fixed payments ranging from one to eight years for governmental activities and one to six years for business-type activities.

For further information on leases and IT subscription payables, see Note 4 – Loans, Notes, and Leases Receivable and Note 6 – Capital Assets, including Right-to-Use Assets.

#### **Certificates of Participation**

In August 2014, the state issued \$80,100,000 of certificates of participation (COPs) at a true interest rate of 3.70 percent to finance the predesign, design, and construction and equipping of offices, hearing rooms, and parking facilities for a legislative office facility as authorized by Laws of Minnesota Regular Session 2013, Chapter 143, Article 12, Section 21.

In November 2023, the state issued \$454,175,000 of certificates of participation (COPs) Series 2023 at a true interest rate of 4.39 percent. The certificates are being issued for the purpose of providing financing for the design, renovation, expansion and equipping of a state office building serving the House of Representatives. The certificates were issued pursuant to Minnesota Statutes Section 16B.2406.

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 December 2023, the Iron Range Resources and Rehabilitation issued \$37,395,000 of education facilities revenue bonds at a true interest rate of 3.63 percent. The bonds were issued pursuant to Minnesota Session Laws 2023, Chapter 64, Article 6, Section 13 (the "Authorizing Statute"), Minnesota Statutes, Sections 298.22 through 298.297 as amended. The proceeds of the Series 2023A Bonds will be used to make grants to certain school districts located in the taconite assistance area as defined in Section

273.1341 of the Act, to be used by the school districts to pay for building projects, such as energy efficiency, technology, infrastructure, health, safety and maintenance improvements. The interest rate for the bonds is 5.0 percent over a 20-year term.

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 \$5,027,000 for fiscal year 2024, 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 2024, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was \$3,189,000. The total principal and interest remaining to be paid as of June 30, 2024, is \$86,116,000 payable through October 2043.

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 2.50 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 22 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$186,977,000. Principal and interest paid for the current year and total customer net revenues were \$19,972,000 and \$110,760,000, 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 2026. 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 30 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$521,000. Principal and interest paid and total customer net revenues during fiscal year 2024 were \$176,000 and \$507,000, respectively. These revenue bonds have a variable interest rate of 3.40 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 \$420,944,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. There are currently 112 landfills in the program and two more landfills that are qualified, but not yet enrolled. One of the qualified sites, Freeway Landfill, has a liability of \$165,905,000; approximately 39 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, monitoring, and site operation and maintenance. 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. The closed landfill investment account, established under Minnesota Statutes 115B.421, within the Environmental and Remediation Fund was created to address a portion of these required long-term postclosure costs through minimal withdrawals from a fund managed through the State Board of Investment to ensure long-term availability of resources and may be spent after fiscal year 2020. The Metropolitan Landfill Contingency Action Account is an account in the Environmental and Remediation Fund consisting of revenues from 25 percent of the metropolitan solid waste landfill fee, cost recovery of response actions expenses, and interest earned on investment of money in the account. The account appropriated for closure and post-closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a 30-year period after closure if determined that the operator/owner cannot take the necessary actions as directed by the commissioner of the Minnesota Pollution Control Agency. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, are now a significant source of funding for design and construction work at the publicly-owned landfills in the program.

The state of Minnesota is financially responsible to remediate certain known pollution present on either state-owned or non-state-owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2024 were \$189,656,000. Of this total, \$139,337,000 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 2024, the Petroleum Tank Cleanup Fund has approved \$490,900,000 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.

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 Statutes 115B.17. These appropriations bonds will be used to address risks to human health and environment at four Superfund sites.

The governmental activities' and business-type activities' liability for workers' compensation of \$78,224,000 and \$4,144,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2024 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 \$108,500,000 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 2045 for second injuries.

The remaining claims represent \$15,294,000 in the Risk Management Fund (internal service fund), \$95,911,000 in the Employee Insurance Fund (internal service fund), and \$21,264,000 in the Public Employees Insurance Fund (enterprise fund).

### Compensated Absences

The compensated absences liability for governmental activities and business-type activities of \$466,012,000 and \$173,001,000 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 2024, 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 Statutes 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 2024, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and General Employees Retirement Fund (GERF) was \$1,959,000. The total principal and interest remaining to be paid as of June 30, 2024 is \$1,040,000, 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     |
|--------------------|-----------------|--------------|
| 2025               | \$ 1,000        | \$ 40        |
| Bond Premium       | 24              | —            |
| Total              | <u>\$ 1,024</u> | <u>\$ 40</u> |

**Lease/IT Subscription Payables – Fiduciary Funds**

The State Employees Retirement Fund (SERF) has a lease payable for office equipment. The remaining payments on the lease end in fiscal year 2026. Additionally, SERF has an IT subscription payable for fraud prevention and authentication software. The remaining payments on the subscription payable end in fiscal year 2027. The lease/IT subscription payable as of June 30, 2024 is \$192,000. The detail supporting the lease liability of the fiduciary funds of the state can be found within each organization's financial statements and notes, as applicable.

**Note 12 – Long-Term Liabilities - Component Units**

**General Obligation and Revenue Bonds**

The Metropolitan Council (MC) issued general obligation bonds for parks, wastewater, and transit projects, backed by the full faith and credit and taxing powers of MC. MC had \$1,562,744,000 in general obligation bonds and direct borrowings outstanding on December 31, 2023, including unamortized discounts/premiums. During the year, \$4,580,000 of general obligation park bonds, \$50,600,000 of general obligation transit bonds, and \$89,765,000 of general obligation revenue wastewater bonds were issued.

MC's outstanding notes from direct borrowings of \$487,389,000 are Clean Water State Revolving Fund Loan agreements with the Public Facilities Authority (PFA) (component unit), which are evidenced by notes placed directly with PFA. These PFA 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, 2024, the principal amount of general obligation bonds and revenue bonds outstanding, including unamortized discounts/premiums, was \$1,441,507,000 and \$228,498,000, respectively. During the fiscal year 2024, U of M issued tax-exempt general obligation bonds Series 2024A, and 2024B for \$106,680,000 and \$43,825,000 respectively. Proceeds were used to refund the U of M's outstanding GO Bonds Series 2014B, and Series 2013A respectively, and certain costs of issuance.

**Component Units  
General Obligation Bonds  
Major Component Units  
(In Thousands)**

| Year Ended<br>December 31                                    | MC                  |                         | Year Ended<br>June 30                                        | U of M              |                   |
|--------------------------------------------------------------|---------------------|-------------------------|--------------------------------------------------------------|---------------------|-------------------|
|                                                              | Principal           | Interest <sup>(1)</sup> |                                                              | Principal           | Interest          |
| 2024                                                         | \$ 170,225          | \$ 42,910               | 2025                                                         | \$ 46,000           | \$ 55,162         |
| 2025                                                         | 147,157             | 36,050                  | 2026                                                         | 46,310              | 54,754            |
| 2026                                                         | 132,620             | 31,398                  | 2027                                                         | 48,445              | 52,693            |
| 2027                                                         | 122,185             | 27,138                  | 2028                                                         | 50,520              | 50,512            |
| 2028                                                         | 112,220             | 23,419                  | 2029                                                         | 52,745              | 48,214            |
| 2029-2033                                                    | 427,770             | 74,823                  | 2030-2034                                                    | 233,175             | 208,208           |
| 2034-2038                                                    | 243,933             | 26,849                  | 2035-2039                                                    | 195,665             | 160,351           |
| 2039-2043                                                    | 68,004              | 4,920                   | 2040-2044                                                    | 142,565             | 120,868           |
| 2044-2048                                                    | —                   | —                       | 2045-2049                                                    | 12,745              | 101,658           |
| 2049-2053                                                    | —                   | —                       | 2050-2054                                                    | 500,000             | 60,720            |
| Total                                                        | <u>\$ 1,424,114</u> | <u>\$ 267,507</u>       | Total                                                        | <u>\$ 1,328,170</u> | <u>\$ 913,140</u> |
| Unamortized<br>Discounts /<br>Premiums and<br>Issuance Costs | 138,630             | —                       | Unamortized<br>Discounts /<br>Premiums and<br>Issuance Costs | 113,337             | —                 |
| Total                                                        | <u>\$ 1,562,744</u> | <u>\$ 267,507</u>       | Total                                                        | <u>\$ 1,441,507</u> | <u>\$ 913,140</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, 2024 was \$4,891,211,000, including unamortized discounts/premiums. The agency uses special redemption provisions to retire certain bonds prior to their maturity from unexpended bond proceeds. Substantially all bonds are subject to optional redemption after various dates at an amount equal to all of the unpaid principal and interest. The amount of bonds approved by June 30, 2024 to exercise the mandatory pass-through and optional redemption was \$53,207,000, and is considered part of current Bonds and Notes Payable.

| Year Ended<br>June 30                                 | <b>Component Units<br/>Revenue Bonds<br/>Major Component Units<br/>(In Thousands)</b> |                     |                   |                         |
|-------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------|-------------------|-------------------------|
|                                                       | HFA                                                                                   |                     | U of M            |                         |
|                                                       | Principal                                                                             | Interest            | Principal         | Interest <sup>(1)</sup> |
| 2025                                                  | \$ 190,175                                                                            | \$ 125,741          | \$ 14,425         | \$ 6,864                |
| 2026                                                  | 80,470                                                                                | 184,091             | 15,050            | 6,233                   |
| 2027                                                  | 86,530                                                                                | 181,474             | 15,750            | 5,541                   |
| 2028                                                  | 80,330                                                                                | 178,699             | 16,475            | 4,812                   |
| 2029                                                  | 82,190                                                                                | 175,963             | 17,235            | 4,043                   |
| 2030-2034                                             | 510,885                                                                               | 828,201             | 90,670            | 11,898                  |
| 2035-2039                                             | 634,760                                                                               | 716,312             | 29,880            | 1,859                   |
| 2040-2044                                             | 750,442                                                                               | 577,930             | —                 | —                       |
| 2045-2049                                             | 1,214,192                                                                             | 389,030             | —                 | —                       |
| 2050-2054                                             | 1,204,765                                                                             | 117,304             | —                 | —                       |
| 2055-2059                                             | 12,705                                                                                | 994                 | —                 | —                       |
| 2060-2064                                             | 1,285                                                                                 | 372                 | —                 | —                       |
| 2065-2069                                             | 785                                                                                   | 59                  | —                 | —                       |
| Total                                                 | \$ 4,849,514                                                                          | \$ 3,476,170        | \$ 199,485        | \$ 41,250               |
| Unamortized Discount /<br>Premiums and Issuance Costs | 41,697                                                                                | —                   | 29,013            | —                       |
| Total                                                 | <u>\$ 4,891,211</u>                                                                   | <u>\$ 3,476,170</u> | <u>\$ 228,498</u> | <u>\$ 41,250</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, 2024, the outstanding principal of revenue bonds was \$311,894,000, including unamortized discounts/premiums.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes 446A.04 to issue revenue bonds to make loans to municipalities for wastewater treatment facilities, and drinking water systems. The amount outstanding on these bonds at any time shall not exceed \$2,000,000,000, according to Minnesota Statutes 446A.12. The principal amount of bonds outstanding on June 30, 2024 was \$705,982,000, including unamortized discounts/premiums.

| Year Ended<br>June 30                                 | <b>Component Units<br/>Revenue Bonds<br/>Nonmajor Component Units<br/>(In Thousands)</b> |                   |                   |                   |
|-------------------------------------------------------|------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
|                                                       | OHE                                                                                      |                   | PFA               |                   |
|                                                       | Principal                                                                                | Interest          | Principal         | Interest          |
| 2025                                                  | \$ 4,240                                                                                 | \$ 12,760         | \$ 60,700         | \$ 35,463         |
| 2026                                                  | 5,540                                                                                    | 12,548            | 61,020            | 28,463            |
| 2027                                                  | 5,305                                                                                    | 12,271            | 64,140            | 25,598            |
| 2028                                                  | 8,195                                                                                    | 11,953            | 59,075            | 22,391            |
| 2029                                                  | 9,725                                                                                    | 11,579            | 55,835            | 19,438            |
| 2030-2034                                             | 36,835                                                                                   | 53,030            | 245,995           | 57,434            |
| 2035-2039                                             | 28,540                                                                                   | 46,095            | 86,920            | 6,466             |
| 2040-2044                                             | 45,930                                                                                   | 42,470            | —                 | —                 |
| 2045-2049                                             | 166,700                                                                                  | 23,422            | —                 | —                 |
| Total                                                 | \$ 311,010                                                                               | \$ 226,128        | \$ 633,685        | \$ 195,253        |
| Unamortized Discount /<br>Premiums and Issuance Costs | 884                                                                                      | —                 | 72,297            | —                 |
| Total                                                 | <u>\$ 311,894</u>                                                                        | <u>\$ 226,128</u> | <u>\$ 705,982</u> | <u>\$ 195,253</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, 2024, \$493,277,000 in bonds were outstanding.

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

| Year Ended<br>June 30 | HFA               |                   |
|-----------------------|-------------------|-------------------|
|                       | Principal         | Interest          |
| 2025                  | \$ 18,055         | \$ 19,247         |
| 2026                  | 18,830            | 18,464            |
| 2027                  | 19,710            | 17,605            |
| 2028                  | 20,595            | 16,707            |
| 2029                  | 21,510            | 15,800            |
| 2030-2034             | 118,165           | 63,590            |
| 2035-2039             | 126,440           | 35,666            |
| 2040-2044             | 99,150            | 11,154            |
| 2045-2049             | 6,325             | 136               |
| Total                 | \$ 448,780        | \$ 198,369        |
| Bond Premium          | 44,497            | —                 |
| Total                 | <u>\$ 493,277</u> | <u>\$ 198,369</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, 2023. The terms of the loan agreements are 30 years, although they may be extended indefinitely if all the terms of the loan agreement are met.

In 2021, the Housing and Redevelopment Authority of Edina issued a loan to MC in the amount of \$2,000,000 of which \$1,933,000 was drawn down in prior years. In 2022, MC confirmed the completion of the project and the Housing and Redevelopment Authority of Edina closed out the loan for the total as shown above. The agreement terms are 25 years after the last advance, then the loan will be deemed fully forgiven as of the forgiveness date.

Additionally, MC issued \$481,375,000 of general obligation grant anticipation notes to provide cash flows for the Southwest Green Line light rail extension project in anticipation of receipt of federal funds that were awarded the project. The notes were issued as three, four, and eight year serial notes that are secured by the Federal Transit Administration grant award together with the full faith and unlimited taxing powers of MC. On December 31, 2023, the total outstanding general obligation grant anticipation notes was \$270,715,000.

**University of Minnesota**

The University of Minnesota (U of M) issued taxable commercial paper notes of \$80,000,000 in 2024. On June 30, 2024, the outstanding taxable commercial paper notes were \$132,432,000 and tax-exempt commercial notes were \$79,895,000. Commercial paper is short-term in nature and is classified as current liabilities on the financial statements.

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

**Housing Finance Agency**

On June 30, 2024, HFA had in place a revolving line of credit with the Federal Home Loan Bank of Des Moines, and Royal Bank of Canada with an outstanding balance of \$25,000,000 and 3,200,000 respectively. Draws against the line of credit are required to be collateralized with mortgage-backed securities.

**National Sports Center Foundation**

On December 31, 2023, the National Sports Center Foundation's total outstanding loans and notes payable was \$6,488,000.

**Lease/Subscription Payables**

The following tables are schedules of lease and IT subscription payables. The IT subscription payables table is a result of the implementation of GASB Statement No. 96, "Subscription-Based Information Technology Agreements." The detail supporting the lease/subscription payables of the discretely presented component units of the state can be found within the individual component units' financial statements and notes.

**Component Units  
Lease Payables  
(In Thousands)**

| Component Unit                             | Year Ended December 31 |                  | Year Ended June 30 |                   |
|--------------------------------------------|------------------------|------------------|--------------------|-------------------|
|                                            | Current                | Noncurrent       | Current            | Noncurrent        |
| Housing Finance Authority                  | \$ —                   | \$ —             | \$ 1,437           | \$ 3,490          |
| Metropolitan Council                       | 869                    | 11,024           | —                  | —                 |
| University of Minnesota                    | —                      | —                | 22,812             | 145,498           |
| Minnesota Comprehensive Health Association | 5                      | —                | —                  | —                 |
| Minnesota Sports Facility Authority        | —                      | —                | 401                | 5,784             |
| Public Facilities Authority                | —                      | —                | 64                 | 70                |
| Total Liability                            | <u>\$ 874</u>          | <u>\$ 11,024</u> | <u>\$ 24,714</u>   | <u>\$ 154,842</u> |

**Component Units  
IT Subscription Payables  
(In Thousands)**

| Component Unit                      | Year Ended December 31 |               | Year Ended June 30 |                  |
|-------------------------------------|------------------------|---------------|--------------------|------------------|
|                                     | Current                | Noncurrent    | Current            | Noncurrent       |
| Housing Finance Authority           | \$ —                   | \$ —          | \$ 424             | \$ 1,499         |
| Metropolitan Council                | 925                    | 490           | —                  | —                |
| University of Minnesota             | —                      | —             | 8,266              | 14,339           |
| Minnesota Sports Facility Authority | —                      | —             | 46                 | 46               |
| Total Liability                     | <u>\$ 925</u>          | <u>\$ 490</u> | <u>\$ 8,736</u>    | <u>\$ 15,884</u> |

## Variable Rate Debt

### Housing Finance Agency

As of June 30, 2024, all of the HFA interest rate swap agreements have been determined to be effective hedges, as defined by GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." The fair value was reported as an asset and a liability called "Instrument Rate Swap Agreements." The inception-to-date change in fair value as of June 30, 2024, was reported in deferred outflows or inflows of resources as "Accumulated Increase/Decrease in Fair Values of Derivative Instruments." Fair values were determined pursuant to GASB Statement No. 72 "Fair Value Measurement and Application," and the fair value hierarchy of interest rate swap agreements is determined to be Level 2. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

### Office of Higher Education

The rates on the tax-exempt Series 2012B-2 Bonds are variable rate. For the variable rate bonds, the rate is a monthly average of the daily Secured Overnight Financing Rate (SOFR) plus a set margin and the rate changes daily. The 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 \$28,430,000 as of June 30, 2024. 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, 2024.

## Certificates of Participation

### Metropolitan Council

On December 1, 2004, the Metropolitan Council (MC) entered into an annual appropriation purchase agreement for land and facilities. The agreement is subject to non-appropriation by MC, in which event the agreement is terminated and there is no obligation of MC for future payments. MC intends to continue the agreement through its entire term. These Certificates of Participation do not meet the criteria of GASB Statement No. 87, "Leases" as the underlying asset will transfer ownership to MC. On December 31, 2023, the outstanding principal was \$760,000.

## Note 13 – Segment Information

### Primary Government Segment Information Financial Data Year Ended June 30, 2024 (In Thousands)

| Description                                                                   | State Colleges and Universities (MnSCU) |                        |
|-------------------------------------------------------------------------------|-----------------------------------------|------------------------|
|                                                                               | Revenue Fund                            | Itasca Residence Halls |
| <b>Condensed Statement of Net Position</b>                                    |                                         |                        |
| Assets:                                                                       |                                         |                        |
| Current Assets                                                                | \$ 120,853                              | \$ 926                 |
| Noncurrent Assets                                                             |                                         |                        |
| Restricted Assets                                                             | 44,812                                  | 320                    |
| Leases Receivable                                                             | 867                                     | —                      |
| Capital Assets                                                                | 310,896                                 | 1,885                  |
| Total Assets                                                                  | \$ 477,428                              | \$ 3,131               |
| Deferred Outflows of Resources                                                | \$ 3,971                                | \$ 17                  |
| Liabilities:                                                                  |                                         |                        |
| Current Liabilities                                                           | \$ 30,090                               | \$ 175                 |
| Noncurrent Liabilities                                                        | 169,722                                 | 399                    |
| Total Liabilities                                                             | \$ 199,812                              | \$ 574                 |
| Deferred Inflows of Resources                                                 | \$ 4,292                                | \$ 10                  |
| Net Position:                                                                 |                                         |                        |
| Net Investment in Capital Assets                                              | \$ 153,498                              | \$ 1,385               |
| Restricted                                                                    | 123,797                                 | 320                    |
| Unrestricted                                                                  | —                                       | 859                    |
| Total Net Position                                                            | \$ 277,295                              | \$ 2,564               |
| <b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b> |                                         |                        |
| Operating Revenues - Customer Charges                                         | \$ 110,760                              | \$ 507                 |
| Depreciation Expense                                                          | (24,992)                                | (119)                  |
| Other Operating Expenses                                                      | (75,625)                                | (314)                  |
| Operating Income (Loss)                                                       | \$ 10,143                               | \$ 74                  |
| Nonoperating Revenues (Expenses):                                             |                                         |                        |
| Interest Income                                                               | \$ 7,770                                | \$ 15                  |
| Capital Contributions                                                         | 1,651                                   | —                      |
| Interest Expense                                                              | (4,749)                                 | (20)                   |
| Others                                                                        | 28                                      | (16)                   |
| Change in Net Position                                                        | \$ 14,843                               | \$ 53                  |
| Beginning Net Position                                                        | \$ 262,452                              | \$ 2,511               |
| Ending Net Position                                                           | \$ 277,295                              | \$ 2,564               |
| <b>Condensed Statement of Cash Flows</b>                                      |                                         |                        |
| Net Cash Provided (Used) by:                                                  |                                         |                        |
| Operating Activities                                                          | \$ 33,479                               | \$ 73                  |
| Noncapital Financing Activities                                               | 28                                      | —                      |
| Capital and Related Financing Activities                                      | (28,797)                                | (176)                  |
| Investing Activities                                                          | 7,679                                   | (16)                   |
| Net Increase (Decrease)                                                       | \$ 12,389                               | \$ (119)               |
| Beginning Cash and Cash Equivalents                                           | \$ 146,993                              | \$ 1,025               |
| Ending Cash and Cash Equivalents                                              | \$ 159,382                              | \$ 906                 |

The types of goods or services provided by each segment are as follows:

- MnSCU Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, parking, and wellness purposes.
- MnSCU Itasca Residence Halls account for the construction of student housing at Itasca Community College.

Each segment has a revenue stream pledged to secure revenue bonds and provisions in the bond documents which require the separate reporting of each segment's financial operation and position.

## **Note 14 – Contingent Liabilities**

### **University of Minnesota**

The University of Minnesota (U of M), a component unit, issued state-secured revenue bonds to finance a football stadium on campus. In fiscal year 2006, the Minnesota Legislature appropriated from the General Fund \$10,250,000 per year not to exceed 25 years starting in fiscal year 2008 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. As of August 2024, there was \$39,950,000 outstanding on these bonds.

U of M issued state-secured revenue bonds to finance Biomedical Science Research facilities. In fiscal year 2008, the Minnesota Legislature appropriated from the General Fund amounts, amended in 2020, ranging from \$850,000 to \$15,550,000 per year for fiscal year 2010 to 2020, and up to \$13,930,000 per year beginning fiscal year 2021 through fiscal year 2039 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. In September 2021, state-secured revenue bonds were issued to refund and/or defease outstanding state supported bonds. As of August 2024, \$104,035,000 was outstanding on these bonds.

### **Housing Finance Agency**

The Housing Finance Agency (HFA), a component unit, issued state-secured appropriation bonds to provide funds for rehabilitation, construction, and mortgage loans or to refund bonds to sponsors of residential housing for families of low and moderate income. In fiscal year 2008, the Minnesota Legislature appropriated from the General Fund up to \$2,400,000 per year for 22 years starting in fiscal year 2011 to pay a portion of the bonds. As of August 2024, there was \$15,910,000 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. Also in fiscal year 2021, with an effective date of January 2022, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2024 through 2045 an amount sufficient to pay debt service on bonds. In fiscal year 2024, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2027 through 2048 an amount sufficient to pay debt service on bonds. As of August 2024, \$416,490,000 was outstanding on these bonds. HFA issued state-secured appropriation bonds of \$12,960,000 in September 2024. For more information, see Note 21 – Subsequent Events.

### Minnesota Loan Guarantee Program

The Minnesota Loan Guarantee Program, authorized through Minnesota Statutes 116J.035, is a federally funded small business loan guarantee program. The program helps enrolled lenders mitigate risk so they can increase capital to small businesses located across Minnesota. Loans and lending decisions are made by enrolled lenders. No loans come directly from the State of Minnesota. Borrowers must be small businesses located in Minnesota and use the loan proceeds for an eligible business purpose in Minnesota. Eligible business purposes include startup costs, working capital, equipment, inventory, the purchase, construction, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purposes, and the purchase of any tangible or intangible assets except goodwill.

The program will guarantee 80% of the loan principal up to \$800,000. A lender may make a loan that is larger than \$1 million, but the program will cap the guaranteed amount at the program maximum. The guaranteed amount remains at 80% of the outstanding principal balance, not to exceed \$800,000, for the term of the guarantee. The term of the guarantee will be the lesser of the term of the loan or ten years. Lines of credit may be enrolled in the program and will be guaranteed for no more than three years, typically an initial one-year period plus up to two annual renewals. A fee of 0.25 percent of the guaranteed amount is charged for each enrolled loan. The fee is waived for loans to qualified socially and economically disadvantaged owned businesses and for loans with terms of less than one year.

Lenders must report defaults with their semi-annual reporting to the state. Lenders must manage the collection process in accordance with their policies and exhaust collection efforts prior to filing a guarantee claim. Guarantee claims must be submitted in writing to the state and should include collection activity details. If, at any time following the payment of a guaranty, additional repayment or recovery of proceeds is obtained by the lender, the funds are used to offset any remaining loss experienced by the lender. In the event that the lender has recovered the full non-guaranteed portion of the indebtedness, the funds will be used to reimburse the state.

The financial guarantees outstanding for the program, as of June 30th, 2024, were \$7.0 million, and the outstanding guarantees expire in Fiscal Year 2034. For fiscal year 2024, the state did not make any guarantee payments for the program, and as of June 30, 2024, no payments were pending. Qualitative factors and historical data were assessed, and the state determined that the state is not more likely than not to be required to make a payment for the program; therefore, the state has no liability as of June 30, 2024.

### 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 June 30, 2024, was \$19.8 billion. For fiscal year 2024, the state did not make any debt service payments for the School District Credit Enhancement Program, and as of June 30th, 2024, no payments were pending. Further, the state has not had to make any debt service payments on behalf of school districts or intermediate school districts in prior years.

### 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 June 30, 2024, the total amount of principal and interest guaranteed by the state through 2052, was \$1.1 billion. For fiscal year 2024, the state did not make any debt service payments for the City and County Credit Enhancement Program, and as of June 30, 2024, no payments were pending.

## Note 15 – Equity

### Restricted Net Position – Government-wide Statement of Net Position

The following table identifies the primary government's restricted net position in greater detail than is presented on the face of the financial statements:

| <b>Primary Government<br/>Restricted Net Position Balances<br/>As of June 30, 2024<br/>(In Thousands)</b> |                               |                                          |                        |                      |
|-----------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------------------|------------------------|----------------------|
| Purpose of Restriction                                                                                    | Restricted by<br>Constitution | Restricted by<br>Enabling<br>Legislation | Restricted by<br>Other | Total                |
| Improve Agricultural, Environmental, and Energy Resources                                                 | \$ 2,856,476                  | \$ 446,848                               | \$ 659,080             | \$ 3,962,404         |
| Enhance Arts and Culture                                                                                  | 56,357                        | —                                        | —                      | 56,357               |
| Acquire, Maintain, and Improve Land and Buildings                                                         | —                             | —                                        | 552                    | 552                  |
| Retire Indebtedness                                                                                       | 443,074                       | —                                        | 155,912                | 598,986              |
| Develop Economy and Workforce                                                                             | —                             | 387,208                                  | 14,175                 | 401,383              |
| Enhance E-12 Education                                                                                    | —                             | 15,844                                   | 9,614                  | 25,458               |
| Enhance State Government                                                                                  | —                             | 42,396                                   | 14,218                 | 56,614               |
| Enhance Health and Human Services                                                                         | —                             | 208,633                                  | 47,787                 | 256,420              |
| Enhance Higher Education                                                                                  | —                             | 542                                      | 23,165                 | 23,707               |
| Enhance 911 Services and Increase Safety                                                                  | —                             | 12,549                                   | 144,123                | 156,672              |
| School Aid - Expendable                                                                                   | 14,571                        | —                                        | —                      | 14,571               |
| School Aid - Nonexpendable                                                                                | 2,146,483                     | —                                        | 1,000                  | 2,147,483            |
| Construct Highways and Improve Infrastructure                                                             | 2,226,952                     | 94,029                                   | 1,627                  | 2,322,608            |
| Unemployment Benefits                                                                                     | —                             | —                                        | 1,349,082              | 1,349,082            |
| Other Purposes                                                                                            | —                             | —                                        | 113,500                | 113,500              |
| <b>Total Restricted Net Position</b>                                                                      | <b>\$ 7,743,913</b>           | <b>\$ 1,208,049</b>                      | <b>\$ 2,533,835</b>    | <b>\$ 11,485,797</b> |

### 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<br/>Fund Balances<br/>As of June 30, 2024<br/>(In Thousands)</b> |                     |                               |                                   |                     |
|----------------------------------------------------------------------------------------|---------------------|-------------------------------|-----------------------------------|---------------------|
|                                                                                        | General Fund        | Major Special<br>Revenue Fund | Nonmajor<br>Governmental<br>Funds | Total               |
| <b>Fund Balances</b>                                                                   |                     |                               |                                   |                     |
| Nonspendable:                                                                          |                     |                               |                                   |                     |
| Inventory                                                                              | \$ —                | \$ —                          | \$ 62,987                         | \$ 62,987           |
| Trust or Permanent Fund Principal                                                      | 1,914,056           | —                             | 2,147,483                         | 4,061,539           |
| <b>Total Nonspendable Fund Balances</b>                                                | <b>\$ 1,914,056</b> | <b>\$ —</b>                   | <b>\$ 2,210,470</b>               | <b>\$ 4,124,526</b> |
| <b>Purpose of Restriction:</b>                                                         |                     |                               |                                   |                     |
| Improve Agricultural, Environmental, and Energy Resources                              | \$ —                | \$ —                          | \$ 2,078,876                      | \$ 2,078,876        |
| Enhance Arts and Culture                                                               | —                   | —                             | 56,357                            | 56,357              |
| Acquire, Maintain, and Improve Land and Buildings                                      | —                   | —                             | 353,150                           | 353,150             |
| Retire Indebtedness                                                                    | —                   | —                             | 993,681                           | 993,681             |
| Develop Economy and Workforce                                                          | 137,243             | —                             | 346,344                           | 483,587             |
| Enhance E-12 Education                                                                 | 1,414               | 219                           | 37,474                            | 39,107              |
| Enhance State Government                                                               | —                   | 6,809                         | 48,050                            | 54,859              |
| Enhance Health and Human Services                                                      | —                   | 114                           | 125,620                           | 125,734             |
| Enhance Higher Education                                                               | —                   | —                             | 530                               | 530                 |
| Enhance 911 Services and Increase Safety                                               | —                   | —                             | 12,542                            | 12,542              |
| Construct Highways and Improve Infrastructure                                          | —                   | —                             | 2,310,746                         | 2,310,746           |
| <b>Total Restricted Fund Balances</b>                                                  | <b>\$ 138,657</b>   | <b>\$ 7,142</b>               | <b>\$ 6,363,370</b>               | <b>\$ 6,509,169</b> |

Continued

**Governmental Funds  
Fund Balances (continued)  
As of June 30, 2024  
(In Thousands)**

|                                                              |                      | Major Special<br>Revenue Fund | Nonmajor<br>Governmental<br>Funds | Total                |
|--------------------------------------------------------------|----------------------|-------------------------------|-----------------------------------|----------------------|
| Fund Balances                                                | General Fund         | Federal Fund                  |                                   |                      |
| Purpose of Commitment:                                       |                      |                               |                                   |                      |
| Improve Agricultural, Environmental<br>and Energy Resources  | \$ —                 | \$ —                          | \$ 349,058                        | \$ 349,058           |
| Develop Economy and Workforce                                | —                    | —                             | 424,118                           | 424,118              |
| Enhance E-12 Education                                       | —                    | —                             | 17,150                            | 17,150               |
| Enhance State Government                                     | —                    | —                             | 92,192                            | 92,192               |
| Enhance Health and Human Services                            | 3,853                | —                             | 47,421                            | 51,274               |
| Enhance Higher Education                                     | —                    | —                             | 1,874                             | 1,874                |
| Enhance 911 Services and Increase<br>Safety                  | —                    | —                             | 200,704                           | 200,704              |
| Construct Highways and Improve<br>Infrastructure             | 101,709              | —                             | 71,465                            | 173,174              |
| Total Committed Fund Balances                                | \$ 105,562           | \$ —                          | \$ 1,203,982                      | \$ 1,309,544         |
| Purpose of Assignment:                                       |                      |                               |                                   |                      |
| Improve Agricultural, Environmental,<br>and Energy Resources | \$ 1,301,162         | \$ —                          | \$ —                              | \$ 1,301,162         |
| Acquire, Maintain, and Improve Land<br>and Buildings         | —                    | —                             | 1,003,980                         | 1,003,980            |
| Develop Economy and Workforce                                | 618,685              | —                             | —                                 | 618,685              |
| Enhance E-12 Education                                       | 408,107              | —                             | —                                 | 408,107              |
| Enhance State Government                                     | 162,618              | —                             | —                                 | 162,618              |
| Enhance Health and Human Services                            | 1,679,924            | —                             | —                                 | 1,679,924            |
| Enhance Higher Education                                     | 36,528               | —                             | —                                 | 36,528               |
| Enhance 911 Services and Increase<br>Safety                  | 315,950              | —                             | —                                 | 315,950              |
| Construct Highways and Improve<br>Infrastructure             | 51,734               | —                             | —                                 | 51,734               |
| Total Assigned Fund Balances                                 | \$ 4,574,708         | \$ —                          | \$ 1,003,980                      | \$ 5,578,688         |
| Unassigned                                                   | \$ 10,123,497        | \$ —                          | \$ (62,100)                       | \$ 10,061,397        |
| Total Fund Balances                                          | <u>\$ 16,856,480</u> | <u>\$ 7,142</u>               | <u>\$ 10,719,702</u>              | <u>\$ 27,583,324</u> |

**Fund Balance or Net Position Deficits**

The following funds have fund balance or net position deficits for the fiscal year ended June 30, 2024:

**Fund Balance or Net Position Deficits  
As of June 30, 2024  
(In Thousands)**

| Fund Type                        | Fund Balance or<br>Net Position |
|----------------------------------|---------------------------------|
| Nonmajor Capital Projects Funds: |                                 |
| Transportation Fund              | \$ 62,100                       |
| Nonmajor Enterprise Funds:       |                                 |
| State Lottery                    | \$ 2,879                        |

A \$62,100,000 deficit total fund balance in the Transportation Fund (nonmajor capital projects fund) is a result of a delayed bond sale. The bond sale occurred after the end of the fiscal year.

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 fund noted in the table above to end fiscal year 2024 in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and the Minnesota Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due.

## Note 16 – Risk Management

### Primary Government

The state is exposed to various risks of loss related to torts, to theft of, damage to, or destruction of assets; to errors and omissions; and to employer obligations. The state manages these risks through the Risk Management Fund (internal service fund), a self-insurance fund, and other insurance and self-funding mechanisms. All health plans are self-insured.

#### Risk Management Fund

State agencies may elect to participate in the Risk Management Fund, which offers auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All agencies that own state vehicles are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a range of deductibles from \$1,000 through \$250,000 per loss. The fund covers the balance of the claim up to \$1,000,000 and co-participates with the reinsurance carriers by covering an additional 10 percent of the first \$25,000,000 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 10 percent of the first \$25,000,000 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 \$162,990 less than coverage during the fiscal year ended June 30, 2024.

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, 2024 was 17,078 members and their dependents. The members of the pool include 73 school districts, 122 cities/townships, 12 counties, and 72 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<br/>Self-Insured Claims Liability<br/>(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 6/30/2023                                                    | \$ 15,151                  | \$ 5,345                            | \$ 5,325          | \$ 15,171               |
| Fiscal Year Ended 6/30/2024                                                    | \$ 15,171                  | \$ 6,248                            | \$ 6,125          | \$ 15,294               |
| Tort Claims:                                                                   |                            |                                     |                   |                         |
| Fiscal Year Ended 6/30/2023                                                    | \$ —                       | \$ 74                               | \$ 74             | \$ —                    |
| Fiscal Year Ended 6/30/2024                                                    | \$ —                       | \$ 1,376                            | \$ 1,376          | \$ —                    |
| Workers' Compensation:                                                         |                            |                                     |                   |                         |
| Fiscal Year Ended 6/30/2023                                                    | \$ 83,235                  | \$ 31,578                           | \$ 28,215         | \$ 86,598               |
| Fiscal Year Ended 6/30/2024                                                    | \$ 86,598                  | \$ 21,598                           | \$ 25,828         | \$ 82,368               |
| State Employee Group Insurance:                                                |                            |                                     |                   |                         |
| Fiscal Year Ended 6/30/2023                                                    | \$ 91,201                  | \$ 1,022,043                        | \$ 1,027,093      | \$ 86,151               |
| Fiscal Year Ended 6/30/2024                                                    | \$ 86,151                  | \$ 1,136,059                        | \$ 1,126,299      | \$ 95,911               |

| <b>Primary Government<br/>Public Employees Insurance Program<br/>Medical Claims<br/>(In Thousands)</b> |                    |            |
|--------------------------------------------------------------------------------------------------------|--------------------|------------|
| Description                                                                                            | Year Ended June 30 |            |
|                                                                                                        | 2024               | 2023       |
| Unpaid Claims and Claim Adjustment Expenses, Beginning                                                 | \$ 19,448          | \$ 30,707  |
| Incurred Claims and Claim Adjustment Expenses:                                                         |                    |            |
| Provision for Insured Events of Current Year                                                           | \$ 223,628         | \$ 263,209 |
| Increases (Decreases) in Provision for Insured Events of Prior Years                                   | 9,627              | (2,090)    |
| Total Incurred Claims and Claim Adjustment Expenses                                                    | \$ 233,255         | \$ 261,119 |
| Payments:                                                                                              |                    |            |
| Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year                   | \$ 203,277         | \$ 244,684 |
| Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years                    | 28,162             | 27,694     |
| Total Payments                                                                                         | \$ 231,439         | \$ 272,378 |
| Total Unpaid Claims and Claim Adjustment Expenses, Ending                                              | \$ 21,264          | \$ 19,448  |

## 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; to employer obligations; and natural disasters. 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 either purchases general liability insurance or self-insures to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes 466.04 generally limits MC's tort exposure to \$500,000 per claim and \$1,500,000 per occurrence for a claim arising on or after July 1, 2009. For claims arising earlier, the limits are \$400,000 per claim and \$1,200,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using the 30-year Treasury yield. The self-insurance retention limit for workers' compensation is \$5,000,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

MC claims include workers' compensation claims and \$8,815,000 internal service fund claims.

### University of Minnesota

The University of Minnesota (U of M) is insured for professional, general, non-profit organization, and automobile liability and indemnified for property insurance deductible expenditures through RUMINCO, Ltd., a wholly-owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and estimates claim liabilities. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims using a discount rate of 4.71 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, student health plan, and medical residents and fellows plan, are also all 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<br>Claims Liability<br>(In Thousands) |                                     |                   |                         |  |
|--------------------------------------------------|-------------------------------------------------------|-------------------------------------|-------------------|-------------------------|--|
|                                                  | Beginning Claims Liability                            | Net Additions and Changes in Claims | Payment of Claims | Ending Claims Liability |  |
| Metropolitan Council - Workers' Compensation:    |                                                       |                                     |                   |                         |  |
| Fiscal Year Ended 12/31/2022                     | \$ 23,929                                             | \$ 6,535                            | \$ 9,036          | \$ 21,428               |  |
| Fiscal Year Ended 12/31/2023                     | \$ 21,428                                             | \$ 11,217                           | \$ 8,242          | \$ 24,403               |  |
| University of Minnesota - RUMINCO, Ltd:          |                                                       |                                     |                   |                         |  |
| Fiscal Year Ended 6/30/2023                      | \$ 9,890                                              | \$ 5,265                            | \$ 3,319          | \$ 11,836               |  |
| Fiscal Year Ended 6/30/2024                      | \$ 11,836                                             | \$ 5,580                            | \$ 5,681          | \$ 11,735               |  |
| University of Minnesota - Workers' Compensation: |                                                       |                                     |                   |                         |  |
| Fiscal Year Ended 6/30/2023                      | \$ 9,542                                              | \$ 2,754                            | \$ 3,009          | \$ 9,287                |  |
| Fiscal Year Ended 6/30/2024                      | \$ 9,287                                              | \$ 4,321                            | \$ 4,686          | \$ 8,922                |  |
| University of Minnesota - Medical/Dental:        |                                                       |                                     |                   |                         |  |
| Fiscal Year Ended 6/30/2023                      | \$ 38,821                                             | \$ 380,304                          | \$ 380,546        | \$ 38,579               |  |
| Fiscal Year Ended 6/30/2024                      | \$ 38,579                                             | \$ 410,362                          | \$ 408,276        | \$ 40,665               |  |

## Note 17 – Budgetary Basis vs. GAAP

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, intrafund, and loan transactions. In addition, encumbrances are recognized as expenditures in the year encumbered on a budgetary basis. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. The GAAP General Fund also includes several funds that are not included in the budgetary General Fund. A reconciliation of the fund balances under the two bases of accounting for the General Fund is provided in the following table.

### General Fund Reconciliation of GAAP Basis Fund Balance to Budgetary Fund Balance As of June 30, 2024 (In Thousands)

| Description                            | Amount               |
|----------------------------------------|----------------------|
| GAAP Basis Fund Balance                | \$ 16,856,480        |
| Less: Encumbrances <sup>(1)</sup>      | 1,035,834            |
| Unassigned Fund Balance                | <u>\$ 15,820,646</u> |
| Basis of Accounting Differences:       |                      |
| Revenue Accruals/Adjustments:          |                      |
| Taxes Receivable                       | \$ (1,302,432)       |
| Tax Refunds Payable                    | 758,062              |
| Human Services Receivable              | (158,268)            |
| Unearned Revenue                       | 144,577              |
| Escheat Asset                          | (38,302)             |
| Other Receivables                      | (24,997)             |
| Permanent School Fund Reimbursement    | (1,517)              |
| Investments at Market                  | (246,068)            |
| Expenditure Accruals/Adjustments:      |                      |
| Medical Care Programs                  | 1,095,803            |
| Human Services Grants Payable          | 61,417               |
| Education Aids                         | 1,150,737            |
| Police and Fire Aid                    | 155,814              |
| Other Payables                         | 48,766               |
| Other Financial Sources (Uses):        |                      |
| Transfers-In                           | (574)                |
| Perspective Differences:               |                      |
| Account with no Legally Adopted Budget | (4,680,922)          |
| Appropriation Carryover                | (2,658,698)          |
| Long-Term Receivables                  | (7,590)              |
| Budgetary Reserve                      | <u>(3,275,308)</u>   |
| Budgetary Basis:                       |                      |
| Unassigned Fund Balance                | <u>\$ 6,841,146</u>  |

<sup>(1)</sup> Encumbrances related to funds included in the budgetary General Fund.

## Note 18 – Litigation

Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for each of the fiscal years ending June 30, 2024 and 2025 are \$761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is \$1,000,000. The maximum limited liability for any one claim is \$300,000 for claims arising before August 1, 2007, and \$400,000 for claims arising on or after August 1, 2007, and before July 1, 2009, for any one claim and the maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, is \$1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are \$500,000 for any one claim and \$1,500,000 for any number of claims arising out of a single occurrence.

Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over \$15 million in excess of current levels.

- At any one time, there are hundreds of Minnesota Department of Transportation (MnDOT) eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds \$15 million. Liability arising out of decisions unfavorable to the state may impact the state's Trunk Highway Fund (special revenue fund).
- *Dakota Drug, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). This case involves a wholesale distribution tax assessment against Dakota Drug, a wholesale drug distributor. Under the department's interpretation of the tax statute, wholesale drug distributors are not allowed to lower their gross revenues by rebates the distributors pay to their customers as part of a rebate program. In the audit, the department disallowed the reduction the taxpayer made to its gross revenues for the rebates it paid to its customers during the audit period 2016 to 2019. The Tax Court ruled in favor of Dakota Drug, and the Commissioner of Revenue appealed to the Minnesota Supreme Court. On November 6, 2024, the Minnesota Supreme Court issued an opinion affirming the Tax Court's decision in favor of Dakota Drug. As a result, Dakota Drug was not required to pay additional taxes for the years at issue. Because rebate programs are common in the wholesale drug distribution industry, as a result of the decision, 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.
- *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 FEC income. The Minnesota Tax Court affirmed the Department of Revenue's assessment against DuPont on August 12, 2024, and DuPont has appealed to the Minnesota Supreme Court on October 7, 2024. Briefing

will be completed in January 2025, with any oral argument to follow. An adverse decision at the Minnesota Supreme Court 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 other corporations subject to Minnesota corporate franchise tax of \$85,700,000.

- *South Country Health Alliance et al. v. Minnesota Department of Human Services (DHS) et al.* (Ramsey County District Court). On August 14, 2023, the Court of Appeals reversed the district court's judgment in part, holding DHS did not comply with Minnesota law when it denied Plaintiffs the Medicaid contracts they sought. DHS and the other co-defendants appealed the decision to the Minnesota Supreme Court. Oral arguments were heard by the Minnesota Supreme Court on June 3, 2024, and a decision has not been issued to date. While Plaintiffs do not seek monetary relief (other than attorneys' fees and costs), the injunctive relief Plaintiffs seek could put at risk the federal government's share of the state's Medical Assistance program. The federal government's share was over \$7 billion in fiscal year 2020.
- *Sporleder v. State, et al., Demars v. St. Louis County, et al.* (Ramsey County District Court). In accordance with the United States Supreme Court's decision in *Tyler v. Hennepin County*, Defendants successfully reached a \$109 million settlement agreement with the class representatives, which the Legislature funded in May of 2024, and the district court has preliminarily approved. No objections were filed by the deadline. The court will hold a hearing in December 2024 to determine whether to give final approval to the settlement.
- *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.

## Note 19 – Tax Abatements

The state of Minnesota provides tax abatement agreements through five programs operated by the Minnesota Department of Employment and Economic Development, Minnesota Department of Administration, and Minnesota Department of Revenue: Greater MN Job Expansion Program, Border City Enterprise Zones, Angel Tax Credit, Historic Structure Rehabilitation Credit, and Film Production Tax Credit. Minnesota Statutes 270B.02 classifies tax return information as private data. As the population of program participants is so small, reporting aggregate data may identify individual taxpayers, except for the Border City Enterprise Zones program, the Angel Tax Credit program, and the Historic Structure Rehabilitation Credit.

The Greater MN Job Expansion Program provides sales tax abatements to expand employment within cities in greater Minnesota. Qualified businesses are eligible for a sales tax exemption up to \$5 million annually, and \$40 million during the agreement period. The agreement period is seven years after a business is certified, except for businesses investing at least \$200 million over a ten-year period, in which case the agreement period is ten years. A qualified business must have operated in greater Minnesota for at least one year prior to applying, agree to pay employees, including benefits, on an annualized basis equal to at least 120 percent of the federal poverty level for a family of four, increase the number of full-time equivalent employees by two employees or ten percent, whichever is greater, and enter into a subsidy agreement with the state that pledges to satisfy the employment expansion within three years. The subsidy agreements include recapture provisions. The authority for the sales tax abatement is Minnesota Statutes 116J.8738.

The Border City Enterprise Zones program provides tax abatements to partially mitigate the effects of disparate taxation of businesses in six cities located near neighboring states as incentives to attract and retain businesses in Minnesota. Taxes abated include: sales taxes, income taxes, or property taxes. Border cities establish eligibility criteria of recipient business, provided that business is not prohibited by Minnesota Statutes 469.171, Subdivision 4. Sales taxes are reduced through exemptions on construction materials and equipment. Income taxes are reduced as credits for additional workers employed within the zone, up to \$3,000 per employee per year, or for a retained worker in the zone, up to \$1,500 per employee per year. Additionally, income taxes are reduced as a credit for a percentage of cost of debt financing for construction. Property taxes are reduced as a credit for a portion of property tax paid by new facilities as determined by the border city based on its eligibility criteria. The total amount of tax abatements is determined through allocations to each border city defined in Minnesota Statutes. Prior to entering a tax abatement agreement with a business, the border city must submit the proposed tax reductions to the Minnesota Department of Employment and Economic Development to evaluate the proposed investment the business will make in the border city, the number and quality of new jobs created, the overall positive economic impact within the border city, and the extent that economic benefits are dependent on the tax abatements to the business. Businesses must maintain operation within the border city. Businesses which receive tax abatements that cease to operate within the border city must repay the tax abatements received during the prior two years; other recapture provisions may exist between the border city and the business. The authority for Border City Enterprise Zone tax abatements are Minnesota Statutes 469.166-469.1735.

The Angel Tax Credit program provides income tax abatements as an incentive for investors to make investments in start-up businesses by helping to raise the equity financing needed to further business growth and the potential to create jobs. Qualified investors are eligible for up to 25 percent of the investment made and must receive an annual certification to make investments in a qualified small business. Qualified investors are required to hold investments in a qualified business for a period of at least three years. If a qualified investor does not meet the three years holding requirement, the investor must repay the income tax credit. A qualified small business must satisfy all the following conditions: be headquartered in Minnesota, have at least 51 percent of its employees and payroll in Minnesota, and be

engaged in or committed to engage in innovation in Minnesota. The primary business activity must be in a qualified field of technology, agriculture, tourism, forestry, mining, manufacturing, or transportation. The business must have fewer than 25 employees and must pay employees annual wages of at least 175 percent of federal poverty guidelines for a family of four. The business may not have previously received private equity investments of more than \$4 million, be disqualified under Minnesota Statutes 80A.50, or issued securities traded on a public exchange. The business may not have been in operation for more than ten years, or more than twenty years if the business is engaged in the research, development, or production of medical devices or pharmaceuticals for which Food and Drug Administration approval is required. If it is determined that a qualified business did not maintain at least 51 percent of its employees and payroll in Minnesota during the first five years following its most recent qualified investment, the business must repay the income tax credit provided to its investors based on a fixed percentage scale. The program will sunset at the end of calendar year 2024, except for some reporting requirements. The authority for the tax abatement is Minnesota Statutes 116J.8737.

The Historic Structure Rehabilitation Credit program incentivizes substantial reinvestment in the development of historic buildings listed on the National Register of Historic Places. This program parallels the Federal Rehabilitation Tax Credit and state tax credits are limited by the federal amount. A project is eligible for the program if the property is listed on the National Register of Historic Places or is certified as contributing to a National Register Historic District, or Certified Historic District. The owner must apply for the credit prior to the start of construction, plans must be approved by the National Park Service (NPS), and the work must meet the “substantial rehabilitation test”. The completed work must be approved by the NPS and be allowed the federal tax credit. The qualified historic structure must be used as an income producing property for at least five years after the construction is completed. Investors will be eligible for a tax credit or the option of a grant in lieu of tax in the year the renovated building is placed in service. The program will sunset after fiscal year 2030, except for issuing credit certificates and completing reporting requirements. The authority for the tax abatement is Minnesota Statutes 290.0681.

The Film Production Tax Credit program provides an assignable income tax credit to producers of feature films, national television or internet programs, documentaries, music videos, and commercials that directly create new film jobs in Minnesota. The program provides a 25 percent credit to production companies provided they apply for an allocation prior to beginning principal photography in Minnesota, spend a minimum of \$1 million in eligible expenses during the taxable year, employ Minnesota residents to the extent practicable, promote Minnesota by visibly displaying a static or animated logo in the end credits, remain in good business standing with the Secretary of State of Minnesota, and submit a tax clearance statement from the Minnesota Department of Revenue. Applications are accepted on a rolling basis, and allocations are made on a first-come, first-served basis. The program will sunset after calendar year 2030. The authority for the tax abatement is Minnesota Statutes 116U.26-116U.27.

### Tax Abatements Year Ended June 30, 2024 (In Thousands)

| Description                                          | Amount                 |
|------------------------------------------------------|------------------------|
| Border City Enterprise Zones:                        |                        |
| Corporate Taxes                                      | \$ 340                 |
| Income Taxes                                         | 102                    |
| Total Border City Enterprise Zones                   | <u>\$ 442</u>          |
| Angel Tax Credit: Income Taxes                       | <u>\$ 4,144</u>        |
| Historic Structure Rehabilitation Credit: Income Tax | <u>\$ 1,475</u>        |
| Total Tax Abatements                                 | <u><u>\$ 6,061</u></u> |

## Note 20 – Change in Reporting Entity and Change in Accounting Principle

### Government-Wide, Governmental Funds and Proprietary Funds

#### Change in Reporting Entity

Minnesota Statute 246.18, created and established the Behavioral Services Fund (enterprise fund), which was subsequently repealed by Minnesota Session Laws - 2023, Regular Session Chapter 61, Article 9, Section 2, Subdivisions 19(b) and 20. Effective July 1, 2023, all activity from the Behavioral Services Fund was transferred to the General Fund. This change in reporting entity relates to activity that falls under both the modified accrual and full accrual basis of accounting. The amount transferred between the Governmental Activities from the Business-type Activities/Proprietary Fund was \$1,481,000. Activity transferred to the General Fund under the modified accrual basis was \$4,714,000 as noted in the table below.

#### Fiduciary Funds

#### Change in Accounting Principle

During fiscal year 2024, the State Employees Retirement Fund (pension trust fund), managed by the Minnesota State Retirement System (MSRS), implemented updated guidance from the Governmental Accounting Standards Board (GASB) Implementation Guide No. 2021-1 "Implementation Guidance Update - 2021." The objective of this guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. Implementation of the updated guidance resulted in a change in accounting principle of \$224,000 for bulk purchases of laptops that were greater than MSRS's threshold for capital assets.

#### 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 2024, nineteen firefighter groups joined the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. Investment balances of \$17,212,000 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 2024, three volunteer firefighter relief associations became part of the Supplemental Retirement Fund managed by the board of trustees of each relief association. Investment balances of \$1,159,000 were reported as a change in reporting entity in the Supplemental Retirement Fund.

Minnesota Statutes 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund (pension trust fund). During fiscal year 2024, three firefighter groups transferred from the volunteer fire accounts, part of the Supplemental Retirement Fund (investment trust fund), into the Volunteer Firefighter Retirement Fund managed by the Public Employees Retirement Association. The transfer was reported as a change in reporting entity of \$1,018,000 in the Supplemental Retirement Fund and the Volunteer Firefighter Retirement Fund.

### Beginning Balance Reconciliation

Year Ended June 30, 2024

(In Thousands)

|                                 | Net Position/<br>Fund Balance,<br>Beginning, as<br>Reported | Change in<br>Accounting<br>Principle | Change in<br>Reporting Entity |                   | Net Position/<br>Fund<br>Balance,<br>Beginning, as<br>Restated |
|---------------------------------|-------------------------------------------------------------|--------------------------------------|-------------------------------|-------------------|----------------------------------------------------------------|
|                                 |                                                             |                                      | Investment                    | Transfer          |                                                                |
| Government-Wide                 |                                                             |                                      |                               |                   |                                                                |
| Governmental Activities         | \$ 39,423,759                                               | \$ —                                 | \$ —                          | \$ 1,481          | \$ 39,425,240                                                  |
| Business-Type Activities        | 4,037,245                                                   | —                                    | —                             | (1,481)           | 4,035,764                                                      |
| Total Primary Government        | <u>\$ 43,461,004</u>                                        | <u>\$ —</u>                          | <u>\$ —</u>                   | <u>\$ —</u>       | <u>\$ 43,461,004</u>                                           |
| Governmental Funds              |                                                             |                                      |                               |                   |                                                                |
| General                         | \$ 19,632,710                                               | \$ —                                 | \$ —                          | \$ 4,714          | \$ 19,637,424                                                  |
| Federal                         | 10,541                                                      | —                                    | —                             | —                 | 10,541                                                         |
| Nonmajor Funds                  | 8,616,238                                                   | —                                    | —                             | —                 | 8,616,238                                                      |
| Total Governmental Funds        | <u>\$ 28,259,489</u>                                        | <u>\$ —</u>                          | <u>\$ —</u>                   | <u>\$ 4,714</u>   | <u>\$ 28,264,203</u>                                           |
| Proprietary Funds               |                                                             |                                      |                               |                   |                                                                |
| State Colleges and Universities | \$ 1,993,602                                                | \$ —                                 | \$ —                          | \$ —              | \$ 1,993,602                                                   |
| Unemployment Insurance          | 1,622,933                                                   | —                                    | —                             | —                 | 1,622,933                                                      |
| Nonmajor Enterprise Funds       | 420,710                                                     | —                                    | —                             | (1,481)           | 419,229                                                        |
| Total Enterprise Funds          | <u>\$ 4,037,245</u>                                         | <u>\$ —</u>                          | <u>\$ —</u>                   | <u>\$ (1,481)</u> | <u>\$ 4,035,764</u>                                            |
| Fiduciary Funds                 |                                                             |                                      |                               |                   |                                                                |
| Pension Trust                   | \$ 100,295,906                                              | \$ 224                               | \$ 17,212                     | \$ 1,018          | \$ 100,314,360                                                 |
| Investment Trust                | \$ 1,371,865                                                | \$ —                                 | \$ 1,159                      | \$ (1,018)        | \$ 1,372,006                                                   |

Note 21 – Subsequent Events

Primary Government

In August 2024, the state issued the following general obligation bonds. These bonds are backed by the full faith and credit and taxing powers of the state.

- \$879.6 million of general obligation state various purpose bonds Series 2024A at a true interest rate of 3.28 percent.
- \$352.8 million of general obligation state trunk highway bonds Series 2024B at a true interest rate of 3.23 percent.
- \$30.0 million of general obligation taxable state various purpose bonds Series 2024C at a true interest rate of 4.08 percent.
- \$190.2 million of general obligation state various purpose refunding bonds Series 2024D at a true interest rate of 2.64 percent.
- \$141.2 million of general obligation state trunk highway refunding bonds Series 2024E at a true interest rate of 2.65 percent.

Component Units

Housing Finance Agency

In September 2024, the Housing Finance Agency (HFA) issued \$13.0 million state appropriation bonds (Housing Infrastructure) Series 2024A. The proceeds of the bonds will be used to provide money to fund housing infrastructure loans and to pay the costs of issuance of the Series Bonds. For information on the state appropriation for these bonds, see Note 14 – Contingent Liabilities.

HFA issued a series of housing finance bonds after June 30, 2024 as follows. In July 2024, HFA issued \$225.0 million Series 2024LMN. In August 2024, HFA issued \$225.0 million Series 2024OPQ. In September 2024, HFA issued \$75.0 million Series 2024RS. In December 2024, HFA issued \$250.0 million Series 2024TUVW.

HFA made, or committed to make, draws from index bank notes subsequent to June 30, 2024 totaling \$61.9 million. In July 2024 and August 2024, HFA repaid \$35.4 million and \$9.6 million, respectively, of the Non-ATM portion of the index bank notes.

Metropolitan Council

In February 2024, Metropolitan Council (MC) agreed to a \$42.0 million loan Series 2024A from the Public Facilities Authority (component unit) for financing eligible capital expenditures.

In May 2024, MC issued \$59.6 million general obligation wastewater revenue bonds Series 2024B.



2024 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                        | 2023 | 2022 | 2021 |
|------------------------------------|------|------|------|
| Principal Arterial Average PQI     | 3.6  | 3.6  | 3.6  |
| Non-Principal Arterial Average PQI | 3.4  | 3.4  | 3.5  |

#### Bridges and Tunnels

##### Measurement Scale

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

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

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

| Rating | Description                                                                                                                                                                                                                                                                             |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9      | Excellent.                                                                                                                                                                                                                                                                              |
| 8      | Very good.                                                                                                                                                                                                                                                                              |
| 7      | Good. Some minor problems.                                                                                                                                                                                                                                                              |
| 6      | Satisfactory. Structural elements show some minor deterioration.                                                                                                                                                                                                                        |
| 5      | Fair. All primary structural elements are sound, but may have some minor section loss, cracking, spalling, or scour.                                                                                                                                                                    |
| 4      | Poor. Advanced section loss, deterioration, spalling, or scour.                                                                                                                                                                                                                         |
| 3      | Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.                                                                     |
| 2      | Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken. |
| 1      | Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.                          |
| 0      | Failure. Out of service, beyond corrective action.                                                                                                                                                                                                                                      |

The criteria for placing a bridge in each of the three categories are as follows:

| Rating | Description                                                                                                                                       |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Good   | If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.                                            |
| Fair   | If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.                                                   |
| Poor   | If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient. |

#### Established Condition Level

Ninety-two percent of principal arterial system bridges will be maintained at fair to good, while 80 percent of all other system bridges will also be maintained at fair to good.

#### Assessed Conditions

| Description                      | 2023  | 2022  | 2021  |
|----------------------------------|-------|-------|-------|
| Principal Arterial: Fair to Good | 93.7% | 93.8% | 94.0% |
| All Other Systems: Fair to Good  | 93.0% | 93.1% | 93.4% |

#### 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 | 2024 | \$ 72,512               | \$ 464,077 | \$ 536,589  | \$ 87,014             | \$ 826,637 | \$ 913,651  | \$ 1,450,240               |
|        | 2023 | 84,480                  | 450,560    | 535,040     | 98,560                | 774,400    | 872,960     | 1,408,000                  |
|        | 2022 | 62,000                  | 434,000    | 496,000     | 124,000               | 620,000    | 744,000     | 1,240,000                  |
|        | 2021 | 65,300                  | 472,400    | 537,700     | 95,600                | 660,700    | 756,300     | 1,294,000                  |
|        | 2020 | 76,000                  | 364,000    | 440,000     | 84,800                | 712,200    | 797,000     | 1,237,000                  |
| Actual | 2024 | \$ 65,287               | \$ 443,943 | \$ 509,230  | \$ 79,631             | \$ 839,027 | \$ 918,658  | \$ 1,427,888               |
|        | 2023 | 88,421                  | 432,591    | 521,012     | 119,070               | 767,671    | 886,741     | 1,407,753                  |
|        | 2022 | 50,890                  | 410,334    | 461,224     | 110,736               | 652,357    | 763,093     | 1,224,317                  |
|        | 2021 | 50,887                  | 505,490    | 556,377     | 85,859                | 635,307    | 721,166     | 1,277,543                  |
|        | 2020 | 71,650                  | 405,796    | 477,446     | 78,244                | 736,188    | 814,432     | 1,291,878                  |

## 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.

Covered-Member Payroll is an estimate in the reporting year and is restated in the following year to reflect actual Covered-Member Payroll. Required supplementary information is provided for the following plans:

- State Employees Retirement Fund (SERF)
- Correctional Employees Retirement Fund (CERF)
- General Employees Retirement Fund (GERF)
- Police and Fire Fund (P&FF)
- Teachers Retirement Fund (TRF)
- Minneapolis Employees Retirement Fund (MERF)
- St. Paul Teachers' Retirement Fund (SPTRF)
- Duluth Teachers' Retirement Fund (DTRF)
- Judges Retirement Fund (JRF)
- Legislators Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

## Required Supplementary Information Primary Government Administered Multiple-Employer Cost Sharing Plans Schedule of Contributions (In Thousands)

| State Employees Retirement Fund                                           |                   |                   |                   |                   |
|---------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                           | 2015              | 2016              | 2017              | 2018              |
| Statutorily Required Contribution as an:                                  |                   |                   |                   |                   |
| Employer <sup>(1)</sup>                                                   | \$ 107,313        | \$ 110,804        | \$ 116,552        | \$ 121,322        |
| Non-Employer Contributing Entity <sup>(1)</sup>                           | —                 | —                 | —                 | —                 |
| Total Statutorily Required Contribution                                   | <u>\$ 107,313</u> | <u>\$ 110,804</u> | <u>\$ 116,552</u> | <u>\$ 121,322</u> |
| Covered-Member Payroll                                                    | \$ 2,006,862      | \$ 2,066,651      | \$ 2,179,626      | \$ 2,256,825      |
| Required Employer Contributions as a Percentage of Covered-Member Payroll | 5.3%              | 5.4%              | 5.3%              | 5.4%              |

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2019: The required contribution rate for employers increased from 5.5 percent to 5.875 percent.

<sup>(3)</sup> 2020: The required contribution rate for employers increased to 6.25 percent.

<sup>(4)</sup> 2024: Non-Employer contributions include a one-time state aid contribution of \$76.440 million.

| Correctional Employees Retirement Fund                                    |                  |                  |                  |                  |
|---------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                           | 2015             | 2016             | 2017             | 2018             |
| Statutorily Required Contribution as an:                                  |                  |                  |                  |                  |
| Employer <sup>(1)</sup>                                                   | \$ 29,378        | \$ 30,624        | \$ 31,663        | \$ 32,840        |
| Non-Employer Contributing Entity <sup>(1)</sup>                           | —                | —                | —                | —                |
| Total Statutorily Required Contribution                                   | <u>\$ 29,378</u> | <u>\$ 30,624</u> | <u>\$ 31,663</u> | <u>\$ 32,840</u> |
| Covered-Member Payroll                                                    | \$ 231,126       | \$ 241,020       | \$ 248,653       | \$ 257,055       |
| Required Employer Contributions as a Percentage of Covered-Member Payroll | 12.7%            | 12.7%            | 12.7%            | 12.8%            |

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2019: The required contribution rate for employers increased from 12.9 percent to 14.4 percent.

<sup>(3)</sup> 2020: The required contribution rate for employers increased to 15.85 percent.

<sup>(4)</sup> 2021: The required contribution rate for employers increased to 17.35 percent.

<sup>(5)</sup> 2022: The required contribution rate for employers increased to 18.85 percent.

<sup>(6)</sup> 2024: Non-Employer contributions include a one-time state aid contribution of \$10.446 million.

| General Employees Retirement Fund                                         |                 |                 |                 |                  |
|---------------------------------------------------------------------------|-----------------|-----------------|-----------------|------------------|
|                                                                           | 2015            | 2016            | 2017            | 2018             |
| Statutorily Required Contribution as an:                                  |                 |                 |                 |                  |
| Employer <sup>(1)</sup>                                                   | \$ 2,655        | \$ 2,540        | \$ 3,155        | \$ 2,283         |
| Non-Employer Contributing Entity <sup>(1)</sup>                           | —               | 6,000           | 6,000           | 16,000           |
| Total Statutorily Required Contribution                                   | <u>\$ 2,655</u> | <u>\$ 8,540</u> | <u>\$ 9,155</u> | <u>\$ 18,283</u> |
| Covered-Member Payroll                                                    | \$ 34,289       | \$ 41,328       | \$ 31,105       | \$ 28,849        |
| Required Employer Contributions as a Percentage of Covered-Member Payroll | 7.7%            | 6.1%            | 10.1%           | 7.9%             |

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2024: Non-Employer contributions include a one-time state aid contribution of \$170.093 million.

**Required Supplementary Information**  
**Primary Government Administered Multiple-Employer Cost Sharing Plans**  
**Schedule of Contributions (Continued)**  
**(In Thousands)**

**Police and Fire Fund<sup>(2)</sup>**

|                                                                           | 2015 | 2016 | 2017 | 2018 |
|---------------------------------------------------------------------------|------|------|------|------|
| Statutorily Required Contribution as an:                                  |      |      |      |      |
| Employer <sup>(1)</sup>                                                   | N/A  | N/A  | N/A  | N/A  |
| Non-Employer Contributing Entity <sup>(1)</sup>                           | N/A  | N/A  | N/A  | N/A  |
| Total Statutorily Required Contribution                                   | N/A  | N/A  | N/A  | N/A  |
| Covered-Member Payroll                                                    | N/A  | N/A  | N/A  | N/A  |
| Required Employer Contributions as a Percentage of Covered-Member Payroll | N/A  | N/A  | N/A  | N/A  |

<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.

<sup>(4)</sup> 2024: Non-Employer contributions include a one-time state aid contribution of \$19.397 million.

**Teachers Retirement Fund**

|                                                                           | 2015       | 2016       | 2017       | 2018       |
|---------------------------------------------------------------------------|------------|------------|------------|------------|
| Statutorily Required Contribution as an:                                  |            |            |            |            |
| Employer <sup>(1)</sup>                                                   | \$ 14,542  | \$ 14,514  | \$ 14,885  | \$ 14,678  |
| Non-Employer Contributing Entity <sup>(1)</sup>                           | 29,831     | 31,088     | 31,087     | 30,886     |
| Total Statutorily Required Contribution                                   | \$ 44,373  | \$ 45,602  | \$ 45,972  | \$ 45,564  |
| Covered-Member Payroll                                                    | \$ 166,870 | \$ 168,264 | \$ 174,018 | \$ 170,196 |
| Required Employer Contributions as a Percentage of Covered-Member Payroll | 8.7%       | 8.6%       | 8.6%       | 8.6%       |

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2019: The required contribution rate for employers increased from 7.5-11.5 percent to 7.71-11.71 percent.

<sup>(3)</sup> 2020: The required contribution rate for employers increased to 7.92-11.92 percent.

<sup>(4)</sup> 2021: The required contribution rate for employers increased to 8.13-12.13 percent.

<sup>(5)</sup> 2022: The required contribution rate for employers increased to 8.34-12.34 percent.

<sup>(6)</sup> 2023: The required contribution rate for employers increased to 8.55-12.55 percent.

<sup>(7)</sup> 2024: The required contribution rate for employers increased to 8.75-12.75 percent. Non-Employer contributions include a one-time state aid contribution of \$176.167 million.

**Minneapolis Employees Retirement Fund<sup>(2)</sup>**

|                                                                                        | 2015      |
|----------------------------------------------------------------------------------------|-----------|
| Statutorily Required Contribution as a Non-Employer Contributing Entity <sup>(1)</sup> | \$ 24,000 |
| Covered-Member Payroll                                                                 | N/A       |
| Required Employer Contributions as a Percentage of Covered-Member Payroll              | N/A       |

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> MERF merged with GERF in reporting fiscal year 2015.

| 2019 <sup>(2)</sup> | 2020 <sup>(3)</sup> | 2021         | 2022         | 2023         | 2024 <sup>(4)</sup> |
|---------------------|---------------------|--------------|--------------|--------------|---------------------|
| \$ 136,157          | \$ 152,523          | \$ 156,738   | \$ 161,340   | \$ 172,451   | \$ 193,263          |
| —                   | —                   | —            | —            | —            | 76,440              |
| \$ 136,157          | \$ 152,523          | \$ 156,738   | \$ 161,340   | \$ 172,451   | \$ 269,703          |
| \$ 2,374,710        | \$ 2,480,800        | \$ 2,545,750 | \$ 2,622,904 | \$ 2,787,717 | \$ 2,975,418        |
| 5.7%                | 6.1%                | 6.2%         | 6.2%         | 6.2%         | 6.5%                |

| 2019 <sup>(2)</sup> | 2020 <sup>(3)</sup> | 2021 <sup>(4)</sup> | 2022 <sup>(5)</sup> | 2023       | 2024 <sup>(6)</sup> |
|---------------------|---------------------|---------------------|---------------------|------------|---------------------|
| \$ 38,141           | \$ 43,594           | \$ 48,662           | \$ 54,939           | \$ 58,356  | \$ 62,100           |
| —                   | —                   | —                   | —                   | —          | 10,446              |
| \$ 38,141           | \$ 43,594           | \$ 48,662           | \$ 54,939           | \$ 58,356  | \$ 72,546           |
| \$ 267,212          | \$ 278,340          | \$ 282,542          | \$ 294,329          | \$ 310,576 | \$ 315,375          |
| 14.3%               | 15.7%               | 17.2%               | 18.7%               | 18.8%      | 19.7%               |

| 2019      | 2020      | 2021      | 2022      | 2023      | 2024 <sup>(2)</sup> |
|-----------|-----------|-----------|-----------|-----------|---------------------|
| \$ 2,138  | \$ 1,949  | \$ 1,720  | \$ 1,582  | \$ 1,439  | \$ 1,379            |
| 16,000    | 16,000    | 16,000    | 16,000    | 16,000    | 186,093             |
| \$ 18,138 | \$ 17,949 | \$ 17,720 | \$ 17,582 | \$ 17,439 | \$ 187,472          |
| \$ 26,936 | \$ 24,638 | \$ 21,880 | \$ 20,120 | \$ 18,930 | \$ 18,322           |
| 7.9%      | 7.9%      | 7.9%      | 7.9%      | 7.6%      | 7.5%                |

**Required Supplementary Information**  
**Non-Primary Government Administered Multiple-Employer Cost Sharing Plans**  
**Schedule of Contributions**  
**(In Thousands)**

| 2019            | 2020 <sup>(3)</sup> | 2021            | 2022            | 2023            | 2024 <sup>(4)</sup> |
|-----------------|---------------------|-----------------|-----------------|-----------------|---------------------|
| \$ —            | \$ 543              | \$ 586          | \$ 586          | \$ 584          | \$ 571              |
| 4,500           | 4,500               | 9,000           | 9,000           | 9,000           | 28,397              |
| <u>\$ 4,500</u> | <u>\$ 5,043</u>     | <u>\$ 9,586</u> | <u>\$ 9,586</u> | <u>\$ 9,584</u> | <u>\$ 28,968</u>    |
| N/A             | \$ 2,949            | \$ 3,052        | \$ 3,088        | \$ 3,167        | \$ 3,226            |
| N/A             | 18.4%               | 19.2%           | 19.0%           | 18.4%           | 17.7%               |

| 2019 <sup>(2)</sup> | 2020 <sup>(3)</sup> | 2021 <sup>(4)</sup> | 2022 <sup>(5)</sup> | 2023 <sup>(6)</sup> | 2024 <sup>(7)</sup> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 15,447           | \$ 16,115           | \$ 16,609           | \$ 17,139           | \$ 18,489           | \$ 19,813           |
| 31,087              | 31,087              | 31,087              | 31,087              | 31,087              | 207,254             |
| <u>\$ 46,534</u>    | <u>\$ 47,202</u>    | <u>\$ 47,696</u>    | <u>\$ 48,226</u>    | <u>\$ 49,576</u>    | <u>\$ 227,067</u>   |
| \$ 177,753          | \$ 179,645          | \$ 183,607          | \$ 185,816          | \$ 203,848          | \$ 216,363          |
| 8.7%                | 9.0%                | 9.0%                | 9.2%                | 9.1%                | 9.2%                |

**St. Paul Teachers' Retirement Fund**

|                                                                           | 2015            | 2016 <sup>(2)</sup> | 2017 <sup>(3)</sup> | 2018 <sup>(4)</sup> |
|---------------------------------------------------------------------------|-----------------|---------------------|---------------------|---------------------|
| Statutorily Required Contribution as an:                                  |                 |                     |                     |                     |
| Employer <sup>(1)</sup>                                                   | \$ 86           | \$ 64               | \$ 66               | \$ 41               |
| Non-Employer Contributing Entity <sup>(1)</sup>                           | 9,827           | 10,665              | 10,665              | 10,665              |
| Total Statutorily Required Contribution                                   | <u>\$ 9,913</u> | <u>\$ 10,729</u>    | <u>\$ 10,731</u>    | <u>\$ 10,706</u>    |
| Covered-Member Payroll                                                    | \$ 628          | \$ 443              | \$ 465              | \$ 274              |
| Required Employer Contributions as a Percentage of Covered-Member Payroll | 13.7%           | 14.4%               | 14.2%               | 15.0%               |

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2016: The required contribution rate for employers increased from 5.50-9.00 percent to 6.00-9.50 percent.

<sup>(3)</sup> 2017: The required contribution rate for employers increased to 6.25-9.75 percent.

<sup>(4)</sup> 2018: The required contribution rate for employers increased to 6.50-10.00 percent.

<sup>(5)</sup> 2019: The required contribution rate for employers increased to 7.335-10.835 percent.

<sup>(6)</sup> 2020: The required contribution rate for employers increased to 8.17-11.67 percent.

<sup>(7)</sup> 2021: The required contribution rate for employers increased to 8.38-11.88 percent.

<sup>(8)</sup> 2022: The required contribution rate for employers increased to 8.59-12.09 percent.

<sup>(9)</sup> 2023: The required contribution rate for employers increased to 8.80-12.30 percent.

<sup>(10)</sup> 2024: The required contribution rate for employers increased to 9.00-12.50 percent. Non-Employer contributions include a one-time state aid contribution of \$15.747 million.

**Duluth Teachers' Retirement Fund <sup>(2)</sup>**

|                                                                           | 2015            |
|---------------------------------------------------------------------------|-----------------|
| Statutorily Required Contribution as an:                                  |                 |
| Employer <sup>(1)</sup>                                                   | \$ 56           |
| Non-Employer Contributing Entity <sup>(1)</sup>                           | 6,346           |
| Total Statutorily Required Contribution                                   | <u>\$ 6,402</u> |
| Covered-Member Payroll                                                    | \$ 760          |
| Required Employer Contributions as a Percentage of Covered-Member Payroll | 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)**

| 2019 <sup>(5)</sup> | 2020 <sup>(6)</sup> | 2021 <sup>(7)</sup> | 2022 <sup>(8)</sup> | 2023 <sup>(9)</sup> | 2024 <sup>(10)</sup> |
|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| \$ 47               | \$ 38               | \$ 27               | \$ 19               | \$ 20               | \$ 15                |
| 15,666              | 15,663              | 15,664              | 15,665              | 15,663              | 31,411               |
| <u>\$ 15,713</u>    | <u>\$ 15,701</u>    | <u>\$ 15,691</u>    | <u>\$ 15,684</u>    | <u>\$ 15,683</u>    | <u>\$ 31,426</u>     |
| \$ 271              | \$ 211              | \$ 148              | \$ 106              | \$ 110              | \$ 117               |
| 17.3%               | 18.0%               | 18.2%               | 17.9%               | 18.2%               | 12.8%                |

|                                                                                                                                | State Employees Retirement Fund |                     |                     |                     |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------|---------------------|---------------------|
|                                                                                                                                | 2015                            | 2016 <sup>(1)</sup> | 2017 <sup>(2)</sup> | 2018 <sup>(3)</sup> |
| Primary Government's Proportion of the Net Pension Liability as an Employer                                                    | 73.38%                          | 73.93%              | 73.88%              | 74.15%              |
| 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        |
| Primary Government's Covered-Member Payroll – Measurement Period                                                               | \$ 1,923,040                    | \$ 2,006,862        | \$ 2,066,651        | \$ 2,179,626        |
| 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%              |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                                     | 87.6%                           | 88.3%               | 47.5%               | 62.7%               |

<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.

<sup>(5)</sup> 2022: The discount rate changed to 6.5 percent.

<sup>(6)</sup> 2023: The discount rate changed to 6.75 percent.

<sup>(7)</sup> 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 7.0 percent.

**Required Supplementary Information**  
**Multiple-Employer Cost Sharing Plans**  
**Schedule of the Proportionate Share of the Net Pension Liability (Continued)**  
**(In Thousands)**

| 2019 <sup>(4)</sup> | 2020         | 2021         | 2022 <sup>(5)</sup> | 2023 <sup>(6)</sup> | 2024 <sup>(7)</sup> |
|---------------------|--------------|--------------|---------------------|---------------------|---------------------|
| 74.45%              | 74.94%       | 75.21%       | 76.55%              | 76.37%              | 76.41%              |
| \$ 1,031,909        | \$ 1,054,276 | \$ 998,968   | \$ 62,413           | \$ 1,255,049        | \$ 734,188          |
| \$ 2,256,825        | \$ 2,374,710 | \$ 2,480,800 | \$ 2,545,750        | \$ 2,622,904        | \$ 2,787,717        |
| 45.7%               | 44.4%        | 40.3%        | 2.5%                | 47.8%               | 26.3%               |
| 90.6%               | 90.7%        | 91.3%        | 99.5%               | 90.6%               | 94.5%               |

|                                                                                                                                | Correctional Employees Retirement Fund |                     |                     |                     |
|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------|---------------------|---------------------|
|                                                                                                                                | 2015                                   | 2016 <sup>(1)</sup> | 2017 <sup>(2)</sup> | 2018 <sup>(3)</sup> |
| Primary Government's Proportion of the Net Pension Liability as an Employer                                                    | 99.80%                                 | 99.86%              | 99.91%              | 99.91%              |
| Primary Government's Proportionate Share of the Net Pension Liability as an Employer                                           | \$ 475,387                             | \$ 653,352          | \$ 1,331,563        | \$ 1,127,087        |
| Primary Government's Covered-Member Payroll – Measurement Period                                                               | \$ 218,860                             | \$ 231,126          | \$ 241,020          | \$ 248,653          |
| 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%              |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                                     | 64.8%                                  | 58.1%               | 40.3%               | 47.6%               |

<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.

<sup>(5)</sup> 2022: The discount rate changed to 6.5 percent.

<sup>(6)</sup> 2023: The discount rate changed to 6.75 percent.

<sup>(7)</sup> 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 7.0 percent.

**Required Supplementary Information**  
**Multiple-Employer Cost Sharing Plans**  
**Schedule of the Proportionate Share of the Net Pension Liability (Continued)**  
(In Thousands)

| 2019 <sup>(4)</sup> | 2020       | 2021       | 2022 <sup>(5)</sup> | 2023 <sup>(6)</sup> | 2024 <sup>(7)</sup> |
|---------------------|------------|------------|---------------------|---------------------|---------------------|
| 99.89%              | 99.87%     | 99.95%     | 99.96%              | 99.95%              | 99.91%              |
| \$ 375,232          | \$ 394,861 | \$ 447,093 | \$ 441,892          | \$ 599,385          | \$ 537,961          |
| \$ 257,055          | \$ 267,212 | \$ 278,340 | \$ 282,542          | \$ 294,329          | \$ 310,576          |
| 146.0%              | 147.8%     | 160.6%     | 156.4%              | 203.6%              | 173.2%              |
| 74.8%               | 75.0%      | 73.2%      | 78.2%               | 71.1%               | 74.8%               |

| General Employees Retirement Fund                                                                                              |                  |                     |                     |                     |
|--------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------|---------------------|---------------------|
|                                                                                                                                | 2015             | 2016 <sup>(1)</sup> | 2017 <sup>(2)</sup> | 2018 <sup>(3)</sup> |
| Primary Government's Proportion of the Net Pension Liability as an:                                                            |                  |                     |                     |                     |
| Employer                                                                                                                       | 0.70%            | 0.62%               | 0.72%               | 0.51%               |
| Non-Employer Contributing Entity                                                                                               | —%               | 3.56%               | 1.29%               | 1.24%               |
| Total Primary Government's Proportion of the Net Pension Liability                                                             | <u>0.70%</u>     | <u>4.18%</u>        | <u>2.01%</u>        | <u>1.75%</u>        |
| Primary Government's Proportionate Share of the Net Pension Liability as an:                                                   |                  |                     |                     |                     |
| Employer                                                                                                                       | \$ 33,103        | \$ 32,022           | \$ 58,119           | \$ 32,252           |
| Non-Employer Contributing Entity                                                                                               | —                | 184,478             | 104,677             | 79,275              |
| Total Primary Government's Proportionate Share of the Net Pension Liability                                                    | <u>\$ 33,103</u> | <u>\$ 216,500</u>   | <u>\$ 162,796</u>   | <u>\$ 111,527</u>   |
| Primary Government's Covered-Member Payroll – Measurement Period                                                               | \$ 37,715        | \$ 34,289           | \$ 41,328           | \$ 31,105           |
| 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%              |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                                     | 78.7%            | 78.2%               | 68.9%               | 75.9%               |

<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.

<sup>(5)</sup> 2022: The discount rate changed to 6.5 percent.

<sup>(6)</sup> 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and former MERF members of 4 percent minus the actual 2024 benefit increase and for coordinated members, 2.5 percent minus the actual 2024 benefit increase, payable in a lump sum by March 31, 2024. The discount rate changed to 7.0 percent.

**Required Supplementary Information**  
**Multiple-Employer Cost Sharing Plans**  
**Schedule of the Proportionate Share of the Net Pension Liability (Continued)**  
**(In Thousands)**

| 2019 <sup>(4)</sup> | 2020              | 2021              | 2022 <sup>(5)</sup> | 2023              | 2024 <sup>(6)</sup> |
|---------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| 0.46%               | 0.41%             | 0.37%             | 0.32%               | 0.28%             | 0.25%               |
| 3.18%               | 3.02%             | 2.99%             | 2.97%               | 2.85%             | 2.69%               |
| <u>3.64%</u>        | <u>3.43%</u>      | <u>3.36%</u>      | <u>3.29%</u>        | <u>3.13%</u>      | <u>2.94%</u>        |
| \$ 25,408           | \$ 22,829         | \$ 22,051         | \$ 13,819           | \$ 22,628         | \$ 14,125           |
| 176,191             | 166,659           | 179,348           | 126,546             | 225,578           | 150,014             |
| <u>\$ 201,599</u>   | <u>\$ 189,488</u> | <u>\$ 201,399</u> | <u>\$ 140,365</u>   | <u>\$ 248,206</u> | <u>\$ 164,139</u>   |
| \$ 28,849           | \$ 26,936         | \$ 24,638         | \$ 21,880           | \$ 20,120         | \$ 18,930           |
| 88.1%               | 84.8%             | 89.5%             | 63.2%               | 112.5%            | 74.6%               |
| 79.5%               | 80.2%             | 79.1%             | 87.0%               | 76.7%             | 83.1%               |

|                                                                                                                                | Police and Fire Fund <sup>(1)</sup> |            |            |            |
|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------|------------|------------|
|                                                                                                                                | 2015                                | 2016       | 2017       | 2018       |
| Primary Government's Proportion of the Net Pension Liability as an:                                                            |                                     |            |            |            |
| Employer                                                                                                                       | N/A                                 | N/A        | N/A        | N/A        |
| Non-Employer Contributing Entity                                                                                               | N/A                                 | N/A        | N/A        | N/A        |
| Total Primary Government's Proportion of the Net Pension Liability                                                             | <u>N/A</u>                          | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Primary Government's Proportionate Share of the Net Pension Liability as an:                                                   |                                     |            |            |            |
| Employer                                                                                                                       | N/A                                 | N/A        | N/A        | N/A        |
| Non-Employer Contributing Entity                                                                                               | N/A                                 | N/A        | N/A        | N/A        |
| Total Primary Government's Proportionate Share of the Net Pension Liability                                                    | <u>N/A</u>                          | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Primary Government's Covered-Member Payroll – Measurement Period                                                               | N/A                                 | N/A        | N/A        | N/A        |
| Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll | N/A                                 | N/A        | N/A        | N/A        |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                                     | N/A                                 | N/A        | N/A        | N/A        |

<sup>(1)</sup> Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.

<sup>(2)</sup> 2022: The discount rate changed from 7.5 percent to 6.5 percent.

<sup>(3)</sup> 2023: The discount rate changed to 5.4 percent.

<sup>(4)</sup> 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 3.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 7.0 percent.

**Required Supplementary Information**  
**Multiple-Employer Cost Sharing Plans**  
**Schedule of the Proportionate Share of the Net Pension Liability (Continued)**  
(In Thousands)

| 2019             | 2020             | 2021             | 2022 <sup>(2)</sup> | 2023 <sup>(3)</sup> | 2024 <sup>(4)</sup> |
|------------------|------------------|------------------|---------------------|---------------------|---------------------|
| —%               | 0.25%            | 0.28%            | 0.28%               | 0.27%               | 0.26%               |
| 5.27%            | 5.15%            | 4.60%            | 4.30%               | 4.19%               | 3.87%               |
| <u>5.27%</u>     | <u>5.40%</u>     | <u>4.88%</u>     | <u>4.58%</u>        | <u>4.46%</u>        | <u>4.13%</u>        |
| \$ —             | \$ 2,687         | \$ 3,635         | \$ 2,149            | \$ 11,919           | \$ 4,467            |
| 56,187           | 54,801           | 60,676           | 33,209              | 182,147             | 66,866              |
| <u>\$ 56,187</u> | <u>\$ 57,488</u> | <u>\$ 64,311</u> | <u>\$ 35,358</u>    | <u>\$ 194,066</u>   | <u>\$ 71,333</u>    |
| N/A              | \$ 2,553         | \$ 2,949         | \$ 3,052            | \$ 3,088            | \$ 3,167            |
| N/A              | 105.2%           | 123.3%           | 70.4%               | 386.0%              | 141.0%              |
| 88.8%            | 89.3%            | 87.2%            | 93.7%               | 70.5%               | 86.5%               |

|                                                                                                                                | Teachers Retirement Fund |                     |                     |                     |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------|---------------------|---------------------|
|                                                                                                                                | 2015                     | 2016 <sup>(1)</sup> | 2017 <sup>(2)</sup> | 2018 <sup>(3)</sup> |
| Primary Government's Proportion of the Net Pension Liability as an:                                                            |                          |                     |                     |                     |
| Employer                                                                                                                       | 4.13%                    | 3.88%               | 3.72%               | 3.71%               |
| Non-Employer Contributing Entity                                                                                               | 5.17%                    | 9.74%               | 7.97%               | 7.70%               |
| Total Primary Government's Proportion of the Net Pension Liability                                                             | <u>9.30%</u>             | <u>13.62%</u>       | <u>11.69%</u>       | <u>11.41%</u>       |
| Primary Government's Proportionate Share of the Net Pension Liability as an:                                                   |                          |                     |                     |                     |
| Employer                                                                                                                       | \$ 190,460               | \$ 239,701          | \$ 888,788          | \$ 740,843          |
| Non-Employer Contributing Entity                                                                                               | 237,958                  | 602,738             | 1,900,653           | 1,537,059           |
| Total Primary Government's Proportionate Share of the Net Pension Liability                                                    | <u>\$ 428,418</u>        | <u>\$ 842,439</u>   | <u>\$ 2,789,441</u> | <u>\$ 2,277,902</u> |
| Primary Government's Covered-Member Payroll – Measurement Period                                                               | \$ 167,667               | \$ 166,870          | \$ 168,264          | \$ 174,018          |
| 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%              |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                                     | 81.5%                    | 76.8%               | 44.9%               | 51.6%               |

<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.

<sup>(5)</sup> 2022: The discount rate changed to 7.0 percent.

<sup>(6)</sup> 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and coordinated members of 2.9 percent and 1.4 percent, respectively, payable in a lump sum by March 31, 2024.

**Required Supplementary Information**  
**Multiple-Employer Cost Sharing Plans**  
**Schedule of the Proportionate Share of the Net Pension Liability (Continued)**  
(In Thousands)

| 2019 <sup>(4)</sup> | 2020              | 2021              | 2022 <sup>(5)</sup> | 2023              | 2024 <sup>(6)</sup> |
|---------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| 3.52%               | 3.55%             | 3.48%             | 3.45%               | 3.33%             | 3.55%               |
| 7.50%               | 7.10%             | 6.75%             | 6.39%               | 6.03%             | 5.72%               |
| <u>11.02%</u>       | <u>10.65%</u>     | <u>10.23%</u>     | <u>9.84%</u>        | <u>9.36%</u>      | <u>9.27%</u>        |
| \$ 221,190          | \$ 226,558        | \$ 256,907        | \$ 150,864          | \$ 266,953        | \$ 293,451          |
| 471,220             | 452,696           | 499,032           | 279,641             | 482,875           | 472,132             |
| <u>\$ 692,410</u>   | <u>\$ 679,254</u> | <u>\$ 755,939</u> | <u>\$ 430,505</u>   | <u>\$ 749,828</u> | <u>\$ 765,583</u>   |
| \$ 170,196          | \$ 177,753        | \$ 179,645        | \$ 183,607          | \$ 185,816        | \$ 203,848          |
| 130.0%              | 127.5%            | 143.0%            | 82.2%               | 143.7%            | 144.0%              |
| 78.1%               | 78.2%             | 75.5%             | 86.6%               | 76.2%             | 76.4%               |

| St. Paul Teachers' Retirement Fund                                                                                             |                   |                     |                     |                     |
|--------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|---------------------|---------------------|
|                                                                                                                                | 2015              | 2016 <sup>(1)</sup> | 2017 <sup>(2)</sup> | 2018 <sup>(3)</sup> |
| Primary Government's Proportion of the Net Pension Liability as an:                                                            |                   |                     |                     |                     |
| Employer                                                                                                                       | 0.31%             | 0.24%               | 0.17%               | 0.18%               |
| Non-Employer Contributing Entity                                                                                               | 30.34%            | 29.52%              | 28.79%              | 27.97%              |
| Total Primary Government's Proportion of the Net Pension Liability                                                             | <u>30.65%</u>     | <u>29.76%</u>       | <u>28.96%</u>       | <u>28.15%</u>       |
| Primary Government's Proportionate Share of the Net Pension Liability as an:                                                   |                   |                     |                     |                     |
| Employer                                                                                                                       | \$ 1,666          | \$ 1,385            | \$ 1,082            | \$ 1,019            |
| Non-Employer Contributing Entity                                                                                               | 162,576           | 171,776             | 182,226             | 161,970             |
| Total Primary Government's Proportionate Share of the Net Pension Liability                                                    | <u>\$ 164,242</u> | <u>\$ 173,161</u>   | <u>\$ 183,308</u>   | <u>\$ 162,989</u>   |
| Primary Government's Covered-Member Payroll – Measurement Period                                                               | \$ 1,749          | \$ 628              | \$ 443              | \$ 465              |
| 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%              |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                                     | 66.1%             | 63.6%               | 60.3%               | 64.1%               |

<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.

<sup>(5)</sup> 2023: The discount rate changed to 7.0 percent.

<sup>(6)</sup> 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and coordinated members of 3.0 percent and 1.5 percent, respectively, payable in a lump sum by March 31, 2024.

**Required Supplementary Information**  
**Multiple-Employer Cost Sharing Plans**  
**Schedule of the Proportionate Share of the Net Pension Liability (Continued)**  
(In Thousands)

| 2019 <sup>(4)</sup> | 2020              | 2021              | 2022              | 2023 <sup>(5)</sup> | 2024 <sup>(6)</sup> |
|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| 0.10%               | 0.10%             | 0.08%             | 0.05%             | 0.04%               | 0.04%               |
| 27.48%              | 33.67%            | 31.67%            | 30.90%            | 28.84%              | 29.02%              |
| <u>27.58%</u>       | <u>33.77%</u>     | <u>31.75%</u>     | <u>30.95%</u>     | <u>28.88%</u>       | <u>29.06%</u>       |
|                     |                   |                   |                   |                     |                     |
| \$ 630              | \$ 617            | \$ 503            | \$ 230            | \$ 243              | \$ 250              |
| 166,431             | 205,790           | 207,016           | 134,248           | 200,407             | 195,832             |
|                     |                   |                   |                   |                     |                     |
| <u>\$ 167,061</u>   | <u>\$ 206,407</u> | <u>\$ 207,519</u> | <u>\$ 134,478</u> | <u>\$ 200,650</u>   | <u>\$ 196,082</u>   |
|                     |                   |                   |                   |                     |                     |
| \$ 274              | \$ 271            | \$ 211            | \$ 148            | \$ 106              | \$ 110              |
|                     |                   |                   |                   |                     |                     |
| 229.9%              | 227.7%            | 238.4%            | 155.4%            | 229.2%              | 227.3%              |
|                     |                   |                   |                   |                     |                     |
| 63.9%               | 63.9%             | 61.4%             | 74.9%             | 62.4%               | 64.3%               |

|                                                                                                                                | Minneapolis<br>Employee<br>Retirement<br>Fund <sup>(1)</sup> | Duluth<br>Teachers'<br>Retirement<br>Fund <sup>(2)</sup> |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------|
|                                                                                                                                | 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                                                             | <u>43.35%</u>                                                | <u>65.53%</u>                                            |
| 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                                                    | <u>\$ 95,900</u>                                             | <u>\$ 168,349</u>                                        |
| 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 GERF 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**

|                                                         | 2015      | 2016      | 2017 <sup>(2)</sup> | 2018 <sup>(3)</sup> |
|---------------------------------------------------------|-----------|-----------|---------------------|---------------------|
| Statutorily Required Contribution <sup>(1)</sup>        | \$ 9,776  | \$ 10,219 | \$ 13,758           | \$ 17,027           |
| Covered-Member Payroll                                  | \$ 43,449 | \$ 45,418 | \$ 47,813           | \$ 49,009           |
| Contributions as a Percentage of Covered-Member Payroll | 22.5%     | 22.5%     | 28.8%               | 34.7%               |

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2017: The required employer contribution rate included an additional \$3 million over the percentage of covered payroll.

<sup>(3)</sup> 2018: The required employer contribution rate included an additional \$3 million for a total of \$6 million over the percentage of covered payroll each year until the earlier of the plan is fully funded for three consecutive years or July 1, 2048.

<sup>(4)</sup> 2024: Employer contributions include a one-time state aid contribution of \$293 thousand.

| 2019      | 2020      | 2021      | 2022      | 2023      | 2024 <sup>(4)</sup> |
|-----------|-----------|-----------|-----------|-----------|---------------------|
| \$ 17,287 | \$ 17,766 | \$ 17,915 | \$ 18,248 | \$ 18,245 | \$ 19,534           |
| \$ 50,164 | \$ 52,298 | \$ 52,960 | \$ 54,436 | \$ 54,422 | \$ 55,399           |
| 34.5%     | 34.0%     | 33.8%     | 33.5%     | 33.5%     | 35.3%               |

**Legislators Retirement Fund <sup>(2)</sup>**

|                                                         | 2015     | 2016     | 2017     | 2018     |
|---------------------------------------------------------|----------|----------|----------|----------|
| Statutorily Required Contribution <sup>(1)</sup>        | \$ 3,216 | \$ 5,087 | \$ 8,716 | \$ 8,856 |
| Covered-Member Payroll                                  | \$ 1,700 | \$ 989   | \$ 889   | \$ 1,033 |
| Contributions as a Percentage of Covered-Member Payroll | 189.2%   | 514.4%   | 980.4%   | 857.3%   |

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> LRF employer contributions are on a pay-as-you-go basis.

<sup>(3)</sup> 2024: Employer contributions include a one-time state aid contribution of \$91 thousand.

| 2019     | 2020     | 2021     | 2022     | 2023     | 2024 <sup>(3)</sup> |
|----------|----------|----------|----------|----------|---------------------|
| \$ 8,798 | \$ 8,764 | \$ 8,639 | \$ 8,682 | \$ 8,699 | \$ 8,813            |
| \$ 1,011 | \$ 967   | \$ 856   | \$ 689   | \$ 544   | \$ 428              |
| 870.2%   | 906.3%   | 1009.2%  | 1260.1%  | 1599.1%  | 2059.1%             |

**State Patrol Retirement Fund**

|                                                         | 2015      | 2016      | 2017 <sup>(2)</sup> | 2018      |
|---------------------------------------------------------|-----------|-----------|---------------------|-----------|
| Statutorily Required Contribution <sup>(1)</sup>        | \$ 13,763 | \$ 13,938 | \$ 15,783           | \$ 15,952 |
| Covered-Member Payroll                                  | \$ 68,463 | \$ 69,343 | \$ 73,056           | \$ 74,007 |
| Contributions as a Percentage of Covered-Member Payroll | 20.1%     | 20.1%     | 21.6%               | 21.6%     |

<sup>(1)</sup> Statutorily required contributions equal actual required contributions.

<sup>(2)</sup> 2017: The required employer contribution rate changed from 20.1 percent to 21.6 percent.

<sup>(3)</sup> 2019: The required employer contribution rate changed to 22.35 percent, plus an additional supplemental employer contribution of 1.75 percent.

<sup>(4)</sup> 2020: The required employer contribution rate changed to 23.1 percent, plus an additional supplemental employer contribution of 3.0 percent.

<sup>(5)</sup> 2021: The additional supplemental employer contribution rate changed to 5.0 percent.

<sup>(6)</sup> 2022: The additional supplemental employer contribution rate changed to 7.0 percent.

<sup>(7)</sup> 2024: Employer contributions include a one-time state aid contribution of \$11.971 million.

| 2019 <sup>(3)</sup> | 2020 <sup>(4)</sup> | 2021 <sup>(5)</sup> | 2022 <sup>(6)</sup> | 2023       | 2024 <sup>(7)</sup> |
|---------------------|---------------------|---------------------|---------------------|------------|---------------------|
| \$ 19,479           | \$ 21,975           | \$ 24,809           | \$ 32,258           | \$ 31,537  | \$ 46,035           |
| \$ 80,792           | \$ 84,530           | \$ 88,351           | \$ 107,240          | \$ 106,714 | \$ 108,324          |
| 24.1%               | 26.0%               | 28.1%               | 30.1%               | 29.6%      | 42.5%               |

**Required Supplementary Information**  
**Primary Government Administered Single-Employer Plans**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
(In Thousands)

| <b>Judges Retirement Fund</b>                                                    |                   |                     |                     |                     |
|----------------------------------------------------------------------------------|-------------------|---------------------|---------------------|---------------------|
|                                                                                  | 2015              | 2016 <sup>(1)</sup> | 2017 <sup>(2)</sup> | 2018 <sup>(3)</sup> |
| <b>Total Pension Liability</b>                                                   |                   |                     |                     |                     |
| Service Cost                                                                     | \$ 12,075         | \$ 12,251           | \$ 13,711           | \$ 9,483            |
| Interest on the Total Pension Liability                                          | 20,535            | 21,773              | 21,349              | 25,366              |
| Benefit Changes                                                                  | —                 | —                   | —                   | —                   |
| Difference Between Expected and Actual Experience of the Total Pension Liability | 5,080             | (4,366)             | 7,135               | (4,958)             |
| 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)            |
| Net Change in Total Pension Liability                                            | \$ 8,472          | \$ 29,461           | \$ (65,939)         | \$ 18,449           |
| Total Pension Liability, Beginning                                               | \$ 373,039        | \$ 381,511          | \$ 410,972          | \$ 345,033          |
| Total Pension Liability, Ending                                                  | <u>\$ 381,511</u> | <u>\$ 410,972</u>   | <u>\$ 345,033</u>   | <u>\$ 363,482</u>   |
| <b>Fiduciary Net Position</b>                                                    |                   |                     |                     |                     |
| Contributions – Employer                                                         | \$ 9,426          | \$ 9,776            | \$ 10,219           | \$ 13,758           |
| Contributions – Member                                                           | 3,578             | 3,629               | 3,763               | 3,932               |
| Net Investment Income                                                            | 28,011            | 7,572               | (186)               | 24,729              |
| Benefit Payments, Including Refunds of Member Contributions                      | (20,802)          | (21,893)            | (22,378)            | (23,094)            |
| Pension Plan Administrative Expenses                                             | (55)              | (60)                | (94)                | (89)                |
| Net Change in Plan Fiduciary Net Position                                        | \$ 20,158         | \$ (976)            | \$ (8,676)          | \$ 19,236           |
| Plan Fiduciary Net Position, Beginning                                           | \$ 155,398        | \$ 175,556          | \$ 174,580          | \$ 165,904          |
| Plan Fiduciary Net Position, Ending                                              | <u>\$ 175,556</u> | <u>\$ 174,580</u>   | <u>\$ 165,904</u>   | <u>\$ 185,140</u>   |
| <b>Net Pension Liability</b>                                                     | <u>\$ 205,955</u> | <u>\$ 236,392</u>   | <u>\$ 179,129</u>   | <u>\$ 178,342</u>   |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability       | 46.0%             | 42.5%               | 48.1%               | 50.9%               |
| Covered-Member Payroll – Measurement Period                                      | \$ 41,893         | \$ 43,449           | \$ 45,418           | \$ 47,813           |
| Net Pension Liability as a Percentage of Covered-Member Payroll                  | 491.6%            | 544.1%              | 394.4%              | 373.0%              |

|  | 2019 <sup>(4)</sup> | 2020 <sup>(5)</sup> | 2021 <sup>(6)</sup> | 2022 <sup>(7)</sup> | 2023 <sup>(8)</sup> | 2024 <sup>(9)</sup> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | \$ 9,857            | \$ 9,881            | \$ 9,897            | \$ 10,204           | \$ 11,707           | \$ 11,063           |
|  | 26,747              | 27,769              | 28,721              | 29,568              | 27,360              | 28,538              |
|  | —                   | —                   | —                   | (9,525)             | —                   | 295                 |
|  | 1,424               | 804                 | (802)               | (1,481)             | 2,040               | (2,002)             |
|  | —                   | —                   | —                   | 24,695              | (10,257)            | (9,979)             |
|  | (23,585)            | (25,233)            | (26,302)            | (27,038)            | (28,035)            | (29,287)            |
|  | \$ 14,443           | \$ 13,221           | \$ 11,514           | \$ 26,423           | \$ 2,815            | \$ (1,372)          |
|  | \$ 363,482          | \$ 377,925          | \$ 391,146          | \$ 402,660          | \$ 429,083          | \$ 431,898          |
|  | <u>\$ 377,925</u>   | <u>\$ 391,146</u>   | <u>\$ 402,660</u>   | <u>\$ 429,083</u>   | <u>\$ 431,898</u>   | <u>\$ 430,526</u>   |
|  | \$ 17,027           | \$ 17,287           | \$ 17,766           | \$ 17,915           | \$ 18,248           | \$ 18,245           |
|  | 3,973               | 4,049               | 4,168               | 4,166               | 4,214               | 4,121               |
|  | 19,265              | 14,491              | 8,955               | 64,934              | (17,022)            | 22,013              |
|  | (23,585)            | (25,233)            | (26,302)            | (27,038)            | (28,035)            | (29,287)            |
|  | (65)                | (87)                | (112)               | (76)                | (72)                | (76)                |
|  | \$ 16,615           | \$ 10,507           | \$ 4,475            | \$ 59,901           | \$ (22,667)         | \$ 15,016           |
|  | \$ 185,140          | \$ 201,755          | \$ 212,262          | \$ 216,737          | \$ 276,638          | \$ 253,971          |
|  | <u>\$ 201,755</u>   | <u>\$ 212,262</u>   | <u>\$ 216,737</u>   | <u>\$ 276,638</u>   | <u>\$ 253,971</u>   | <u>\$ 268,987</u>   |
|  | <u>\$ 176,170</u>   | <u>\$ 178,884</u>   | <u>\$ 185,923</u>   | <u>\$ 152,445</u>   | <u>\$ 177,927</u>   | <u>\$ 161,539</u>   |
|  | 53.4%               | 54.3%               | 53.8%               | 64.5%               | 58.8%               | 62.5%               |
|  | \$ 49,009           | \$ 50,164           | \$ 52,298           | \$ 52,960           | \$ 54,436           | \$ 54,422           |
|  | 359.5%              | 356.6%              | 355.5%              | 287.8%              | 326.9%              | 296.8%              |

<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.

<sup>(7)</sup> 2022: Benefit increase rate changed to 1.75 percent through December 31, 2021 and 1.5 percent thereafter. The discount rate changed to 6.5 percent.

<sup>(8)</sup> 2023: The discount rate changed to 6.75 percent.

<sup>(9)</sup> 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 7.00 percent.

**Required Supplementary Information**  
**Primary Government Administered Single-Employer Plans**  
**Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)**  
(In Thousands)

| Legislators Retirement Fund                                                      |                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|----------------------------------------------------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                                  | 2015              | 2016 <sup>(1)</sup> | 2017 <sup>(2)</sup> | 2018 <sup>(3)</sup> | 2019 <sup>(4)</sup> | 2020 <sup>(5)</sup> | 2021 <sup>(6)</sup> | 2022 <sup>(7)</sup> | 2023 <sup>(8)</sup> | 2024 <sup>(9)</sup> |
| <b>Total Pension Liability</b>                                                   |                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Service Cost                                                                     | \$ 398            | \$ 428              | \$ 495              | \$ 546              | \$ 437              | \$ 496              | \$ 527              | \$ 657              | \$ 532              | \$ 340              |
| Interest on the Total Pension Liability                                          | 6,177             | 6,113               | 5,332               | 4,293               | 5,094               | 4,894               | 4,258               | 3,498               | 2,625               | 4,052               |
| Benefit Changes                                                                  | —                 | —                   | —                   | —                   | (9,839)             | —                   | —                   | —                   | —                   | 87                  |
| Difference Between Expected and Actual Experience of the Total Pension Liability | (237)             | (7,303)             | (1,597)             | 1,518               | 6,119               | (2,441)             | 645                 | (527)               | (415)               | 230                 |
| Changes in Assumptions                                                           | 11,201            | 7,057               | 14,653              | (5,017)             | (856)               | 6,722               | 9,986               | (942)               | (20,826)            | (1,607)             |
| Benefit Payments, Including Refunds of Member Contributions                      | (8,486)           | (8,441)             | (8,536)             | (8,716)             | (8,912)             | (8,853)             | (8,812)             | (8,679)             | (8,705)             | (8,712)             |
| Net Change in Total Pension Liability                                            | \$ 9,053          | \$ (2,146)          | \$ 10,347           | \$ (7,376)          | \$ (7,957)          | \$ 818              | \$ 6,604            | \$ (5,993)          | \$ (26,789)         | \$ (5,610)          |
| Total Pension Liability, Beginning                                               | \$ 137,446        | \$ 146,499          | \$ 144,353          | \$ 154,700          | \$ 147,324          | \$ 139,367          | \$ 140,185          | \$ 146,789          | \$ 140,796          | \$ 114,007          |
| Total Pension Liability, Ending                                                  | <u>\$ 146,499</u> | <u>\$ 144,353</u>   | <u>\$ 154,700</u>   | <u>\$ 147,324</u>   | <u>\$ 139,367</u>   | <u>\$ 140,185</u>   | <u>\$ 146,789</u>   | <u>\$ 140,796</u>   | <u>\$ 114,007</u>   | <u>\$ 108,397</u>   |
| <b>Fiduciary Net Position</b>                                                    |                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Contributions – Employer                                                         | \$ 3,436          | \$ 3,216            | \$ 5,087            | \$ 8,716            | \$ 8,856            | \$ 8,798            | \$ 8,764            | \$ 8,639            | \$ 8,682            | \$ 8,699            |
| Contributions – Member                                                           | 101               | 153                 | 89                  | 80                  | 93                  | 91                  | 87                  | 77                  | 62                  | 49                  |
| Net Investment Income                                                            | 1,750             | 281                 | (69)                | —                   | —                   | —                   | —                   | —                   | —                   | —                   |
| Benefit Payments, Including Refunds of Member Contributions                      | (8,486)           | (8,441)             | (8,536)             | (8,716)             | (8,912)             | (8,853)             | (8,812)             | (8,679)             | (8,705)             | (8,712)             |
| Pension Plan Administrative Expenses                                             | (36)              | (37)                | (42)                | (39)                | (37)                | (36)                | (39)                | (37)                | (39)                | (36)                |
| Other Changes                                                                    | —                 | —                   | 41                  | (41)                | —                   | —                   | —                   | —                   | —                   | —                   |
| Net Change in Plan Fiduciary Net Position                                        | \$ (3,235)        | \$ (4,828)          | \$ (3,430)          | \$ —                | \$ —                | \$ —                | \$ —                | \$ —                | \$ —                | \$ —                |
| Plan Fiduciary Net Position, Beginning                                           | \$ 11,493         | \$ 8,258            | \$ 3,430            | \$ —                | \$ —                | \$ —                | \$ —                | \$ —                | \$ —                | \$ —                |
| Plan Fiduciary Net Position, Ending                                              | \$ 8,258          | \$ 3,430            | \$ —                | \$ —                | \$ —                | \$ —                | \$ —                | \$ —                | \$ —                | \$ —                |
| <b>Net Pension Liability</b>                                                     | <u>\$ 138,241</u> | <u>\$ 140,923</u>   | <u>\$ 154,700</u>   | <u>\$ 147,324</u>   | <u>\$ 139,367</u>   | <u>\$ 140,185</u>   | <u>\$ 146,789</u>   | <u>\$ 140,796</u>   | <u>\$ 114,007</u>   | <u>\$ 108,397</u>   |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability       | 5.6%              | 2.4%                | —%                  | —%                  | —%                  | —%                  | —%                  | —%                  | —%                  | —%                  |
| Covered-Member Payroll – Measurement Period                                      | \$ 1,122          | \$ 1,700            | \$ 989              | \$ 889              | \$ 1,033            | \$ 1,011            | \$ 967              | \$ 856              | \$ 689              | \$ 544              |
| Net Pension Liability as a Percentage of Covered-Member Payroll                  | 12,320.9%         | 8,289.6%            | 15,642.1%           | 16,571.9%           | 13,491.5%           | 13,866.0%           | 15,179.8%           | 16,448.1%           | 16,546.7%           | 19,925.9%           |

- <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.
- <sup>(7)</sup> 2022: The discount rate changed to 1.92 percent.
- <sup>(8)</sup> 2023: The discount rate changed to 3.69 percent.
- <sup>(9)</sup> 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 3.86 percent.

**Required Supplementary Information**  
**Primary Government Administered Single-Employer Plans**  
**Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)**  
(In Thousands)

| State Patrol Retirement Fund                                                     |            |                     |                     |                     |                     |            |            |                     |                     |                     |
|----------------------------------------------------------------------------------|------------|---------------------|---------------------|---------------------|---------------------|------------|------------|---------------------|---------------------|---------------------|
|                                                                                  | 2015       | 2016 <sup>(1)</sup> | 2017 <sup>(2)</sup> | 2018 <sup>(3)</sup> | 2019 <sup>(4)</sup> | 2020       | 2021       | 2022 <sup>(5)</sup> | 2023 <sup>(6)</sup> | 2024 <sup>(7)</sup> |
| <b>Total Pension Liability</b>                                                   |            |                     |                     |                     |                     |            |            |                     |                     |                     |
| Service Cost                                                                     | \$ 14,514  | \$ 16,144           | \$ 16,555           | \$ 29,758           | \$ 24,935           | \$ 19,375  | \$ 21,122  | \$ 21,795           | \$ 26,648           | \$ 29,951           |
| Interest on the Total Pension Liability                                          | 60,183     | 63,753              | 64,592              | 58,865              | 65,110              | 68,227     | 70,465     | 72,625              | 71,049              | 77,346              |
| Benefit Changes                                                                  | —          | —                   | —                   | —                   | (2,604)             | —          | —          | —                   | —                   | 2,002               |
| Difference Between Expected and Actual Experience of the Total Pension Liability | (5,771)    | (12,855)            | (22,222)            | (2,418)             | (8,369)             | 2,757      | (535)      | 1,596               | 54,474              | (1,787)             |
| Changes in Assumptions                                                           | 30,058     | —                   | 283,584             | (112,694)           | (126,888)           | —          | —          | 90,144              | (35,484)            | (34,912)            |
| Benefit Payments, Including Refunds of Member Contributions                      | (53,722)   | (55,480)            | (57,774)            | (58,565)            | (59,692)            | (60,803)   | (61,971)   | (63,210)            | (64,506)            | (66,580)            |
| Net Change in Total Pension Liability                                            | \$ 45,262  | \$ 11,562           | \$ 284,735          | \$ (85,054)         | \$ (107,508)        | \$ 29,556  | \$ 29,081  | \$ 122,950          | \$ 52,181           | \$ 6,020            |
| Total Pension Liability, Beginning                                               | \$ 781,411 | \$ 826,673          | \$ 838,235          | \$ 1,122,970        | \$ 1,037,916        | \$ 930,408 | \$ 959,964 | \$ 989,045          | \$ 1,111,995        | \$ 1,164,176        |
| Total Pension Liability, Ending                                                  | \$ 826,673 | \$ 838,235          | \$ 1,122,970        | \$ 1,037,916        | \$ 930,408          | \$ 959,964 | \$ 989,045 | \$ 1,111,995        | \$ 1,164,176        | \$ 1,170,196        |
| <b>Fiduciary Net Position</b>                                                    |            |                     |                     |                     |                     |            |            |                     |                     |                     |
| Contributions – Employer                                                         | \$ 12,894  | \$ 14,763           | \$ 14,938           | \$ 16,783           | \$ 16,952           | \$ 20,479  | \$ 22,975  | \$ 25,809           | \$ 33,258           | \$ 32,537           |
| Contributions – Member                                                           | 7,930      | 9,174               | 9,292               | 10,520              | 10,657              | 12,038     | 12,595     | 13,606              | 16,515              | 16,434              |
| Net Investment Income                                                            | 107,187    | 28,903              | (774)               | 93,077              | 70,474              | 51,823     | 31,073     | 224,273             | (59,360)            | 77,364              |
| Benefit Payments, Including Refunds of Member Contributions                      | (53,722)   | (55,480)            | (57,774)            | (58,565)            | (59,692)            | (60,803)   | (61,971)   | (63,210)            | (64,506)            | (66,580)            |
| Pension Plan Administrative Expenses                                             | (150)      | (170)               | (220)               | (208)               | (184)               | (191)      | (224)      | (204)               | (190)               | (235)               |
| Other Changes                                                                    | —          | —                   | —                   | —                   | (7)                 | (1)        | (2)        | —                   | —                   | (2)                 |
| Net Change in Plan Fiduciary Net Position                                        | \$ 74,139  | \$ (2,810)          | \$ (34,538)         | \$ 61,607           | \$ 38,200           | \$ 23,345  | \$ 4,446   | \$ 200,274          | \$ (74,283)         | \$ 59,518           |
| Plan Fiduciary Net Position, Beginning                                           | \$ 593,201 | \$ 667,340          | \$ 664,530          | \$ 629,992          | \$ 691,599          | \$ 729,799 | \$ 753,144 | \$ 757,590          | \$ 957,864          | \$ 883,581          |
| Plan Fiduciary Net Position, Ending                                              | \$ 667,340 | \$ 664,530          | \$ 629,992          | \$ 691,599          | \$ 729,799          | \$ 753,144 | \$ 757,590 | \$ 957,864          | \$ 883,581          | \$ 943,099          |
| <b>Net Pension Liability</b>                                                     | \$ 159,333 | \$ 173,705          | \$ 492,978          | \$ 346,317          | \$ 200,609          | \$ 206,820 | \$ 231,455 | \$ 154,131          | \$ 280,595          | \$ 227,097          |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability       | 80.7%      | 79.3%               | 56.1%               | 66.6%               | 78.4%               | 78.5%      | 76.6%      | 86.1%               | 75.9%               | 80.6%               |
| Covered-Member Payroll – Measurement Period                                      | \$ 63,952  | \$ 68,463           | \$ 69,343           | \$ 73,056           | \$ 74,007           | \$ 80,792  | \$ 84,530  | \$ 88,351           | \$ 107,240          | \$ 106,714          |
| Net Pension Liability as a Percentage of Covered-Member Payroll                  | 249.1%     | 253.7%              | 710.9%              | 474.0%              | 271.1%              | 256.0%     | 273.8%     | 174.5%              | 261.7%              | 212.8%              |

- <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.
- <sup>(5)</sup> 2022: The discount rate changed to 6.5 percent.
- <sup>(6)</sup> 2023: The discount rate changed to 6.75 percent.
- <sup>(7)</sup> 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 3.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 7.00 percent.

## Defined Benefit Other Postemployment Benefits

The state of Minnesota offers other postemployment benefits (OPEB) to state employees and their dependents through a single-employer defined benefit health care plan. The state does not fund this plan and operates on a pay-as-you-go basis. The state implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" in fiscal year 2018, which is the first year the data is available. This statement requires the presentation of supplementary information for each of the ten most recent years. However, until a full 10-year trend is available, the state will present information for the years which the information is available.

| Required Supplementary Information<br>Single Employer Defined Benefit OPEB Plan<br>Schedule of Changes in Total OPEB Liability<br>(In Thousands) |                   |                     |                     |                     |                     |                     |                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                                                                                                  | 2018              | 2019 <sup>(2)</sup> | 2020 <sup>(3)</sup> | 2021 <sup>(4)</sup> | 2022 <sup>(5)</sup> | 2023 <sup>(6)</sup> | 2024 <sup>(7)</sup> |
| <b>Total OPEB Liability <sup>(1)</sup></b>                                                                                                       |                   |                     |                     |                     |                     |                     |                     |
| Service Cost                                                                                                                                     | \$ 51,415         | \$ 48,056           | \$ 47,473           | \$ 46,502           | \$ 48,014           | \$ 49,853           | \$ 43,625           |
| Interest                                                                                                                                         | 18,612            | 23,378              | 24,963              | 23,128              | 15,947              | 16,278              | 26,792              |
| Differences Between Expected and Actual Experience                                                                                               | —                 | (42,541)            | (16,846)            | (76,320)            | —                   | 48,361              | 9,752               |
| Changes in Assumptions or Other Inputs                                                                                                           | (32,277)          | (596)               | (2,444)             | 101,123             | 2,571               | (63,846)            | 17,163              |
| Benefit Payments                                                                                                                                 | (32,627)          | (36,358)            | (35,030)            | (37,754)            | (32,518)            | (40,105)            | (42,504)            |
| Net Changes in Total OPEB Liability                                                                                                              | \$ 5,123          | \$ (8,061)          | \$ 18,116           | \$ 56,679           | \$ 34,014           | \$ 10,541           | \$ 54,828           |
| Total OPEB Liability, Beginning                                                                                                                  | \$ 617,856        | \$ 622,979          | \$ 614,918          | \$ 633,034          | \$ 689,713          | \$ 723,727          | \$ 734,268          |
| Total OPEB Liability, Ending                                                                                                                     | <u>\$ 622,979</u> | <u>\$ 614,918</u>   | <u>\$ 633,034</u>   | <u>\$ 689,713</u>   | <u>\$ 723,727</u>   | <u>\$ 734,268</u>   | <u>\$ 789,096</u>   |
| Covered-Employee Payroll                                                                                                                         | \$ 3,545,697      | \$ 3,603,462        | \$ 3,664,566        | \$ 3,814,738        | \$ 3,949,086        | \$ 3,997,574        | \$ 4,225,121        |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll                                                                                 | 17.6%             | 17.1%               | 17.3%               | 18.1%               | 18.3%               | 18.4%               | 18.7%               |

<sup>(1)</sup> Amounts represent the total of the primary government's proportionate share and its discretely presented component units' 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.

<sup>(5)</sup> 2022: The discount rate changed to 2.16 percent.

<sup>(6)</sup> 2023: The discount rate changed to 3.54 percent.

<sup>(7)</sup> 2024: The discount rate changed to 3.65 percent.

## Public Employees Insurance Program Development Information

The Public Employees Insurance Program's medical claim is a self-funded program. The following table illustrates how the fund's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the past ten years (in thousands).

|                                                                                               | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022             | 2023             | 2024             |
|-----------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1. Required Contribution and Investment Revenue:                                              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Earned                                                                                        | \$ 96,008        | \$109,484        | \$120,780        | \$169,172        | \$208,391        | \$268,602        | \$331,570        | \$333,233        | \$293,294        | \$260,706        |
| Ceded                                                                                         | (4,607)          | —                | —                | —                | —                | —                | —                | —                | —                | —                |
| Net Earned                                                                                    | <u>\$ 91,401</u> | <u>\$109,484</u> | <u>\$120,780</u> | <u>\$169,172</u> | <u>\$208,391</u> | <u>\$268,602</u> | <u>\$331,570</u> | <u>\$333,233</u> | <u>\$293,294</u> | <u>\$260,706</u> |
| 2. Unallocated Expenses:                                                                      |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|                                                                                               | \$ 7,435         | \$ 7,846         | \$ 8,518         | \$ 10,891        | \$ 13,213        | \$ 15,822        | \$ 19,737        | \$ 18,830        | \$ 16,223        | \$ 14,478        |
| 3. Estimated Claims and Expenses End of Policy Year:                                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Incurred                                                                                      | \$ 86,276        | \$ 97,089        | \$ 99,399        | \$148,773        | \$196,311        | \$247,273        | \$314,643        | \$318,330        | \$263,209        | \$223,628        |
| Ceded                                                                                         | (7,571)          | —                | —                | —                | —                | —                | —                | —                | —                | —                |
| Net Incurred                                                                                  | <u>\$ 78,705</u> | <u>\$ 97,089</u> | <u>\$ 99,399</u> | <u>\$148,773</u> | <u>\$196,311</u> | <u>\$247,273</u> | <u>\$314,643</u> | <u>\$318,330</u> | <u>\$263,209</u> | <u>\$223,628</u> |
| 4. Net Paid (Cumulative) as of:                                                               |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| End of Policy Year                                                                            | \$ 70,741        | \$ 87,378        | \$ 90,091        | \$135,199        | \$180,716        | \$223,215        | \$284,132        | \$288,708        | \$244,684        | \$203,277        |
| One Year Later                                                                                | 79,461           | 96,681           | 98,880           | 147,318          | 195,547          | 246,968          | 322,890          | 315,565          | 272,095          |                  |
| Two Years Later                                                                               | 79,762           | 96,506           | 98,873           | 148,026          | 195,573          | 247,971          | 323,832          | 316,338          |                  |                  |
| Three Years Later                                                                             | 79,906           | 96,506           | 99,131           | 147,987          | 195,572          | 247,866          | 323,810          |                  |                  |                  |
| Four Years Later                                                                              | 79,906           | 96,602           | 99,131           | 147,987          | 195,572          | 247,866          |                  |                  |                  |                  |
| Five Years Later                                                                              | 79,906           | 96,602           | 99,131           | 147,987          | 195,572          |                  |                  |                  |                  |                  |
| Six Years Later                                                                               | 79,906           | 96,602           | 99,131           | 147,987          |                  |                  |                  |                  |                  |                  |
| Seven Years Later                                                                             | 79,906           | 96,602           | 99,131           |                  |                  |                  |                  |                  |                  |                  |
| Eight Years Later                                                                             | 79,906           | 96,602           |                  |                  |                  |                  |                  |                  |                  |                  |
| Nine Years Later                                                                              | 79,906           |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| 5. Reestimated Ceded Claims and Expenses:                                                     |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|                                                                                               | \$ 7,374         | \$ —             | \$ —             | \$ —             | \$ —             | \$ —             | \$ —             | \$ —             | \$ —             | \$ —             |
| 6. Reestimated Net Incurred Claims and Expenses:                                              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| End of Policy Year                                                                            | \$ 78,705        | \$ 97,089        | \$ 99,399        | \$148,773        | \$196,311        | \$247,273        | \$314,643        | \$318,330        | \$263,209        | \$223,628        |
| One Year Later                                                                                | 80,027           | 97,415           | 99,323           | 148,678          | 196,227          | 247,611          | 323,974          | 316,487          | 273,007          |                  |
| Two Years Later                                                                               | 79,981           | 96,506           | 99,443           | 148,167          | 195,573          | 247,971          | 323,832          | 316,338          |                  |                  |
| Three Years Later                                                                             | 79,906           | 96,601           | 99,131           | 147,987          | 195,572          | 247,866          | 323,810          |                  |                  |                  |
| Four Years Later                                                                              | 79,906           | 96,602           | 99,131           | 147,987          | 195,572          | 247,866          |                  |                  |                  |                  |
| Five Years Later                                                                              | 79,906           | 96,602           | 99,131           | 147,987          | 195,572          |                  |                  |                  |                  |                  |
| Six Years Later                                                                               | 79,906           | 96,602           | 99,131           | 147,987          |                  |                  |                  |                  |                  |                  |
| Seven Years Later                                                                             | 79,906           | 96,602           | 99,131           |                  |                  |                  |                  |                  |                  |                  |
| Eight Years Later                                                                             | 79,906           | 96,602           |                  |                  |                  |                  |                  |                  |                  |                  |
| Nine Years Later                                                                              | 79,906           |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| 7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year: |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|                                                                                               | \$ 1201          | \$ (487)         | \$ (268)         | \$ (786)         | \$ (739)         | \$ 593           | \$ 9167          | \$ (1992)        | \$ 9,798         | \$ —             |

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.
3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally estimated. As data for individual policy years mature, the correlation between original estimates and reestimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

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**APPENDIX F**

**FORM OF LEGAL OPINION**

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November 5, 2025

The Honorable Erin Campbell  
Commissioner of Management and Budget  
658 Cedar Street  
400 Centennial Office Building  
Saint Paul, MN 55155

The Honorable Tamar Gronvall  
Commissioner of Administration  
200 Administration Building  
50 Sherburne Avenue  
Saint Paul, MN 55155

\$50,095,000  
Refunding Certificates of Participation, Series 2025  
(Legislative Office Facility Project)

In a Lease-Purchase Agreement  
between the

State of Minnesota, Acting By and Through the Commissioner of Management and Budget,  
as Lessor

and the

State of Minnesota, Acting By and Through the Commissioner of Administration,  
as Lessee

Dear Commissioners:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget and the Commissioner of Administration of the State of Minnesota (the “State”), preliminary to and in the issuance of the above-captioned certificates of participation (the “Certificates”). The Certificates recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and laws of the State, including, in particular, Minnesota Laws 2013, Chapter 143, Article 12, Section 21, as amended by Minnesota Laws 2025, 1st Special Session, Chapter 15, Article 2, Section 10 (the “Act”), and such other certified proceedings and other documents as we deemed necessary to render this opinion, including (i) the Lease-Purchase Agreement dated as of November 1, 2025 (the “Lease”) between the State of Minnesota, Acting By and Through the Commissioner of Management and Budget, as lessor (the “Lessor”), and the State of Minnesota, Acting By and Through the Commissioner of Administration, as lessee (the “Lessee”); (ii) the Ground Lease dated as of November 1, 2025 (the “Ground Lease”) between the State of Minnesota, Acting By and Through the Commissioner

of Administration, as lessor, and the State of Minnesota, Acting By and Through the Commissioner of Management and Budget, as lessee; (iii) the “Order of the Commissioner of Management and Budget for the Issuance and Sale of Refunding Certificates of Participation, Series 2025 (Legislative Office Facility Project) and of the Commissioner of Administration for Ground Lease and Lease-Purchase Agreement” (the “Order”) dated November 5, 2025, which Order, among other things, authorized the execution and delivery of the Lease and the Ground Lease, and approved the terms of and the issuance of the Certificates; and (iv) the form of Certificate of Participation No. R-1. Capitalized terms used but not defined herein have the meanings assigned to them in the Lease.

The Certificates are dated November 5, 2025, are issuable as fully registered certificates in denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof, mature on the dates and bear interest from the delivery date thereof and thereafter from the dates and, in each case, at the rates set forth in the Order and are subject to payment, registration, transfer, exchange and redemption prior to maturity in the manner and upon the terms set forth therein and in the Order. The Certificates evidence proportionate undivided interests in rights to receive certain revenues under the Lease, as provided in the Certificates and the Lease. The owners of the Certificates are entitled to receive payments, as provided in the Certificates, the Order and the Lease, from the Rental Payments payable by the Lessee to the Lessor under the Lease, which Rental Payments include portions designated and paid as interest, as provided in the Lease.

From such examination, and assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Certificates have been duly authorized, executed and delivered by the Lessor and are payable solely from the sources provided therefor in the Act, the Lease and the Order.
2. The Lease has been duly authorized, executed and delivered by the Lessee and, upon the due execution and delivery thereof by the Lessor, represents the valid and binding agreement of the Lessee, enforceable in accordance with its terms.
3. The Lease and the Certificates are not general obligations of the State and the full faith and credit and taxing powers of the State are not pledged to, or available with respect to, the payment of Rental Payments under the Lease or the payment of the Certificates. The availability of funds to pay Rental Payments under the Lease is subject to annual appropriation by the legislature of the State. The Lease will terminate by its terms upon an event of Nonappropriation (as defined by the Lease), whereupon the Certificates will be subject to immediate extraordinary mandatory redemption.
4. The rights of the owners of the Certificates and the enforceability of the Certificates, the Order and the Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally heretofore or hereinafter enacted, by the exercise of judicial discretion in accordance with general principles of equity, by the exercise by the State and its governmental bodies of the sovereign powers of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.
5. The portion of the Rental Payments payable by the Lessee which is designated and paid as interest, as provided in the Lease, and received by the owners of the Certificates (a) is excludable from

gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, interest on the Certificates may affect the federal alternative minimum tax imposed on certain corporations.

The opinions expressed in paragraph 5 above are subject to the condition of the compliance by the State, acting through the Commissioner of Management and Budget and the Commissioner of Administration, with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Certificates, with covenants respectively made by the Commissioner of Management and Budget and the Commissioner of Administration in the Order relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Certificates in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Certificates. No provision has been made for an increase in the interest payable on the Certificates in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. We express no opinion as to the effect of any termination of the Lessee's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for federal income tax purposes of any moneys received under the Lease subsequent to such termination. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Certificates.

As bond counsel, we are passing only upon those matters specifically set forth above. We express no opinion as to the sufficiency of the descriptions of or title to the Project described in the Lease or otherwise or the priority of any liens, charges or encumbrances on the Project, the accuracy or completeness of any statements made in connection with the offer and sale of the Certificates or upon any federal or Minnesota tax consequences arising from the receipt or accrual of interest on or the ownership of the Certificates except those specifically addressed in this letter. Our engagement with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

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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 Certificates will contain provisions enabling participating underwriters in the primary offering of the Certificates to comply with the requirements of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, paragraph (b)(5), in substantially the following form:

**3.01 Official Statement.** The Official Statement dated October 22, 2025, relating to the Certificates (the "Official Statement"), is a final official statement within the meaning of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, as in effect and interpreted from time to time ("Rule 15c2-12"). The respective purchasers of the Certificates designated in Section 5 hereof (collectively, the "Initial Purchasers") are authorized and directed to distribute the Official Statement to all persons to whom the Certificates of a series are reoffered.

### **3.02 Continuing Disclosure.**

(a) General Undertaking. On behalf of the State, the Commissioner of Management and Budget covenants and agrees with the Registered Owners (as hereinafter defined) from time to time of the Certificates to comply with Rule 15c2-12, paragraph (b)(5); and, for this purpose, to provide to the Municipal Securities Rulemaking Board ("MSRB"), annual financial information of the type included in the Official Statement and notice of the occurrence of certain specified events which materially affect the terms, payment, security, rating or tax status of the Certificates, as set forth in this Section. The State is the only "obligated person" in respect of the Certificates within the meaning of Rule 15c2-12. As used in this Section 3.02, "Registered Owner" means, in respect of a Certificate of a series, the registered owner or owners thereof appearing in the Certificates Register maintained by the Registrar or any Beneficial Owner thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Certificate of a series, any person or entity which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Certificate (including persons or entities holding Certificates through nominees, depositories or other intermediaries), or is treated as the owner of the Certificate for federal income tax purposes.

(b) Information To Be Disclosed. The Commissioner of Management and Budget 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 2025 (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) Certificate 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;
- (N) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material;
- (O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

As used herein, an event is “material” if it would be deemed material for purposes of the purchase, holding or sale of a Certificate within the meaning of applicable federal securities laws, as interpreted at the time of the occurrence of the event.

With respect to (O) and (P) above, Rule 15c2-12 defines “financial obligation” as a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). However, “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

(iii) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the State to provide the information required under subparagraph (i) of this paragraph (b) at the time specified thereunder;

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

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

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

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

(c) Manner of Disclosure.

(i) The Commissioner agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in paragraph (b).

(ii) The Commissioner further agrees to make available by electronic transmission, overnight delivery, mail or other means, as appropriate, the information described in paragraph (b) to any rating agency then maintaining a rating of the Certificates and, at the expense of any Registered Owner, to any Registered Owner who requests in writing such information at the time of

transmission under subparagraph (i) of this paragraph (c), or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(iii) All documents provided to the MSRB pursuant to this paragraph (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(iv) The State shall determine in the manner it deems appropriate whether there has occurred a change in the MSRB's email address or filing procedures and requirement under the MSRB's EMMA facility each time the State is required to file information with the MSRB.

(d) Term; Amendments; Interpretation.

(i) The covenants of the State in this Section 3.02 shall remain in effect with respect to a series of Certificates so long as any Certificates of such series are outstanding. Notwithstanding the preceding sentence, however, the obligations of the State under this Section 3.02 shall terminate and be without further effect as of any date on which the State delivers to the Registrar an opinion of bond counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the State to comply with the requirements of this Section 3.02 will not cause participating underwriters in the primary offering of the Certificates to be in violation of the Rule 15c2-12 or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(ii) This Section 3.02 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the State from time to time, without notice to (except as provided in subparagraph (ii) of paragraph (c)) or the consent of the Registered Owners of any Certificates, by an order of the Commissioner of Management and Budget accompanied by an opinion of bond counsel, who may rely on certificates of the State and others and the opinion may be subject to customary qualifications, to the effect that: (A) such amendment or supplement (1) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the type of operations conducted by the State, or (2) is required by, or better complies with, the provisions of paragraph (b)(5) of Rule 15c2-12; (B) this Section 3.02 as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of Rule 15c2-12 at the time of the primary offering of the Certificates, giving effect to any change in circumstances applicable under clause (A)(1) and assuming that Rule 15c2-12 as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (C) such amendment or supplement does not materially impair the interests of the Registered Owners under Rule 15c2-12.

(iii) If the Disclosure Information is so amended, the Commissioner agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(iv) This Section 3.02 is entered into to comply with the continuing disclosure provisions of Rule 15c2-12 and should be construed so as to satisfy the requirements of Rule 15c2-12.

(e) Failure to Comply; Remedies. If the State fails to comply with any provision of this Section 3.02, any person aggrieved thereby, including the Registered Owner of any outstanding Certificate of a series, may take whatever action at law or in equity as may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section 3.02. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 3.02 constitute a default with respect to the Certificates or under any other provision of 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.