For Immediate Release
October 20, 2017

Report Confirms Minnesota’s Preparedness to Weather a Recession
ST. PAUL – According to a report from Moody’s Analytics, Minnesota’s finances are on solid foundation and capable of withstanding an economic downtown. “Stress-Testing States” is an annual report that takes a state’s current financial position and then by simulating what the impact of a recession could look like, analyzes each state’s preparedness. Minnesota is one of 16 states listed as being well prepared for a recession.

“Under Governor Dayton’s leadership, Minnesota has gained a reputation for sound fiscal management, evidenced in this report,” Myron Frans, Commissioner of Minnesota Management and Budget, said. “Governor Dayton has ensured that Minnesota’s rainy day fund is able to help the state responsibly respond to a recession,” said Commissioner Frans.

As the report notes, more than eight years have passed since the end of the last recession and the U.S. is currently in the third largest economic expansion in history. With every additional year of the expansion, it becomes more important for states to plan for potential downturns in the economy.

In determining whether a state was prepared for a recession, Moody’s stress-test suggested that a state would need an amount equal to 12% to 16% of annual general fund revenue set aside to offset the effect of a moderate to severe recession. For their analysis of Minnesota, Moody’s used Fiscal Year 2017 and found that the combination of state’s reserves and unrestricted ending balance, $2.7 billion, is 13% of general fund revenues and would allow the state to weather a recession.

“While this report affirms Minnesota’s current financial health, there are still a number of risks that could impact the state’s structural balance,” Commissioner Frans said. “From unknowns in Washington around tax and health policy to the long-term impact of the Minnesota GOP tax bill, we must continue making smart budget decisions to ensure Minnesota’s solid fiscal foundation remains intact.”

This report furthers Minnesota’s reputation as a leader in structurally balanced budgeting. In September, the state’s credit ratings were reaffirmed by Fitch (AAA stable outlook), Moody’s (Aa1 stable outlook), and S&P (AA+ stable outlook). Fitch’s rating of AAA is the highest rating awarded by the agency. In their determination, Fitch noted Minnesota’s, “solid and broad-based economy, a revenue structure well designed to capture economic growth, a low liability burden, and strong control over revenues and spending that, in conjunction with a sophisticated approach to reserve funding, leaves the state exceptionally well positioned to manage throughout the economic cycle while maintaining a high level of financial flexibility.”
This reaffirmation of the state’s credit ratings ensured that Minnesota received low interest rates during the 2017 bond sale. During the sale, the state sold nearly $858 million of general obligation bonds in order to fund capital investment projects in the state such as construction of higher education facilities, highway projects, and economic and redevelopment projects. The bond sale also included a refunding component that refinanced a portion of the state’s outstanding debt, saving the state $44 million over the life of the bonds.

###

**Contact:** Keith Hovis, Minnesota Management & Budget Director of Communications 651-259-3666, Keith.Hovis@state.mn.us