OFFICIAL STATEMENT DATED OCTOBER 24, 2000

NEW ISSUE

RATING: Moody's: Aaa
Standard & Poor's: AAA
Fitch's: AAA

In the opinion of Dorsey & Whitney LLP, bond counsel, according to present federal and Minnesota laws, regulations, rulings and decisions, the interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is subject to Minnesota franchise taxes imposed on corporations and financial institutions; is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes. For a discussion of related tax matters see ''Related Tax Matters'' and ''Certain State Tax Legislation'' herein.

$285,000,000
STATE OF MINNESOTA

General Obligation
State Bonds

Dated: November 1, 2000 **Due: November 1, as shown below**

Year	Amount	Interest Rate	Price or Yield	Year	Amount	Interest Rate	Price or Yield
2001	$16,675,000	4.75 %	4.26 %	2011	$13,675,000	5.25 %	4.84 %
2002	16,675,000	5.00	4.435	2012	13,675,000	5.25	4.93
2003	16,675,000	5.25	4.45	2013	13,675,000	5.50	5.02
2004	13,675,000	5.25	4.45	2014	13,675,000	5.50	5.10
2005	13,675,000	5.25	4.50	2015	13,675,000	5.50	5.17
2006	13,675,000	5.50	4.57	2016	13,675,000	5.125	5.24
2007	13,675,000	5.00	4.58	2017	13,675,000	5.00	5.31
2008	13,675,000	5.375	4.63	2018	13,675,000	5.25	5.36
2009	13,675,000	5.375	4.68	2019	13,675,000	5.00	5.41
2010	16,175,000	5.50	4.73	2020	13,675,000	5.00	5.425

(Plus accrued interest from November 1, 2000)

FSA

The Bonds comprise $255,000,000 General Obligation State Various Purpose Bonds and $30,000,000 General Obligation State Trunk Highway Bonds.

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE ISSUED TO FINANCE THE COST OF CAPITAL IMPROVEMENTS, AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE STATE ARE IRREVOCABLY PLEDGED FOR THE PAYMENT OF THE BONDS AND INTEREST THEREON WHEN DUE.

The scheduled payment of principal of and interest on the Bonds maturing on November 1, 2020, inclusive (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL SECURITY ASSURANCE INC.

Bonds maturing after November 1, 2010 will be subject to redemption and prepayment by the State as provided herein.

Form and Payment:

The Bonds will be available to the purchasers in book entry form only, and initially will be registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds.

The Bonds are offered by the State subject to the legal opinions of Dorsey & Whitney LLP, bond counsel, as to the validity of the Bonds and tax exemption, and of the State Attorney General as to the validity of the Bonds. Delivery will be made on or before November 8, 2000.

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

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 to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the State. 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 does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Appendix L specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

STATE OF MINNESOTA OFFICERS

GOVERNOR	Jesse Ventura
LIEUTENANT GOVERNOR	Mae Schunk
SECRETARY OF STATE	Mary Kiffmeyer
STATE TREASURER	Carol C. Johnson
STATE AUDITOR	Judith H. Dutcher
ATTORNEY GENERAL	Mike Hatch
LEGISLATIVE AUDITOR	James R. Nobles

COMMISSIONER OF FINANCE

Pamela Wheelock

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OFFICIAL STATEMENT

STATE OF MINNESOTA
$285,000,000

General Obligation

State Bonds

Dated November 1, 2000

INTRODUCTION

General

This Official Statement, including the cover page, this Official Statement Supplement contained on pages S-1 through S-33, and Appendices A through K (this "Official Statement"), has been prepared by the State of Minnesota Department of Finance to furnish information relating to $255,000,000 General Obligation State Various Purpose Bonds and $30,000,000 General Obligation State Trunk Highway Bonds of the State of Minnesota (the "State") to be dated November 1, 2000 (collectively the "Bonds"), to prospective purchasers and actual purchasers of the Bonds. This Introduction contains only a brief description of or references to a portion of such information, and prospective and actual purchasers should read this entire Official Statement.

Purpose

The Bonds are being issued by the State of Minnesota, acting by and through its Commissioner of Finance (the "Commissioner" or "Commissioner of Finance"), pursuant to the constitutional and statutory authority described under the section hereof entitled "The Bonds — Authorization and Purpose." Bonds are being issued for the purpose of financing all or a portion of the cost of the programs and capital projects described in the section hereof entitled "The Bonds — Authorization and Purpose" and Appendix C. The types of capital projects to be funded include educational facilities, parks, correctional facilities, pollution control facilities, transportation, natural resources, agricultural enterprises, dam repairs, and trunk highway improvements. Pending use of the bond proceeds for these purposes, they will be invested for the State by the State Board of Investment in accordance with State and federal laws and federal tax regulations.

Security

The Bonds are general obligations of the State secured by the pledge of the full faith and credit and taxing powers of the State. (See the section hereof entitled "The Bonds — Security".) For information as to the credit ratings assigned to the Bonds by various rating agencies see the section hereof entitled "Ratings."

Bond Terms

The Bonds mature on the dates and in the principal amounts and bear interest at the annual rates shown on the cover page hereof. Such interest is computed on the basis of a 360-day year and twelve 30-day months, and is payable semiannually on each May 1 and November 1 to maturity or prior redemption, commencing May 1, 2001. If principal or interest is due on a date on which commercial banks are not open for business, then payment will be made on the first day thereafter when such banks are open for business. The Bonds are subject to redemption and prepayment at the option of the State on the terms and conditions stated in the section hereof entitled "Redemption and Prepayment."

The Bonds are issuable in fully registered form without interest coupons and in denominations of $5,000 or multiples thereof of a single maturity. However, the Bonds will be issued in book entry form only, and initially will be registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Accordingly, printed Bonds will not be available to purchasers of the Bonds. For a description of the book entry system pursuant to which the Bonds will be issued see the section hereof entitled “Book Entry System.”

Bond Maturity Schedule

The Bonds are comprised of $255,000,000 General Obligation State Various Purpose Bonds and $30,000,000 General Obligation State Trunk Highway Bonds. The maturity schedules are shown below.

$255,000,000 General Obligation State Various Purpose Bonds

Year	Principal Amount	Year	Principal Amount
2001	15,175,000	2011	12,175,000
2002	15,175,000	2012	12,175,000
2003	15,175,000	2013	12,175,000
2004	12,175,000	2014	12,175,000
2005	12,175,000	2015	12,175,000
2006	12,175,000	2016	12,175,000
2007	12,175,000	2017	12,175,000
2008	12,175,000	2018	12,175,000
2009	12,175,000	2019	12,175,000
2010	14,675,000	2020	12,175,000

$30,000,000 General Obligation State Trunk Highway Bonds

Year	Principal Amount	Year	Principal Amount
2001	1,500,000	2011	1,500,000
2002	1,500,000	2012	1,500,000
2003	1,500,000	2013	1,500,000
2004	1,500,000	2014	1,500,000
2005	1,500,000	2015	1,500,000
2006	1,500,000	2016	1,500,000
2007	1,500,000	2017	1,500,000
2008	1,500,000	2018	1,500,000
2009	1,500,000	2019	1,500,000
2010	1,500,000	2020	1,500,000

Legal Opinions — Tax Exemption

The Bonds are approved as to validity by the State Attorney General and Dorsey & Whitney LLP, bond counsel.

In the opinion of Dorsey & Whitney LLP, bond counsel, according to present federal and Minnesota laws, regulations, rulings and decisions, the interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is subject to Minnesota franchise taxes imposed on corporations and financial institutions; is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes.

The exemption for federal or State tax purposes of interest to be paid on the Bonds from income taxation is not mandated or guaranteed by the United States or Minnesota Constitutions. Accordingly, federal and State laws providing for tax-exemption of the interest may be subject to change. In the event that federal or State law is changed to provide that interest on the Bonds is subject to federal or State income taxation, or if federal or State income tax rates are reduced, the market value of the Bonds may be adversely affected.

For a discussion of related tax matters see "Related Tax Matters" herein.

Additional Bonds

The State does not expect to sell additional tax-exempt general obligation bonds within 30 days after the date of sale of the Bonds.

Revenue and Expenditure Forecasting

The State operates on a biennial budget basis with each biennium ending on June 30 of an odd numbered year and comprising two fiscal years with each fiscal year running July 1 through June 30 ("Fiscal Year"). Legislative appropriations for each biennium are prepared and adopted by the State's legislature (the "Legislature") during the final legislative session prior to the beginning of the next biennium.

Revenue forecasts are prepared by the Department of Finance which uses for forecasting purposes data provided by Data Resources, Incorporated, an independent forecasting service. Expenditure forecasts are prepared by the Department of Finance based upon current annual budgets and upon current cash expenditure estimates provided by State agencies responsible for significant expenditure items.

Budget — Current Biennium

Approved revenue and expenditure measures for the biennium ending June 30, 2001 (the "Current Biennium") are summarized as set forth below.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
END OF 2000 LEGISLATIVE SESSION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,921
Non-dedicated Revenues	$23,028
Dedicated Revenues, Transfers In and Other	$ 817
Total Resources	$25,766
Expenditures	24,640
Projected Unreserved Balance at June 30, 2001	$ 1,126
Cash Flow Account	$ 350
Budget Reserve Account	$ 622
Dedicated Reserves	$ 145
Projected Unrestricted Balance at June 30, 2001	$ 9

CURRENT BIENNIUM
TRUNK HIGHWAY FUND
END OF 2000 LEGISLATIVE SESSION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 153
Tax Revenues Highway User Tax Distribution Fund	$1,420
Federal Aid	$ 616
Non-Dedicated Revenues	$ 81
Dedicated Revenues, Transfers In and Other	$ 125
Total Resources	$2,395
Expenditures	$2,305
Projected Unreserved Balance at June 30, 2001	$ 90

Bonds Outstanding

The total amount of State general obligation bonds outstanding on November 1, 2000, including this issue will be approximately $2.6 billion. The total amount of general obligation bonds authorized but unissued as of November 1, 2000, will be approximately $772 million. See Appendix B, pages B-1 and B-2.

Cash Flow Information

The May 2000, end of session cash flow analysis for the State's Statutory General Fund indicates that the State will have a positive cash flow balance throughout the Current Biennium. Therefore, the State does not expect to do any short-term borrowing for cash flow purposes during the Current Biennium. The State has not done any short-term borrowing since January 1985 and has no short-term debt outstanding. See Appendix D.

Continuing Disclosure

The Commissioner, in the order authorizing and ordering the issuance of the Bonds, will covenant and agree on behalf of the State, for the benefit of the holders of the Bonds from time to time, to comply with the provisions of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, paragraph (b)(5); and, for this purpose, to provide to nationally recognized securities repositories and any Minnesota state information depository, annual financial information of the type included in this Official Statement, including audited financial statements, and notice of the occurrence of events which materially affect the terms, payment, security, rating or tax status of the Bonds. The State is the only "obligated person" in respect of the Bonds within the meaning of paragraph (b)(5). A description of the Commissioner's undertaking is set forth in Appendix I.

Additional Information

Questions regarding this Official Statement should be directed to Peter Sausen, Assistant Commissioner, State Department of Finance, 400 Centennial Office Building, St. Paul, Minnesota 55155, telephone (651) 296-8372, or Susan Gurrola, Financial Bond Analyst, State Department of Finance, 400 Centennial Office Building, St. Paul, Minnesota 55155, telephone (651) 296-8373. Questions regarding legal matters should be directed to Leonard S. Rice, Dorsey & Whitney LLP, 220 South Sixth Street, Minneapolis, Minnesota 55402, telephone (612) 343-7971.

THE BONDS

Authorization and Purpose

Constitutional Provisions. Article XI, Section 5 of the Minnesota Constitution authorizes public debt to be incurred for the acquisition and betterment of public land, buildings and other improvements of a capital nature, or for appropriations or loans to State agencies or political subdivisions for this purpose, as the Legislature by a three-fifths vote of the House of Representatives and the Senate may direct, and to finance the development of the agricultural resources of the State by extending credit on real estate security, as the Legislature may direct. Article XI requires all such debt to be evidenced by the issuance of State bonds maturing within 20 years of their date of issue, for which the full faith and credit and taxing powers of the State are irrevocably pledged. Public debt is defined by Article XI, Section 4 to include any obligation payable directly, in whole or in part, from a tax of statewide application on any class of property, income, transaction or privilege, but does not include any obligation which is payable from revenues other than taxes. The Minnesota Constitution places no limitation on the amount or interest rate of bonds which may be authorized for these and certain other purposes. Article XIV, Section 11 of the Minnesota Constitution authorizes the Legislature to provide by law for the issuance of State general obligation bonds to finance the construction of improvements to and maintenance of the Trunk Highway System.

Statutory Provisions. The $255,000,000 General Obligation State Various Purpose Bonds and $30,000,000 General Obligation State Trunk Highway Bonds being issued comprise bonds authorized by several different laws.

State General Obligation Various Purpose Bonds.

Laws 1990, Chapter 610 authorizes the issuance of $7,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675 and 115A.54, to finance capital assistance grants to local government units for the development of projects which comprise solid waste disposal facilities, of which $180,000 are included in this issue.

Laws 1990, Chapter 610, as amended, authorizes the issuance of $11,035,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, and 174.50 to 174.51, to finance grants to political subdivisions to pay costs of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the development of the State transportation system, including key bridges and bridge approaches on county highway systems, municipal street systems, and township road systems, of which $200,000 are included in this issue.

Laws 1994, Chapter 643, as amended, authorizes the issuance of $528,025,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $4,000,000 are included in this issue.

Laws 1994, Chapter 643, authorizes the issuance of $35,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675 and 174.50 to 174.51, to provide money to the Commissioner of Transportation to pay costs of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the development of the State Transportation System, and to finance grants to political subdivision for this purpose, including costs of key bridges and bridge approaches on county highway systems, municipal street systems, and township road systems, and light rail transit system, of which $500,000 are included in this issue.

Laws 1996, Chapter 463, as amended, authorizes the issuance of $484,137,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $9,900,000 are included in this issue.

Laws 1996, Chapter 463, authorizes the issuance of $3,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, and 115A.54, to finance capital assistance grants to local government units for the development of projects which comprise feasible and prudent alternatives to conventional solid waste disposal facilities, of which $100,000 are included in this issue.

Laws 1996, Chapter 463, authorizes the issuance of $41,000,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, Section 5, paragraph (h), upon request by the Governor for the purpose of developing the State's agricultural resources by financing the RFA's programs, of which $2,500,000 are included in this issue.

Second Special Session Laws 1997, Chapter 2, as amended, authorizes the issuance of $45,305,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $5,000,000 are included in this issuance.

Laws 1998, Chapter 404, as amended, authorizes the issuance of $98,795,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $22,365,000 are included in this issue.

Laws 1998, Chapter 404, authorizes the issuance of $3,650,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 116.162 and 446A.07, to finance grants to be made to political subdivisions to pay a portion of the cost of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the prevention, control, and abatement of water pollution, in accordance with the long-range State plan and in accordance with standards adopted pursuant to law by the Minnesota Pollution Control Agency, of which $2,550,000 are included in this issue.

Laws 1999, Chapter 240, as amended, authorizes the issuance of $444,805,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $90,950,000 are included in this issue.

Laws 1999, Chapter 240, authorizes the issuance of $28,440,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675 and 174.50 to 174.51, to provide money to the Commissioner of Transportation to pay costs of acquisition and betterment of public lands, buildings, and improvements of a capital nature needed for the development of the State transportation system, and to finance grants to political subdivisions for this purpose, including costs of key bridges and bridge approaches on county highway systems, municipal street systems, and township road systems, of which $6,400,000 are included in this issue.

Laws 1999, Chapter 240, authorizes the issuance of $39,500,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 116.162 and 446A.07, to finance grants to be made to political subdivisions to pay a portion of the cost of acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the prevention, control, and abatement of water pollution, in accordance with the long-range State plan and in accordance with standards adopted pursuant to law by the Minnesota Pollution Control Agency, of which $9,050,000 are included in this issue.

Laws 2000, Chapter 492, authorizes the issuance of $470,900,000 of bonds of the State pursuant to the Minnesota Constitution, Article XI, and Minnesota Statutes, Sections 16A.631 to 16A.675, 116.162 and 446A.07, to provide moneys for the acquisition and betterment by the State of public land, buildings, and improvements of a capital nature, and to provide moneys appropriated to State agencies and political subdivisions for this purpose, of which $101,305,000 are included in this issue.

State General Obligation Trunk Highway Bonds.

Laws 2000, Chapter 479 authorizes the issuance of $100,100,000 State Trunk Highway Bonds pursuant to the Minnesota Constitution, Articles XI and XIV, and the Minnesota Statutes, Sections 167.50 to 167.52, to finance capital improvements to the trunk highway system including interstate routes, of which $30,000,000 are included in this issue.

Security

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

General Fund Appropriations: Article XI of the Minnesota Constitution also provides that no money is to be paid out of the State Treasury except pursuant to an appropriation. Each law authorizing the issuance of general obligation bonds appropriates moneys either directly or by reference to Minnesota Statutes, Chapter 16A, to the Debt Service Fund out of the Accounting General Fund (as defined on page S-2) and, in some cases, from special enterprise or loan repayment funds, sufficient to provide for the payment of such bonds and interest thereon without the levy of a property tax under the provisions of the Minnesota Constitution. Moneys on hand in the Debt Service Fund, including all moneys derived from: (i) the foregoing statutory appropriations; (ii) the levy of the State property tax required by the Minnesota Constitution if the amount of appropriated funds on hand does not equal the total required amount of the tax at the time the levy is required; and (iii) income from the investment of the foregoing, are appropriated for the payment of the principal of and interest on State general obligation bonds when due. If moneys on hand at the due date are not sufficient, the statutes also appropriate from the Accounting General Fund an amount equal to the deficiency. Since 1966, as a result of transfer of moneys to the Debt Service Fund from the Accounting General Fund each December, no State property tax has been levied to pay debt service on State general obligation bonds.

Minnesota Statutes, Chapter 16A, makes an annual appropriation to the Debt Service Fund from the Accounting General Fund of the amount that, added to the amount already on hand in the Debt Service Fund, is an amount needed to pay the principal of and interest on all State bonds due and to become due through July 1 in the second ensuing year. The transfer of the debt service appropriation from the Accounting General Fund to the Debt Service Fund for the Bonds included in this issue will be made by December 1 of each year. (Also see information on page B-4 with respect to Debt Service Fund transfer.)

Additional Security: State Trunk Highway Bonds: The Minnesota Constitution, Article XIV, establishes a Highway User Tax Distribution Fund to be used solely for highway purposes, authorizes the Legislature to impose taxes on motor vehicles and motor vehicle fuels, and requires the proceeds of such taxes to be paid into and briefly maintained in such fund. Article XIV also establishes a Trunk Highway Fund (the “Trunk Highway Fund”) to be used solely for Trunk Highway system purposes and for the payment of principal and interest on Trunk Highway Bonds. The Minnesota Constitution requires that 95% of the revenues deposited into the Highway User Tax Distribution Fund be distributed from the fund as follows: 62% to the Trunk Highway Fund, 29% to the County State Aid Highway Fund, and 9% to the Municipal State Aid Street Fund. The remaining 5% of Highway User Tax Distribution Fund revenues are distributed to the same three funds in accordance with a formula that the legislature establishes. According to the Minnesota Constitution, no change in the formula may be made within six years of the last previous change. Currently these remaining revenues are all distributed to the County State Aid Highway Fund. The next time this distribution formula may be changed will be during the 2004 legislative session. Article XIV provides that the payment of the principal and interest on State trunk highway bonds is “a first charge on money coming into [the State Trunk Highway Fund] during the year in which the principal or interest is payable.”

Minnesota Statutes, Chapter 167, makes an annual appropriation to the trunk highway bond account in the Debt Service Fund from the State Trunk Highway Fund of the amount that, added to the amount already on hand in a trunk highway bond account in the Debt Service Fund, is an amount needed to pay the principal of and interest on all State trunk highway bonds due and to become due through July 1 in the second ensuing year. The transfer of the debt service appropriation from the State Trunk Highway Fund to the trunk highway bond account in the Debt Service Fund for the State trunk highway bonds included in this issue will be made by December 1 of each year.

Waiver of Immunity: Under Minnesota Statutes, Section 3.751, the State has waived immunity from suit with respect to the controversies arising out of its debt obligations incurred pursuant to Article XI of the Minnesota Constitution, and has conferred jurisdiction on State District Courts to hear and determine such controversies. Accordingly, if the State fails to pay in full the principal of and interest on the Bonds when due at their date of maturity, a holder of a Bond on which principal or interest is past due is entitled, pursuant to Section 3.751, to commence an action in the District Court for Ramsey County, Minnesota to recover such principal and interest and to obtain a judgment for the full amount thereof.

BOOK ENTRY SYSTEM

The Bonds will be available to the purchasers in book entry form only, and initially will be registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

DTC will record on its books and records the names and addresses of the DTC Participants for which it holds the Bonds of the various maturities at the written direction of the successful bidder. So long as DTC or its nominee is the registered owner of the Bonds, principal and interest payments will be made to DTC for redistribution and disbursement by it to the DTC Participants, who in turn will distribute or credit payments to the beneficial owners of the Bonds as reflected on their records (the "Beneficial Owners"). The State will not be responsible for the performance by DTC of its duties as securities depository.

Initially, and so long as DTC or another qualified entity continues to act as securities depository, the Bonds shall be issued in typewritten form, one for each maturity in a principal amount equal to the aggregate principal amount of each maturity, and shall be registered in the name of DTC, or a successor securities depository or its nominee. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds.

With respect to Bonds registered in the name of DTC, or a successor securities depository, or its nominee, the State and the registrar of the Bonds ("Registrar") shall have no responsibility or obligation to any DTC Participant or any Beneficial Owner with respect to the following: (i) the accuracy of the records of DTC, or a successor securities depository, or its nominee with respect to any ownership interest in the Bonds; (ii) the delivery to any DTC Participant or any other person other than DTC, or a successor securities depository, of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any DTC Participant or any other person, other than DTC, or a successor securities depository, of any amount with respect to the principal of or premium, if any, or interest on the Bonds. The Registrar shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of DTC, or a successor securities depository, and all such payments shall be valid and effective to fully satisfy and discharge the State's obligations with respect to the principal and interest on the Bonds to the extent of the sum or sums so paid. So long as the Book-Entry Only System is in effect, no person other than DTC, or a successor securities depository, shall receive an authenticated Bond.

DTC or a successor securities depository may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the State and discharging its responsibilities with respect thereto under applicable law. Upon receipt by the State and the Registrar of written notice from DTC or a successor securities depository to the effect that it is unable or unwilling to discharge its responsibilities under the Book-Entry Only System, then the Registrar shall issue, transfer and exchange Bonds of the initial series as requested by a successor securities depository in appropriate amounts, and whenever the securities depository requests the State and the Registrar to do so, the State and the Registrar shall cooperate with DTC, or a successor securities depository in taking appropriate action after reasonable notice: (i) to arrange for a substitute securities depository willing and able, upon reasonable and customary terms, to maintain custody of the Bonds; or (ii) to make available Bonds registered in whatever name or names the DTC Participant registering ownership, transferring or exchanging such Bonds shall designate.

In the event the State determines that it is in the best interests of the Beneficial Owners that they be able to obtain printed Bonds, the State may so notify DTC, or a successor securities depository and the Registrar, whereupon DTC, or a successor securities depository shall notify the DTC Participants of the availability through DTC, or a successor securities depository of such printed Bonds. In such event, the State shall cause to be prepared and the Registrar shall issue, transfer and exchange the printed Bonds fully executed and authenticated, as requested by DTC, or a successor securities depository, in appropriate amounts and, whenever DTC, or a successor securities depository, requests, the State and the Registrar shall cooperate with DTC, or a successor securities depository, in taking appropriate action after reasonable notice to make available printed Bonds registered on the bond register maintained by the Registrar in whatever name or names the DTC Participants for which the Bonds are held shall designate.

Notwithstanding the foregoing, so long as any Bond is registered in the name of DTC, or a successor securities depository, or its nominee, all payments of principal and interest on the Bond and all notices with respect to the Bond shall be made and given, respectively, to DTC, or a successor securities depository, as provided in the representation letter given to it by the State and the Registrar.

The above information contained in “Book-Entry System” is based solely on information provided by DTC. No representation is made as to the completeness or the accuracy of such information 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 DTC Participants will distribute to the Beneficial Owners of the Bonds: (i) payments of principal of or interest and premium, if any, on the Bonds; (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Bonds; or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, or a successor securities depository, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, or the DTC Participants will serve and act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities Exchange Commission, and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

REDEMPTION AND PREPAYMENT

Bonds maturing on or before November 1, 2010 will not be subject to redemption prior to their stated maturity dates, but Bonds maturing on or after November 1, 2011 will be subject to redemption and prepayment by the State at its option on November 1, 2010 and any interest payment date thereafter, in whole or in part, in an order determined by the State and by lot within each maturity, at a price of par plus accrued interest to the date specified for redemption.

Notice of any redemption of Bonds will be published in financial newspapers circulated in the Minneapolis-St. Paul metropolitan area and in the Borough of Manhattan, City and State of New York, not less than thirty days before the redemption date, stating: (i) the series, original date of issue, maturity dates, CUSIP numbers, and interest rates of the Bonds to be redeemed, (ii) if less than all Bonds of any maturity are to be redeemed, the registration numbers of those to be redeemed, (iii) the principal amount to be redeemed if less than the entire principal amount of any Bond, (iv) the redemption date and price and the name and address of the paying agent where such Bonds must be presented for payment, (v) that on the redemption date the redemption price of the Bonds or portions thereof to be redeemed will be payable, and (vi) that after the redemption date interest will cease to accrue or be payable thereon. Notice will also be mailed to the registered owner of any such Bond at the address shown on the bond register, not less than twenty days before the redemption date. During the period when the book entry system is in effect, the Bonds will be registered in the name of the nominee of DTC or another securities depository designated for this purpose as indicated in the section hereof entitled "Book Entry System," and thus notice of redemption 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 of the Bonds. However, the State assumes no responsibility with respect to the giving of such notice of redemption by the securities depository or its participants.

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

TAX EXEMPTION

In the opinion of Dorsey & Whitney LLP, bond counsel, according to present federal and Minnesota laws, regulations, rulings and decisions, the interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is subject to Minnesota franchise taxes imposed on corporations and financial institutions; is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes. For a discussion of related tax matters see "Related Tax Matters" herein.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, which require periodic payments of arbitrage profits to the United States, and which apply to the timely and proper use of Bond proceeds and the facilities and activities financed therewith and certain other matters. The Commissioner's order authorizing the issuance of the Bonds and other documents executed in connection with the issuance of the Bonds include provisions which, if complied with by the State, meet the requirements of the Code. Failure to comply with certain of such provisions may cause interest on the Bonds to become subject to federal and State of Minnesota income taxation retroactive to the date of issuance of the Bonds. No provision is made for redemption of the Bonds or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes subject to federal or Minnesota income taxation.

The form of legal opinion to be issued by Dorsey & Whitney LLP with respect to the Bonds is set forth in Appendix K.

The exemption for federal or State tax purposes of interest to be paid on the Bonds from income taxation is not mandated or guaranteed by the United States or Minnesota Constitutions. Accordingly, federal and State laws providing for tax-exemption of the interest may be subject to change. In the event federal or State law is changed to provide that interest on the Bonds is subject to federal or State income taxation, or if federal or State income tax rates are reduced, the market value of the Bonds may be adversely affected. For a discussion of tax matters see “Related Tax Matters” and “Recent State Tax Legislation”, herein.

RELATED TAX MATTERS

The following Code provisions also may apply: (i) 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 Bonds in determining the taxability of such benefits; (ii) passive investment income, including interest on the Bonds, may be subject to taxation under Section 1375 of the Code and corresponding provisions of Minnesota law for a S corporation that has accumulated earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income; (iii) interest on the Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code; (iv) 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 fifteen percent of the interest on the Bonds that is received or accrued during the taxable year; (v) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest expense in the case of individuals, estates and trusts; and indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds; (vi) federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Bonds; and (vii) 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 Bonds within the meaning of Section 265(b) of the Code.

Bonds having a stated maturity in the years 2016 through 2020 (the “Discount Bonds”) are being sold at a discount from the principal amount payable on the Discount Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue discount” under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under Section 1288 of the Code is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under Section 1288 is added to the tax basis of the owner in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity).

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

If a Discount Bond is purchased for a cost that exceeds the sum of (1) the Issue Price plus (2) accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond.

Except for the Minnesota rules described above, no opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law. Holders of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning such Discount Bonds.

The Bonds maturing in the years 2001 through 2015 (the “Premium Bonds”) are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, who are subject to special rules, bondholders must from time to time reduce their federal income tax bases for the Premium Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. This might result in taxable gain upon sale of the Premium Bonds, even if they are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes. Similar rules apply for Minnesota income tax purposes. Bondholders should consult their tax advisors concerning the timing and rate of premium amortization.

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

CERTAIN STATE TAX LEGISLATION

The Minnesota Legislature enacted a statement of intent, in Minnesota Statutes, Section 289A.50, subdivision 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, trusts and estates for Minnesota income tax purposes if a court determines that Minnesota’s exemption of such interest unlawfully discriminates against interstate commerce because interest on obligations of governmental issuers in other states is so included. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued. The Commissioner is not aware of any judicial decision holding that a state’s exemption of interest on its own bonds or those of its political subdivisions or Indian tribes, but not of interest on the bonds of other states or their political subdivisions or Indian tribes, unlawfully discriminates against interstate commerce or otherwise contravenes the United States Constitution. Nevertheless, the Commissioner cannot predict the likelihood that interest on the Bonds would become taxable (for Minnesota income tax purposes) under this Minnesota statutory provision.

LEGAL OPINIONS

Legal matters incident to the authorization, issuance and sale of the Bonds will be passed upon by Dorsey & Whitney LLP, bond counsel, and the State Attorney General. Only Dorsey & Whitney LLP will offer an opinion as to tax-exemption. The form of legal opinion to be issued by Dorsey & Whitney LLP with respect to the Bonds is set forth in Appendix K.

FINANCIAL INFORMATION

General financial information relating to the State is set forth in this Official Statement Supplement attached hereto, which comprises pages S-1 through S-27 and Appendices A through K, and is a part of this Official Statement.

LITIGATION

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

While at any given time, including the present, there are numerous civil actions pending against the State which 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 11 to the State Financial Statements for the Fiscal Year Ended June 30, 1999 set forth in Appendix A and further discussed in the paragraphs below, no pending actions are likely to have a material adverse effect in excess of $10 million on the State's expenditures or revenues during the Current Biennium.

The following developments and actions regarding the matters described in the referenced Note 11 have occurred and the following cases have been initiated against the State since the date thereof and are material for purposes of this Official Statement.

1. *Tort Claim.* The Tort Claims appropriations for the fiscal years ending June 30, 2000 and June 30, 2001 are $875,000.

2. *James Lee Brown and Ronald Bergeron v. State of Minnesota.* Hennepin County District Court. On September 19, 2000, the Minnesota Court of Appeals affirmed the District Court's granting of the State's motion to dismiss, and the plaintiff's have thirty days from the Court of Appeal's affirmation to appeal that decision to the Minnesota Supreme Court.

3. *Minneapolis Branch of the NAACP v, State of Minnesota; and Xiong v. State of Minnesota.* Hennepin County District Court. A settlement has been negotiated and agreed upon for this case. The negotiated settlement of this matter does not require the State to expend or pay substantial sums of money.

4. *Amoco, et al., v. Commissioner of Revenue.* Minnesota Tax Court. These cases involve nine related corporations that are challenging the State's corporate franchise tax. The major issues involve; (i) whether the State's gasoline tax law prevents the State from imposing any other kind of tax on Amoco, (ii) whether Amoco and its affiliates are engaged in a unitary business so that the income of all affiliates may be combined and a proportionate share taxed by the State, and (iii) whether the franchise tax discriminates against combined groups conducting business overseas through U.S. domestic corporations and in favor of combined groups conducting their overseas operations through non-U.S. corporations. Resolution of this matter is not expected before the end of 2001. The amount in controversy is $23 million. An adverse precedent, however, would result in substantial additional liability as to these and other taxpayers.

5. *U.S. West Communications, Inc. v. Commissioner of Revenue; and Qwest Corporation, f/k/a U.S. West Communications, Inc. v. Commissioner of Revenue.* Minnesota Tax Court. Plaintiff, a regional telecommunication public utility and its successor in interest, claim that that they are entitled to capital equipment refunds of sales taxes paid in an amount of $5.4 million plus interest in the first case and in an amount of $21 million plus interest in the second case. The claims are based on the theory that the Plaintiffs use the telecommunications equipment they purchase or install in Minnesota for the tax-exempt purpose of "manufacturing, fabricating or refining" of "tangible personal property." The first case covers a seven-month period ending June 1996, and the second case covers a thirty-month period ending December 1998. A determination in the Plaintiff's favor would result in a potential tax refund liability well in excess of $10 million when applied as precedent to Plaintiffs' subsequent tax periods, as well as to the potential refund claims of other telecommunications companies. An adverse decision would impact the State's General Fund. If an adverse decision were to be extended to other types of providers of taxable services, additional liability for open tax periods would result. The trial of this matter is presently scheduled to start on November 13, 2000.

6. *Danny's Tranny's, Inc., and all other similarly situated v. State of Minnesota et al.* Ramsey County District Court. This is a class action against the State of Minnesota, the Commissioners of Commerce and Finance, and the Minnesota Workers Compensation Assigned Risk Plan Review Board challenging the constitutionality of legislation passed in the 2000 legislative session. The legislation at issue appropriated surplus funds in the Minnesota Workers Compensation Assigned Risk Plan and transferred $450 million to various State agencies and funds. Plaintiffs contend the surplus funds rightfully belong to employers who paid premiums to the Minnesota Workers Compensation Assigned Risk Plan, and allege the appropriation of the money violates their constitutional rights. The amount in controversy is the amount of the surplus contained in the

Minnesota Workers Compensation Assigned Risk Plan, which has been projected to be approximately $504 million as of December 31, 1999.

7. *Jacobson, et al v. Board of Trustees of the Teachers Retirement Ass'n., et al.* Ramsey County District Court. This action was filed by a group of teachers claiming that various amendments to the teacher-pension laws from 1973 to 1989 constitute a breach of contract, violate the Contract Clause, and violate equal protection. They seek injunctive relief and damages to increase benefits to be paid to them, and the putative class they represent, by an amount estimated to be $600 million. The Defendants have brought a motion to dismiss on statute of limitations grounds. If Plaintiffs ultimately prevail, it is unclear whether a judgment of increased benefits would be satisfied out of the existing surplus in the Teachers Retirement Fund and/or by a new appropriation of funds by the State.

CONTINUING DISCLOSURE

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

UNDERWRITING

The Commissioner acting on behalf of the State has sold the Bonds at public sale to PaineWebber Inc. as Underwriters, for a price of $289,180,388.50 and accrued interest, with the Bonds to bear interest at the rates set forth on the cover page of this Official Statement.

The Underwriters have advised the Commissioner that they will offer the Bonds to the public at the initial public offering prices set forth on the cover page of this Official Statement, and that after the Bonds are released for sale to the public, the offering prices and other selling terms may from time to time be varied by the Underwriters.

RATINGS

The Bonds described herein have been rated "Aaa" by Moody's Investors Service, Inc., "AAA" by Standard and Poor's Ratings Group, and "AAA" by Fitch Investors Service, L.P. The ratings reflect only the views of these services. For an explanation of the ratings as described by those services see Appendix J. These bond ratings are subject to change or withdrawal by the rating agencies at any time. Therefore, after the date hereof investors should not assume that such ratings are still in effect. A revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond insurance Policy (the "Policy") for the Bonds maturing on November 1, 2020, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the insured Bonds when due as set forth in the form of the Policy included as an exhibit of this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2000, Financial Security's total policyholders' surplus and contingency reserves were approximately $1,372,337,000 and its total unearned premium reserve was approximately $693,512,000 in accordance with statutory accounting principles. At September 30, 2000, Financial Security's total shareholder's equity was approximately $1,383,058,000 and its total net unearned premium reserve was approximately $571,460,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

AUTHORIZATION OF OFFICIAL STATEMENT

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

Pamela Wheelock
Commissioner of Finance
State of Minnesota

OFFICIAL STATEMENT SUPPLEMENT

STATE OF MINNESOTA

General Obligation Bonds

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FINANCIAL STATEMENTS

The general purpose financial statements for the State for the Fiscal Year ended June 30, 1999 are included herein as Appendix A. These financial statements provide financial information for the State's general fund as set forth in the audited financial statements included in Appendix A (the ''Accounting General Fund'') and the Debt Service Fund; for all other funds, such information is summarized by fund type. These financial statements have been examined by the Legislative Auditor of the State to the extent indicated in his report included in Appendix A. 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 the Appendix in reliance upon the report of the Legislative Auditor and upon the expertise of the Legislative Auditor in accounting and auditing.

The State's Comprehensive Annual Financial Reports, including information by individual fund for Fiscal Year 1998 and prior years, are available from the Commissioner of Finance ("Commissioner").

Financial statements for the Fiscal Year ending June 30, 2000 will not be available until December 31, 2000. Revenues and expenditures on a budgetary basis for the twelve-month period ending June 30, 2000 and for the three-month period ending September 30, 2000 with comparative data for the same periods ending June 30, 1999 and September 30, 1999 are summarized on pages S-6 and S-7.

FINANCIAL INFORMATION

Budgeting Process

The State's constitutionally prescribed fiscal period is a biennium, and the State adopts budgets on a biennial basis. Each biennium ends on June 30 of an odd-numbered year and includes two fiscal years, each beginning on July 1 and ending on June 30. The biennium which began on July 1, 1997, and which ended on June 30, 1999, is referred to herein as the ''Previous Biennium.'' The biennium which began on July 1, 1999, and which will end on June 30, 2001, is referred to herein as the ''Current Biennium.'' The biennium which will begin on July 1, 2001, and which will end on June 30, 2003, is referred to herein as the "Next Biennium."

Major operating budget appropriations for each biennium are enacted during the final legislative session of the immediately preceding biennium (in odd-numbered calendar years). Appropriations for the Current Biennium, for example, were enacted by the 1999 Legislature in May 1999. Supplemental appropriations and changes in revenue measures are usually adopted during legislative sessions in even-numbered calendar years.

Preliminary planning for the Current Biennium budget began in February 1997 when the Department of Finance began forecasting the Current Biennium revenues that would be available or generated and expenditures that would be incurred if the Governor's then proposed Previous Biennium revenues and expenditures were as forecasted and associated laws were to continue unchanged into the Current Biennium. Throughout the budget process, and at the end of the 1997 and 1998 legislative sessions, the Department of Finance continued to project the ongoing effects (called ''planning estimates'') of the Previous Biennium budget on Current Biennium revenues and spending. Planning estimates from the end of the 1998 legislative sessions became the basis for the Governor's Current Biennium budget proposals as described below.

The Current Biennium budget process officially began when the Governor issued budgetary policies and objectives in July 1998. On the basis of these instructions, agencies submitted expenditure plans for the Current Biennium to the Department of Finance in October 1998. In November 1998, the Department of Finance updated its forecast of revenues and expenditures, and it was on the basis of this forecast that final budget recommendations were prepared by the Governor for submission to the Legislature in January 1999. In February 1999, the Department of Finance prepared a revised forecast of revenues and expenditures, and on the basis of this forecast, the Governor provided supplemental budget recommendations to the Legislature in March 1999. Legislative hearings were conducted, after which the legislature enacted appropriation and tax bills having the effect of either adopting or modifying the Governor's proposals. The Governor signed into law most of the bills passed by the Legislature, and also exercised his authority to veto certain items of appropriation. The financial summary presented under the heading "BUDGET — CURRENT BIENNIUM" portrays the effects of the appropriation and tax bills that were enacted by the Legislature and approved by the Governor. The Department of Finance has also developed planning estimates for the Next Biennium, based upon the Current Biennium revenue and expenditure forecasts and existing laws.

The budget process just outlined, beginning with the development of planning estimates in February 1997, and finishing with gubernatorial approvals and vetoes, describes the process that is generally followed for each biennium.

Cash Flow Account

The cash flow account (the "Cash Flow Account") was established in the Accounting General Fund for the purpose of providing sufficient cash balances to cover monthly revenue and expenditure imbalances. The use of funds from the Cash Flow Account is governed by statute. The Cash Flow Account balance is set for the Current Biennium at $350 million.

Budget Reserve Account

The budget reserve account (the "Budget Reserve Account") was established in the Accounting General Fund for the purpose of reserving funds to cushion the State from an economic downturn. The use of funds from the Budget Reserve Account and the allocation of surplus forecast balances to the Budget Reserve Account are governed by statute. The Budget Reserve Account balance is set for the Current Biennium at $622 million.

Control Procedures

Dollar Control: Expenditures in excess of legislative appropriations are prohibited by law. In order to prevent spending in excess of appropriations, the Department of Finance 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 also prevents 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, therefore, the Department of Finance 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: The Department of Finance 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: The Department of Finance maintains a data warehouse which is used to produce periodic and ad hoc reports on revenues and expenditures that agency staff and Executive Budget Officers use to monitor agency spending and receipts.

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 the Department of Finance by the Economic Analysis Division. Expenditure forecasts for the State are prepared by the Department of Finance 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, reforecasts are made throughout the biennium. Based on each revenue and expenditure reforecast, the Department of Finance prepares a new cash flow analysis for the biennium.

Forecasting Risks

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

Current Forecast Methods and Assumptions

The basic economic data on which the State Economist relies for forecasting purposes are provided by Data Resources, Incorporated (“DRI”) of Lexington, Massachusetts. DRI furnishes a monthly report which forecasts trends in economic growth and individual incomes across all segments of the national economy.

The DRI national economic forecasts are reviewed by the Governor’s Council of Economic Advisors consisting of economists from academia and the private sector. A report is published with each forecast and is available from the Commissioner of Finance upon request or on the Department of Finance website at http://www.finance.state.mn.us.

Forecasts of individual income tax receipts are based on DRI forecasts of national production, employment, and corresponding wage and salary earnings, by industrial sector. The DRI forecasts are then entered into an economic model of Minnesota developed by DRI and the Minnesota Department of Finance. State forecasts of employment by major industry sector as well as wage and aggregate earnings are then derived by the Department of Finance. Aggregate annual earnings are used, in turn, to forecast calendar year tax liabilities by application of a simulation of the State’s individual income tax structure. Calendar year liabilities are converted into fiscal year income tax revenues, with regard given to the timing of withholding tax receipts, quarterly estimated payments, refunds and final payments.

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

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

Numerous other revenue sources are forecast, some by the Department of Finance and others by the agencies responsible for their collection. In general, none is of significant size, and historically, variances among them have frequently been offsetting.

The February 2000 DRI Control Forecast, the scenario which DRI considered to be the most likely at the time it was made, was the baseline for the February 2000 revenue and expenditure forecast. The forecast growth rates for real and nominal Gross Domestic Product (“GDP”) are shown below. DRI’s estimates potential GDP growth at 3.4 percent over the 2000 to 2004 period. The growth rates for 2000 through 2002 are more or less consistent with the potential rate of growth. Inflation, as measured by the implicit price deflator for GDP, was expected to remain moderate.

DRI FEBRUARY 2000
GROSS DOMESTIC PRODUCT (GDP)
CONTROL FORECAST
(Chained Rates of Growth)

	1998 Actual %	1999 Actual %	2000 Forecast %	2001 Forecast %	2002 Forecast %
REAL GDP Growth Rate	4.3	4.0	3.6	2.9	3.4
GDP DEFLATOR (Inflation)	1.2	1.4	1.5	1.6	1.9
NOMINAL GDP Growth Rate	5.5	5.6	5.0	4.6	5.4

The November 2000 revenue and expenditure forecast is scheduled for release in late November 2000. The November 2000 DRI Control Forecast will in all likelihood be used as the baseline for this revenue and expenditure forecast.

HISTORIC REVENUES AND EXPENDITURES

The “Accounting General Fund” is the general fund which accounts for most financial resources not restricted to a specific purpose. The Accounting General Fund also includes certain revenues which are dedicated to the purpose for which they were collected and thus are considered to be restricted. These are primarily revenues from college tuition.

The following two tables set forth the State’s Accounting General Fund revenues and expenditures for the Fiscal Years ending June 30, 1997 through 1999, and for the additional time periods shown. For the Fiscal Years ended June 30, 1997 through 1999 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. For the twelve-month periods ending June 30, 1999 and June 30, 2000 and for the three-month periods ending September 30, 1999 and September 30, 2000, such revenues and expenditures include only cash receipts and disbursements allocable to Fiscal Years 1999 and 2000 and Fiscal Years 2000 and 2001, respectively. 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. The tables are prepared on the budgetary basis. The actual expenditures set forth in the second table are presented by object of expenditure, the State’s historical method of presentation, whereas forecasts of expenditures are presented by function, consistent with current generally accepted accounting principles for reporting purposes.

STATE OF MINNESOTA
ACCOUNTING GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES
(THOUSANDS OF DOLLARS)
(UNAUDITED)

	Fiscal Year Ended June 30 (1)			July 1,1998 through June 30, 1999 (1)	July 1,1999 through June 30, 2000 (1)	July 1,1998 through September 30, 1999 (1)	July 1,1999 through September 30, 2000 (1)
	1997	1998	1999				
UNRESTRICTED REVENUES:							
Income Tax - Individual	$5,310,837	$5,643,217	$6,204,274	$6,205,470	$6,431,982	$1,315,933	$1,410,401
Income Tax - Corporation	786,147	842,397	883,302	887,107	920,467	194,755	238,515
Sales Tax (2)	3,144,054	3,363,527	2,330,834	3,624,740	3,922,408	854,646	907,731
Inheritance and Gift Tax	49,084	63,374	58,695	56,572	83,845	30,263	14,640
Liquir, Wine and Malt Beverage Tax	56,409	58,771	61,551	58,721	62,138	12,178	11,804
Cigarette and Tobacco Tax	174,550	181,212	186,012	176,812	180,881	38,999	38,948
Mining Taxes	3,099	2,725	2,307	2,307	2,292	21	-
Gross Earnings Taxes	171,539	166,018	174,351	165,859	176,476	2,420	2,164
Motor Vehicle Excise Tax	395,075	454,493	498,635	478,820	534,020	139,577	139,721
Income Reciprocity Tax	31,887	38,535	40,782	39,367	46,475	-	-
Department Earnings	116,723	114,556	119,734	108,412	37,616	32,543	29,951
Investment Income	118,381	171,262	219,586	193,517	138,527	32,058	32,429
Tobacco Settlement (4)	-	-	-	-	104,926	-	-
All Other Revenues (5)	321,144	380,803	398,403	382,833	464,373	81,866	194,991
TOTAL UNRESTRICTED REVENUES	$ 10,678,929	$ 11,480,890	$ 11,178,466	$ 12,380,537	$ 13,106,426	$ 2,735,259	3,021,295
RESTRICTED REVENUES	605,131	568,325	525,412	525,412	595,068	139,958	214,267
LESS REVENUE REFUNDS:							
Income Tax - Individual (3)	525,055	896,648	899,097	899,097	866,777	28,438	30,065
Income Tax - Corporation	84,947	90,336	105,020	105,020	104,153	12,598	12,705
Sales Tax	126,166	132,012	203,791	203,791	195,335	31,746	51,000
All Other	9,819	26,538	14,898	14,898	16,195	2,149	749
TOTAL REFUNDS	$ 745,987	$ 1,145,534	$ 1,222,806	$ 1,222,806	$ 1,182,460	$ 74,931	$ 94,519
NET REVENUES	$ 10,538,073	$ 10,903,681	$ 10,481,072	$ 11,683,143	$ 12,519,034	$ 2,800,286	$ 3,141,043

(1) For Fiscal Years 1997, 1998 and 1999, the schedule of revenues includes all revenues for the fiscal year, including revenue accurals at June 30. For the three-month periods ended September 30, 1999 and 2000, revenues include only receipts in those months.

(2) Sales Tax Revenues decreased from 1998 to 1999 due to Legislative action which provided a sales tax rebate of $1.3 billion.

(3) Income Tax Refunds for Individuals increased from Fiscal Year 1997 to 1998 and 1999 due to 1997 Legislative action which provided income tax credit on property taxes paid in 1997 and 1998 for homeowners and renters.

(4) A Tobacco Settlement of approximately $105 million was received in Fiscal Year 2000. See pages S-25

(5) Other Revenue increased from Fiscal Year 2000 to Fiscal year 2001 due to Legislative action which transferred $110 million of excess balance from the Workers' Compensation Assigned Risk Plan to the General fund.

STATE OF MINNESOTA
ACCOUNTING GENERAL FUND
COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS
(THOUSANDS OF DOLLARS)
(UNAUDITED)

	Fiscal Year Ended June 30 (1)			July 1,1998 through June 30, 1999 (1)	July 1,1999 through June 30, 2000 (1)	July 1,1999 through September 30, 1999 (1)	July 1, 2000 through September 30, 2000 (1)
	1997	1998	1999				
EXPENDITURES:							
Personal Services	$1,293,751	$1,328,757	$1,445,970	$1,369,519	$1,479,167	$277,829	$293,926
Purchased Services	347,103	369,567	458,327	436,484	456,490	99,898	109,842
Materials and Supplies	90,678	96,831	108,441	102,981	99,860	18,888	22,589
Capital Outlay:							
Equipment	49,172	47,045	67,368	61,908	45,689	6,580	8,079
Real Property	3,971	5,005	7,408	7,408	6,241	694	1,342
Grants and Subsidies:							
Individuals	2,131,097	2,125,064	2,280,046	2,148,989	2,290,404	765,125	760,387
Municipalities and Towns (2)	989,891	518,414	803,980	754,833	754,098	416,419	430,530
Counties (2)	770,428	643,822	752,426	714,201	727,188	216,787	221,191
School Districts (3)	3,490,911	3,451,999	3,970,847	3,768,799	4,155,991	613,487	589,218
Private Organizations	154,123	196,932	186,300	175,379	177,880	49,284	52,600
University of Minnesota	421,774	453,507	435,065	435,065	436,853	48,539	50,365
Other	115,816	138,961	166,421	160,960	165,149	35,699	61,124
TOTAL EXPENDITURES	$ 9,858,715	$ 9,375,904	$ 10,682,599	$ 10,136,526	$ 10,795,010	$ 2,549,229	$ 2,601,193
NET TRANSFERS OUT (4)	370,335	638,837	411,364	411,364	593,660	223,689	360,742
TOTAL EXPENDITURES and NET TRANSFERS OUT	$ 10,229,050	$ 10,014,741	$ 11,093,963	$ 10,547,890	$ 11,388,670	$ 2,772,918	$ 2,961,935

(1) For Fiscal Years 1997, 1998 and 1999, the schedule of expenditures includes all expenditures for the fiscal year, and encumbrances outstanding as of June 30. For the three-month periods ended September 30, 1999 and 2000, only current year expenditures have been included.

(2) Grants and subsidies to Municipalties, Towns, Counties decreaesed in 1998 due to 1997 Legislative action that authorized early payment of certain state aids to local governments incurring flood damage in 1997.

(3) Grants and subsidies to School Districts increased from Fiscal Year 1998 to Fiscal Year 1999 and from Fiscal Year 1999 to Fiscal Year 2000 due partially to a new Education Homestead Credit authorized by 1999 Legislative action.

(4) Net Transfers Out increased from Fiscal Year 1997 to Fiscal Year 1998 due to 1998 legislative action that authorized a direct transfer from the General fund to the Capital Project fund. Net Transfers Out also increased from Fiscal Year 1999 to Fiscal Year 2000 due to several new programs.

BUDGET — CURRENT BIENNIUM

November 1998 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Current Biennium in November 1998. Accounting General Fund resources were forecast to be $27.625 billion and Accounting General Fund expenditures were forecast to be $22.648 billion, resulting in a projected Unreserved Accounting General Fund balance of $4.977 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $613 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance of $3.880 billion.

The 1998 Legislature enacted provisions ("statutory allocations") that allocated portions of any Projected Unrestricted Accounting General Fund Balance contained in the November 1998 forecast. These provisions required that (1) the first $9 million of any Projected Unrestricted Accounting General Fund Balance be allocated to increase the Budget Reserve Account, (2) the next $200 million of any Projected Unrestricted Accounting General Fund Balance be placed in a tax reform and reduction account, and (3) the next $400 million of the Projected Unrestricted Accounting General Fund Balance be used to replace 1998 bond authorizations for capital projects with Accounting General Fund cash appropriations.

A sufficient Unrestricted Accounting General Fund balance existed in the November 1998 forecast to accomplish all three of the statutory allocations. The first $9 million of the Projected Unrestricted Accounting General Fund Balance was used to increase the Budget Reserve Account to $622 million. The next $200 million of the Projected Unrestricted Accounting General Fund Balance was placed in a tax reform and reduction account. The next $400 million of the Projected Unrestricted Accounting General Fund Balance was designated to pay for capital projects that had originally been designated to be funded with bonds. The replacement of the 1998 bond authorizations with cash had the effect of decreasing the projected Unreserved Balance at June 30, 1999 by $400 million.

After statutory allocations, Accounting General Fund resources were forecast to be $27.225 billion and Accounting General Fund expenditures were forecast to be $22.596 billion, resulting in a projected Unreserved Accounting General Fund balance of $4.629 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, a Tax Reform and Reduction Account of $200 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance of $3.324 billion.

The November 1998 forecast of Current Biennium resources, expenditures, and fund balances, after required statutory allocations, is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
NOVEMBER 1998 FORECAST
AFTER STATUTORY ALLOCATIONS
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 2,587
Non-dedicated Revenues	23,975
Dedicated Revenues, Transfers In and Other	663
Total Resources	$27,225
Expenditures	22,596
Projected Unreserved Balance at June 30, 2001	$ 4,629
Cash Flow Account	350
Budget Reserve Account	622
Tax Reform and Reduction Account	200
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 3,324

Net non-dedicated revenues for the Current Biennium were forecast to total $23.975 billion, up 12.5 percent from levels projected in the November 1998 forecast for the Previous Biennium. Receipts from individual income taxes were forecast to total $11.699 billion (20.1 percent more than Previous Biennium). Sales tax receipts were forecast to be $7.322 billion (9.8 percent more than the Previous Biennium). Corporate income taxes were forecast at $1.352 billion (7.4 percent lower than the Previous Biennium). Motor Vehicle Sales Tax receipts were projected to total $883 million (0.3 percent more than the Previous Biennium). Other non-dedicated revenues were projected to total $1.991 billion (5.5 percent lower than the Previous Biennium). Stronger than previously anticipated growth in the U.S. economy, and the recognition of revenues attributable to the state's tobacco settlement ($727 million) were responsible for the forecast increase.

The November 1998 forecast used planning estimates based on the assumption that current laws and policies for the Previous Biennium would continue unchanged, and that inflationary costs would increase state spending by 2.5 percent per year. The estimates did not assume any Governor's recommendations or subsequent legislative action.

Expenditures for the Current Biennium were estimated to total $22.596 billion, or $946 million (4.4 percent) more than the November 1998 estimate for the Previous Biennium. The projected expenditures for the Previous Biennium included $901 million in capital projects (after giving effect to the statutory allocations in the November 1998 forecast) appropriated by the 1998 Legislature. Giving effect to the statutory allocations had the additional result of reducing projected debt service costs for the Current Biennium by $53 million because less principal and interest were required on a lower total bond authorization after the conversion of projects to cash appropriations. Discretionary inflation accounted for $799 million of the forecast growth in spending over the Previous Biennium.

January 1999 Governor's Budget Recommendation

In January 1999 the Governor submitted a proposed budget to the Legislature for the Current Biennium, which was based on the November 1998 forecast of Accounting General Fund revenues and expenditures.

The January 1999 Governor's recommendation is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
JANUARY 1999 GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,434
Non-dedicated Revenues	22,373
Dedicated Revenues, Transfers In and Other	694
Total Resources	$24,501
Expenditures	23,346
Projected Unreserved Balance at June 30, 2001	$ 1,155
Cash Flow Account	350
Budget Reserve Account	667
Tax Reform and Reduction Account	0
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 5

Revenue Changes Proposed in the Governor's Budget:

The January 1999 Governor's recommendation reflected a net reduction in Accounting General Fund resources of $2.724 billion from the November 1998 forecast (after statutory allocations) for the Current Biennium. Current resources (total resources less the balance from the Previous Biennium) in the January 1999 Governor's recommendation increased by $2.364 billion (11.4 percent) over the Previous Biennium.

The Governor included tax reduction proposals in his January 1999 recommendation. A 1999 sales tax rebate of $1.087 billion, permanent income tax reductions totaling $844 million, and other one-time tax reductions of $260 million in the Current Biennium were the major components of the January 1999 Governor's recommendation on tax policy. In addition, the Governor proposed setting aside $946 million in the Current Biennium from one-time tobacco settlement revenues for investment in endowments to support family self-sufficiency, health professional education, medical research, and local public health programs. The Governor recommended that these funds be removed from the Accounting General Fund and separately invested in new endowment funds, from which investment income would be available for program expenditures. On-going tobacco settlement revenues would continue to be deposited in the Accounting General Fund. The remaining net difference was attributable to a higher projected unreserved balance from the Previous Biennium because of the Governor's recommendation to reverse the conversion of $400 million in capital projects from general obligation bond financing to Accounting General Fund cash appropriations, which had the effect of increasing the projected balances on June 30, 1999 by $400 million.

Expenditure Changes Proposed in the Governor's Budget:

The January 1999 Governor's recommendation for the Current Biennium increased Accounting General Fund spending by an additional $750 million from the November 1998 forecast (after statutory allocations). This amounted to a $2.082 billion (9.8 percent) increase over the January 1999 Governor's recommendation for the Previous Biennium.

The largest single increase proposed in the January 1999 Governor's recommendation for the Current Biennium over the Previous Biennium was in K-12 education finance ($930 million). The increase was due largely to the Governor's proposals to increase the general education formula allowance by 2.5 percent each year of the biennium, allocate new funds to reduce class sizes, and have the state pay a greater share of school special education costs. Other significant increases in the Current Biennium in health and human services ($584 million) and property tax aids and credits programs ($457 million) were largely attributable to forecast growth in health care program enrollments and unit costs as well as the increased cost of property tax reform measures enacted in 1998.

February 1999 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Current Biennium in February 1999. Accounting General Fund resources were forecast to be $27.905 billion, and Accounting General Fund expenditures were forecast to be $22.544 billion. Compared to the November 1998 forecast, higher resources of $680 million and lower expenditures of $52 million combined to produce a total forecast improvement of $732 million, resulting in a projected Unreserved Accounting General Fund balance of $5.361 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, a Tax Reform and Reduction Account of $200 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance of $4.056 billion. The February 1999 Current Biennium forecast of resources, expenditures, and fund balances, without regard to the Governor's January recommendation, is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
FEBRUARY 1999 FORECAST
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 2,869
Non-dedicated Revenues	24,349
Dedicated Revenues, Transfers In and Other	687
Total Resources	$27,905
Expenditures	22,544
Projected Unreserved Balance at June 30, 2001	$ 5,361
Cash Flow Account	350
Budget Reserve Account	622
Tax Reform and Reduction Account	200
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 4,056

The February 1999 forecast reflected an increase of $282 million in the Unreserved Balance brought forward from the Previous Biennium. Forecast revenues for the Current Biennium increased by $398 million and revisions to expenditure projections lowered forecast spending by $52 million. The net effect of the February 1999 forecast was an increase in the Current Biennium Unrestricted Accounting General Fund balance of $732 million.

March 1999 Governor's Budget Recommendation Revisions

Based upon the February 1999 forecast of Accounting General Fund revenues and expenditures the Governor submitted supplemental budget recommendations to the Legislature in March 1999. The March 1999 Governor's recommendation projected resources for the Current Biennium of $24.569 billion, expenditures of $23.398 billion, and an Unreserved Accounting General Fund balance on June 30, 2001 of $1.171 billion. This balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $667 million, a Farm Aid Abatement Reserve of $20 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance of $414,000.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
MARCH 1999 GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,494
Non-dedicated Revenues	22,385
Dedicated Revenues, Transfers In and Other	690
Total Resources	$24,569
Expenditures	23,398
Projected Unreserved Balance at June 30, 2001	$ 1,171
Cash Flow Account	350
Budget Reserve Account	667
Farm Aid Abatement Reserve	20
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 0

Additional Revenue Changes Proposed by the Governor:

The March 1999 Governor's recommendation made a number of changes to his tax proposals based on the improvement in the February 1999 forecast. The Governor withdrew a $98 million proposal on the treatment of the sales tax on capital equipment, proposed changes reducing revenues by $85 million regarding the treatment of IRAs and other deferred income to more closely parallel federal tax law, expanded his proposed permanent income tax reductions by $107 million, and proposed additional one-time income tax credits totaling $237 million for the Current Biennium. There were also a number of minor changes and technical corrections to the January 1999 Governor's recommendation.

Additional Expenditure Changes Proposed by the Governor:

The March 1999 Governor's recommendation made a variety of minor changes and technical corrections to expenditures, compared to the January 1999 Governor's recommendation.

1999 Legislative Session

During the 1999 legislative session which ended on May 17, 1999, the Legislature enacted revenue measures and appropriations to establish the biennial operating budget for the Current Biennium. Accounting General Fund resources were forecast to be $24.620 billion. Current Biennium revenues, excluding the balance brought forward from the Previous Biennium, were expected to be $2.248 billion (10.8 percent) greater than in the Previous Biennium. Accounting General Fund expenditures were forecast to be $23.384 billion, $2.053 billion (9.6 percent) greater than the Previous Biennium. The budgeted revenues and spending generated a projected Unreserved Accounting General Fund balance of $1.236 billion, including a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, and Dedicated Reserves of $133 million, resulting in a projected Unrestricted Accounting General Fund balance on June 30, 2001 of $130 million.

The end of 1999 legislative session estimates of resources, expenditures, and fund balances is detailed below.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
END OF 1999 LEGISLATIVE SESSION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,518
Non-dedicated Revenues	22,395
Dedicated Revenues, Transfers In and Other	707
Total Resources	$24,620
Expenditures	23,384
Projected Unreserved Balance at June 30, 2001	$ 1,236
Cash Flow Account	350
Budget Reserve Account	622
Dedicated Reserves	133
Projected Unrestricted Balance at June 30, 2001	$ 130

Resources:

The 1999 legislative session produced significant tax law changes. The Legislature adopted, and the Governor approved large tax reductions for Minnesota taxpayers. For Fiscal Year 1999, the Legislature passed a $1.250 billion sales tax rebate. This rebate represented a refund of a portion of sales taxes paid during the Previous Biennium and was paid in August 1999. Individual income tax rates were permanently reduced in all three brackets, from 6.0% to 5.5%, from 8.0% to 7.25%, and from 8.5% to 8.0%. In addition, the “marriage penalty” inherent in the previous rate structure was eliminated. These changes reduce projected Accounting General Fund non-dedicated revenues by $1.312 billion for the Current Biennium.

The Legislature also followed the Governor’s recommendation to set aside $968 million in one-time tobacco settlement revenue into endowments. New endowments were created to support health professional education, medical research, and tobacco use prevention and local public health programs. These funds are removed from the Accounting General Fund and separately invested in new endowment funds. The investment income from these endowment funds will be available for program expenditures.

Other miscellaneous changes and technical corrections also affect the level of Accounting General Fund resources.

Expenditures:

The largest single change in projected Accounting General Fund spending for the Current Biennium was in K-12 education finance, which increased by $1.068 billion (15.7 percent) over the Previous Biennium. In addition to normal biennial growth in pupil units and formula inflation, the enacted budget provided for an increase in the general education aid formula of 4.7 percent in Fiscal Year 2000 and 3.2 percent in Fiscal Year 2001, a biennial increase of $460 million. The Legislature also adopted an additional $101 million for special education and $86 million to reduce lower elementary grade class sizes.

Other significant spending changes that were enacted included:

— Property tax aid programs, which increased $578 million (21.6 percent) over the Previous Biennium, primarily due to property tax reform provisions enacted in the 1997 and 1998 legislative sessions, but also due to $117 million in new assistance.

— Health and human service programs, which increased $586 million (12.2 percent) over the Previous Biennium.

— Higher education institutions and financial aid, which increased $171 million (7.0 percent) over the Previous Biennium

In addition, the Legislature converted $400 million in capital projects from Accounting General Fund cash to general obligation bond financing. This conversion will cost an additional $53 million in debt service payments from the Accounting General Fund in the Current Biennium.

November 1999 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Current Biennium in November 1999. Accounting General Fund resources were forecast to be $26.294 billion and Accounting General Fund expenditures were forecast to be $23.550 billion, resulting in a projected Unreserved Accounting General Fund balance of $2.744 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million and Dedicated Reserves of $145 million, resulting in a projected Unrestricted Accounting General Fund balance of $1.627 billion.

Compared to estimates at the end of the 1999 legislative session, Accounting General Fund resources were $1.272 billion higher than end of session estimates. The actual Unreserved Balance brought forward from the Previous Biennium increased $453 million. These increases in Accounting General Fund resources were partially offset by $221 million in spending increases and other changes. The Unrestricted Accounting General Fund balance of $80 million at end of session was forecast to reach $1.584 billion. The forecast for net non-dedicated revenues increased by $1.154 billion. While slightly more than one-half of the additional revenue came from an increase in expected income tax payments, the forecast for each of the four major taxes was raised substantially. Forecast increases for transfers and other dedicated revenues added another $118 million to the expected balance. The increase in Accounting General Fund resources was partially offset by a projected $209 million increase in state spending and a $12 million increase in dedicated reserves. Of the increase in spending, $103 million resulted from previously authorized appropriations that carried forward from the Previous Biennium.

Statutory Allocations:

The 1999 Legislature adopted several contingency revenue and spending measures (Statutory Allocations) that relied on November 1999 forecast improvements in order to become effective:

— The Fiscal Year 1999 sales tax rebate was increased $50 million to $1.3 billion based on a July 15, 1999 certification of year-to-date revenues exceeding the February 1999 forecast by at least $50 million.

— The general education aid formula allowance was increased $50 per pupil unit year beginning in Fiscal Year 2001 on the basis of a sufficient projected Unrestricted Accounting General Fund balance available in the November 1999 forecast. Requirements that the planning estimates for the Next Biennium showed projected revenues (excluding remaining one-time tobacco settlement payments) exceeding projected expenditures each year were met. The cost of this contingent increase was $43 million.

— Existing law also called for positive Unrestricted Accounting General Fund balances in November forecasts in odd-numbered years to be split 60 percent to a Property Tax Reform account and 40 percent remaining as an available balance in the Accounting General Fund.

— Contingency language in the 1999 omnibus tax bill reserved funding for future tax rebates if forecasts of Accounting General Fund revenues, expenditures and fund balances in November of even-numbered years and February of odd-numbered years project positive unrestricted balances.

The November 1999 Current Biennium forecast of resources, expenditures, and fund balances after required statutory allocations, is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
NOVEMBER 1999 FORECAST
AFTER STATUTORY ALLOCATIONS
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,921
Non-dedicated Revenues	23,549
Dedicated Revenues, Transfers In and Other	824
Total Resources	$26,294
Expenditures	23,593
Projected Unreserved Balance at June 30, 2001	$ 2,701
Cash Flow Account	350
Budget Reserve Account	622
Property Tax Reform Account	1,013
Dedicated Reserves	145
Projected Unrestricted Balance at June 30, 2001	$ 571

January 2000 Governor's Budget Recommendation

In January 2000 the Governor submitted recommendations to the Legislature for the Current Biennium (the "Governor's January Recommendation"), which were based on the November 1999 forecast of Accounting General Fund revenues and expenditures.

The Governor recommended three significant changes for the Current Biennium. The first was a $470 million sales tax rebate. The second provided for a reduction in motor vehicle taxes. This permanent reduction would reduce revenues to the Highway User Tax Distribution Fund by $276 million in the second year of the biennium. The Governor recommended a $276 million Accounting General Fund transfer to make up the first year of lost revenue in that fund.

Finally, the Governor recommended eliminating the Property Tax Reform Account and transferring the balance therein (after implementing the above adjustments), plus any Unrestricted Accounting General Fund balance to a new Tax Relief and Reform Account. The purpose of the new account would be to reserve funding for action on broader tax reform and relief by the Governor and Legislature in the 2001 legislative session. Based on the Governor's recommendations, the amount in the Tax Relief and Reform Account would total $809 million and the projected Unrestricted Accounting General Fund balance would be zero.

The Current Biennium resources, expenditures, and fund balances based on the January 2000 Governor's Recommendation is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
JANUARY 2000 GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,921
Non-dedicated Revenues	23,107
Dedicated Revenues, Transfers In and Other	777
Total Resources	$25,805
Expenditures	23,879
Projected Unreserved Balance at June 30, 2001	$ 1,926
Cash Flow Account	350
Budget Reserve Account	622
Tax Relief and Reform Account	809
Property Tax Reform Account	0
Dedicated Reserves	145
Projected Unrestricted Balance at June 30, 2001	$ 0

February 2000 Forecast — Current Law

The Department of Finance prepared a forecast of Accounting General Fund revenues and expenditures for the Current Biennium in February 2000. Accounting General Fund resources were forecast to be $26.516 billion and Accounting General Fund expenditures were forecast to be $23.581 billion, resulting in a projected Unreserved Accounting General Fund balance of $2.935 billion. That balance included a Cash Flow Account of $350 million, a Budget Reserve Account of $622 million, Dedicated Reserves of $145 million, and a Property Tax Reform Account of $1.018 billion, resulting in a projected Unrestricted Accounting General Fund balance of $800 million.

Compared to estimates in November 1999, Accounting General Fund resources were $222 million higher. Forecast expenditures were $12 million lower. When combined with a $5 million increase in the investment earnings dedicated to the Property Tax Reform Account, the net increase in the expected Unrestricted Accounting General Fund balance was $229 million.

Of the forecast increase of $222 million, $185 million was a net increase in forecast non-dedicated revenues and a $37 million increase in transfers and dedicated revenues accounted for the balance of the change in resources. The forecast for individual income taxes increased $140 million, while corporate tax projections fell $46 million.

Accounting General Fund expenditures were forecast to total $23.581 billion, down $12 million from November 1999. Minor increases in K-12 education, family support and other programs were offset by a $42 million reduction in health care spending.

The February 2000 Current Biennium forecast of resources, expenditures, and fund balances is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
FEBRUARY 2000 FORECAST
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,921
Non-dedicated Revenues	23,734
Dedicated Revenues, Transfers In and Other	861
Total Resources	$26,516
Expenditures	23,581
Projected Unreserved Balance at June 30, 2001	$ 2,935
Cash Flow Account	350
Budget Reserve Account	622
Property Tax Reform Account	1,018
Dedicated Reserves	145
Projected Unrestricted Balance at June 30, 2001	$ 800

March 2000 Governor's Budget Recommendation

In March 2000 the Governor submitted only minor changes to the Governor's January recommendations for the Current Biennium that had a minor effect on resources and expenditures. On the basis of the February 2000 forecast of Accounting General Fund revenues and expenditures, the Governor recommended allocating all of the increase in the forecast Unrestricted Accounting General Fund balance to the Tax Relief and Reform Account. When all other expenditure and revenue recommendations are considered, this allocated an additional $241 million to the account. Based on the Governor's recommendations, the amount in the Tax Relief and Reform Account would be $1.050 billion and the projected Unrestricted Accounting General Fund balance would be zero.

The Current Biennium resources, expenditures, and fund balances based on the March 2000 Governor's Recommendation is detailed below:

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
MARCH 2000 GOVERNOR'S RECOMMENDATION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,921
Non-dedicated Revenues	23,308
Dedicated Revenues, Transfers In and Other	826
Total Resources	$26,055
Expenditures	23,888
Projected Unreserved Balance at June 30, 2001	$ 2,167
Cash Flow Account	350
Budget Reserve Account	622
Tax Relief and Reform Account	1,050
Property Tax Reform Account	0
Dedicated Reserves	145
Projected Unrestricted Balance at June 30, 2001	$ 0

2000 Legislative Session

During the 2000 legislative session, the Legislature enacted revenue measures and appropriations that modified the budget for the Current Biennium. Actions were based on the February 2000 revenue and expenditure forecast.

The end of 2000 legislative session estimates of resources, expenditures, and fund balances is detailed below.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
END OF 2000 LEGISLATIVE SESSION
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$ 1,921
Non-dedicated Revenues	23,028
Dedicated Revenues, Transfers In and Other	817
Total Resources	25,766
Expenditures	24,640
Projected Unreserved Balance at June 30, 2001	1,126
Cash Flow Account	350
Budget Reserve Account	622
Dedicated Reserves	145
Projected Unrestricted Balance at June 30, 2001	$ 9

Resources:

The 2000 legislative session produced three significant tax law changes. The Legislature adopted, and the Governor approved $1.030 billion in tax reductions for Minnesota taxpayers in the Current Biennium. For Fiscal Year 2000, the Legislature passed a $640 million sales tax rebate. This rebate represents a refund of a portion of sales taxes paid in fiscal year 2000. Individual income tax rates were permanently reduced an average 2.8 percent effective for tax year 2000. All three tax brackets were reduced: from 8.0% to 7.85%, from 7.25% to 7.0% and from 5.5% to 5.35%, (see Accounting General Fund Revenue Sources page S-23). In addition, the motor vehicle registration tax was reduced effective July 1, 2000 lowering the average cost of yearly vehicle licenses from $138 to $96. Registration maximums were reduced to $189 one year after purchase and $99 thereafter. An Accounting General Fund transfer will replace $147 million of lost revenue to the State Highway User Tax Distribution Fund resulting from this provision.

Expenditures:

Authorized spending was increased by slightly over $800 million. The largest changes in projected Accounting General Fund spending for the Current Biennium occurred in three areas. K-12 education funding was increased $174 million, including new funding for teacher's training, special education, and telecommunications. A $404 million supplement was provided to road and bridge construction programs designed to alleviate bottlenecks on Twin City freeways, upgrade outstate highways connecting regional centers, and to complete other road and bridge repair projects. Finally, $205 million was provided as a direct cash financing portion of a total $847 million capital budget. Changes in all other spending areas accounted for a net increase of $171 million.

Capital Budget:

The 2000 Legislature approved $847 million in capital improvements.

2000 LEGISLATIVE SESSION
ENACTED CAPITAL BUDGET
($ in Millions)

General Fund Supported Bonding	$471
User-Financed Bonding	$ 71
Trunk Highway Bonding	$100
Total Bond Authorization	$642
General Fund Appropriations	$205
Total Cash Appropriations	$205
Total Capital Budget	$847
Cancellations of Prior Bond Authorizations	$ (21)
Cancellations of Prior General Fund Appropriation	$ (9)
Net Capital Budget	$817

Future Forecast Contingencies:

Contingency language passed in the 1999 legislative session that affects the remainder of the Current Biennium was not changed. Current law provides that if Accounting General Fund unrestricted balances for the Current Biennium, based on forecasts to be made in November 2000 and February 2001, exceed one-half of one percent of biennial revenues, the entire balance shall be designated as available for rebate to taxpayers. Current law requires that the Governor present a plan to the 2001 Legislature to distribute any rebate amounts.

CURRENT BIENNIUM ESTIMATES — REVENUES AND EXPENDITURES

The following table displays a summary of the estimated amounts of revenues and expenditures allocable to the Accounting General Fund for the Current Biennium based on end of 2000 legislative session estimates. Authorized expenditures are presented by function, consistent with generally accepted accounting principles for reporting purposes.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
ESTIMATES OF REVENUES AND EXPENDITURES
END OF 2000 LEGISLATIVE SESSION
($ in Thousands)

	Fiscal Year 2000	Fiscal Year 2001	Current Biennium
Forecast Resources			
Prior Year Ending Balance (1)	$ 1,920,779	$ 1,533,232	$ 1,920,779
Net Non-dedicated Revenues	10,996,941	12,031,402	23,028,343
Dedicated Revenues	172,343	141,228	313,571
Transfers From Other Funds	244,236	239,190	483,426
Prior Year Adjustments	10,100	10,100	20,200
Subtotal Current Resources	11,423,620	12,421,920	23,845,540
Total Revenues Plus Prior Year Ending Balance	13,344,399	13,955,152	25,766,319
Authorized Expenditures & Transfers			
Education Finance	3,912,543	4,223,690	8,136,233
Family & Early Childhood Education	208,991	229,315	438,306
Property Tax Aids & Credits	1,596,527	1,745,596	3,342,123
Higher Education	1,295,172	1,346,250	2,641,422
Health & Human Services	2,633,547	2,829,124	5,462,671
Environment & Natural Resources	285,006	265,486	550,492
Economic Development	258,862	203,560	462,422
Transportation	85,281	418,826	504,107
Criminal Justice	556,290	604,550	1,160,840
State Government	434,743	353,241	787,984
Debt Service & Borrowing	263,205	315,476	578,681
Capital Projects/Transit	152,222	25,000	177,222
Motor Vehicle Tab Fee Reduction	0	149,804	149,804
Cancellation Adjustment	(12,340)	(22,000)	(34,340)
Subtotal Expenditures & Transfers	11,670,049	12,687,918	24,357,967
Dedicated Revenue Expenditures	141,118	141,228	282,346
Total Expenditures and Transfers	11,811,167	12,829,146	24,640,313
Unreserved Balance	1,533,232	1,126,006	1,126,006
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	622,000	622,000	622,000
Dedicated Reserves	144,690	145,272	145,272
Unrestricted Balance	$ 416,542	$ 8,734	$ 8,734

(1) On a budgetary basis, Fiscal Year 1999 ended with an Unrestricted Accounting General Fund balance of $378.4 million and an Unreserved Accounting General Fund Balance of $1.921 billion.

The following table sets forth by source the forecast amounts of non-dedicated revenues allocable to the Accounting General Fund for the Current Biennium.

CURRENT BIENNIUM
ACCOUNTING GENERAL FUND
ESTIMATES OF NON-DEDICATED REVENUES
END OF 2000 LEGISLATIVE SESSION
($ in Thousands)

	Fiscal Year 2000	Fiscal Year 2001	Current Biennium
Net Non-dedicated Revenues:			
Income Tax - Individual	$ 5,446,620	$ 5,582,932	$11,029,552
Income Tax - Corporate	742,110	739,915	1,482,025
Sales Tax	3,714,381	3,849,806	7,564,187
Laws 1999 Sales Tax Rebate	(9,761)	0	(9,761)
Laws 2000 Sales Tax Rebate	(637,659)	0	(637,659)
Motor Vehicle Sales Tax	529,500	525,900	1,055,400
Estate Tax	85,000	70,000	155,000
Liquor, Wine & Beer	60,021	58,905	118,926
Cigarette & Tobacco	176,481	175,746	352,227
Mining	2,196	2,050	4,246
Deed & Mortgage Registration	137,100	126,000	263,100
Gross Earnings Taxes	172,445	176,945	349,390
Lawful Gambling Taxes	63,795	60,407	124,202
Health Care Provider Tax	124,906	128,129	253,035
Income Tax Reciprocity	46,475	38,669	85,144
Tobacco Settlements	104,926	117,141	222,067
Investment Income	134,347	110,000	244,347
All Other Non-dedicated Revenue	127,637	292,056	419,693
All Other Refunds	(23,579)	(23,199)	(46,778)
Total Net Non-dedicated Revenues	$10,996,941	$12,031,402	$23,028,343

ACCOUNTING 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 imposed by the current State law is set forth below.

Income Tax: The income tax rate schedules for 2000 consist of three income brackets having tax rates of 5.35 percent, 7.05 percent and 7.85 percent as shown below. The tax brackets are indexed annually for inflation, as measured by the National CPI. The base of the tax is federal taxable income, with selected additions and subtractions. There is an income exclusion for low-income elderly and disabled taxpayers. The exclusion phases out as adjusted gross income and nontaxable sources of income rise. 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 $261. In addition, the State tax code contains a refundable child care credit and a working family credit, both targeted at low income parents.

SINGLE FILER

Taxable Income	Tax
on the first $17,570	5.35 percent
on all over $17,570, but not over $57,710	7.05 percent
on all over $57,710	7.85 percent

MARRIED FILING JOINTLY

Taxable Income	Tax
on the first $25,680	5.35 percent
on all over $25,680, but not over $102,030	7.05 percent
on all over $102,030	7.85 percent

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 $21,630	5.35 percent
on all over $21,630, but not over $86,910	7.05 percent
on all over $86,910	7.85 percent

Sales and Use Tax: The sales tax of 6.5 percent is applicable to most retail sales of goods with the exception of food, clothing, and prescription drugs. Purchases made by non-profit organizations and the federal government and school districts are exempt.

Corporate Franchise Tax: A flat tax rate of 9.8% is imposed on Corporate taxable income. Corporations that do business both in and outside of Minnesota must apportion their taxable income on the basis of a three factor formula that gives a 70% weight to sales, a 15% weight to payroll and a 15% weight to property. The factors will change to 75%, 12.5% and 12.5%, respectively beginning 2001. 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%, to the extent the minimum tax exceeds the regular tax.

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 fee schedule is shown below:

Fee Basis	Amount of Fee
Less than $500,000	$ 0
$500,000 to $1 million	100
$1 to $5 million	300
$5 to $10 million	1,000
$10 to $20 million	2,000
$20 million or more	5,000

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

2.0%	Domestic and foreign company premiums.
1.0%	Mutual property and casualty companies with assets of 5 million or less on 12/31/89
1.26%	Mutual property and casualty companies with assets in excess of 5 million but less than 1.6 billion on 12/31/89
3.0%	Surplus line agents.
0.5%	Fire Marshal tax on fire premiums.
2.0%	Surcharge on fire premiums for property located in cities of the first class.

Motor Vehicle Sales Tax: Motor vehicle sales, new and used, are exempt from the sales and use tax, but are subject to a 6.5% motor vehicle sales tax. The tax is collected at the time of title registration or transfer.

Liquor, Wine and Fermented Malt Beverages: Liquor is taxed at $5.03 per gallon. Wine is taxed at rates that vary from $.30 per gallon to $3.52 per gallon, depending on the alcohol content. Beer is taxed at $2.40 per 31-gallon barrel for beer with alcoholic contents of 3.2% by volume or less, and $4.60 per 31-gallon barrel for strong beer. Liquor, wine and beer sales are also subject to sales tax at a rate of 9.0%.

Cigarette and Tobacco Products Taxes: The excise tax on cigarettes is 48 cents per pack. Tobacco products other than cigarettes are subject to an excise tax, imposed on distributors thereof, equal to 35% of the wholesale price of such tobacco products.

Estate Tax: The tax base is the federal gross estate less various exemptions and deductions. The tax may not exceed the State death tax credit.

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

Deed Tax: A tax of $1.65 per $500 of consideration is imposed on the transfer of real estate by any deed, instrument, or writing. Ninety-seven percent of the proceeds go to the State's Accounting General Fund and three percent to the county in which the property is located.

Legalized Gambling Taxes:

Pari-Mutuel Tax: A 6% tax is imposed on the takeout of pari-mutuel horse races at licensed tracks. The takeout is 17% of straight pools and 23% for multiple pools.

Lawful Gambling Tax: A 8.5% tax is imposed on bingo, raffles and paddlewheels gross receipts less prizes of organizations licensed to operate such games of chance.

Pull-Tab and Tip Board Tax: A 1.9% tax is imposed on the ''Ideal Gross'' of each pull tab or tipboard deal sold by a distributor. A deal is defined as each separate package, or series of packages, consisting of one game of pull-tabs or tipboards. In addition, a ''Combined Receipts Tax'', with rates ranging from 1.7% to 5.1% is imposed on organizations with pull tab and tip board gross receipts in excess of $500,000 per year.

Rental Motor Vehicle Tax: In addition to the general sales tax a 6.2 percent sales tax is imposed on the lease or rental, on a daily or weekly basis, of a passenger automobile, van or pickup truck.

Taconite and Iron Ore Occupation Taxes: The base of the occupation tax is the value of the ore less expenses required to convert it into marketable quality. The rate of the tax is 9.8%.

Health Care Provider Surcharge: A tax imposed upon licensed nursing homes, hospitals, and health maintenance organizations. It includes a $625 tax per licensed nursing home bed, 1.56% tax on the net patient revenue of hospitals (excluding Medicare revenue), and a 0.6% tax on the total premium revenue of health maintenance organizations.

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

Tobacco Settlement

On May 8, 1998, the State entered into a settlement of a lawsuit which it had initiated against several tobacco companies. The settlement requires the defendant tobacco companies to pay to the State an amount of $6.1 billion over a period of 25 years. This settlement will produce additional annual calendar year revenue to the State ranging from a low of approximately $204 million to a high of approximately $418 million. For further discussion, see Budget — Current Biennium, 1999 Legislative Session.

TRUNK HIGHWAY SYSTEM

The State trunk highway system consists of 11,940 miles of highways, 4,619 bridges, and 612 maintenance, enforcement, service, and administrative buildings. Minnesota has 913 miles of interstate highways, all of which are part of the trunk highway system. Total highway mileage, including roads and streets under local jurisdiction, is 131,998 miles.

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

Trunk Highway Fund

The Minnesota Constitution, Article XIV, establishes a Highway User Tax Distribution Fund to be used solely for highway purposes, authorizes the Legislature to impose taxes on motor vehicles and motor vehicle fuels, and requires the proceeds of such taxes to be paid into and briefly maintained in such fund. Article XIV also establishes a Trunk Highway Fund, to be used solely for trunk highway system purposes and for the payment of principal and interest on trunk highway bonds. The Minnesota Constitution requires that 95% of the revenues deposited into the Highway User Tax Distribution Fund be distributed from the fund as follows: 62% to the Trunk Highway Fund, 29% to the County State Aid Highway Fund, and 9% to the Municipal State Aid Street Fund. The remaining 5% of Highway User Tax Distribution Fund revenues are distributed to the same three funds in accordance with a formula that the legislature establishes. According to the Minnesota Constitution, no change in the formula may be made within six years of the last previous change. Currently these remaining revenues are all distributed to the County State Aid Highway Fund. The next time this distribution formula may be changed will be during the 2004 legislative session. Article XIV provides that the payment of the principal and interest on State trunk highway bonds is “a first charge on money coming into [the Trunk Highway Fund] during the year in which the principal or interest is payable.”

In addition to distributions from the Highway User Tax Distribution Fund, the Trunk Highway Fund directly receives revenue from deposits of federal aid reimbursements, drivers license fees, investment income, and miscellaneous fees and reimbursements.

The Minnesota motor fuel tax is collected on all fuel used to propel vehicles on the public roads of the state and includes gasoline, diesel fuel, and other special fuels. For gasoline and diesel fuel the current tax is twenty cents per gallon; this rate was enacted in 1988. For some special fuels the rate is different and is based on the equivalent energy content of the fuel compared to gasoline.

Revenues from motor fuels taxes generated approximately $588 million in Fiscal Year 2000, after refunds, collection costs and other transfers (e.g., estimated revenues from taxes paid on non-highway fuel transferred to other state accounts). Revenues are estimated to increase at a rate from 1.5% to 2.0% annually due to increased vehicle miles traveled, offset slightly by increases in fuel efficiency of the entire fleet of vehicles.

Motor vehicle registration taxes consist of taxes on passenger vehicles and on trucks. For passenger vehicles the tax is $10 plus 1.25% times the original value of the vehicle, with all but the $10 portion of the tax being depreciated in accordance with a statutory schedule. However, the maximum tax for the first renewal is $189 and for subsequent renewals is $99. The minimum tax is $35. Motor vehicle registration taxes for trucks are based on the weight and age of the vehicles, with the maximum tax being $1,760 for trucks registered at 80,000 pounds that are less than 9 years old. Trucks registered at a rate greater than 80,000 pounds pay an additional $50 per ton of registered weight.

The Highway User Tax Distribution Fund also will receive direct appropriations from the Accounting General Fund in Fiscal Years 2001 and 2002. The amounts are $149.8 million for Fiscal Year 2001 and $161.7 million for Fiscal Year 2002. Beginning in Fiscal Year 2003, 32% of revenues from the state sales tax on motor vehicles will be transferred to the Highway User Tax Distribution Fund. It is estimated that this transfer will be $176 million in Fiscal Year 2003. The state sales tax on motor vehicles is 6.5%, and all revenue from this tax is currently deposited in the Accounting General Fund.

The 2000 Legislature authorized $100 million of Trunk Highway Bonds, which may be used for “... reconstruction and replacement of key bridges on the state trunk highway system; for construction, improvement, and maintenance of the interregional corridor system as identified by the commissioner [of transportation]; for the improvement of highways classified as bottlenecks by the commissioner [of transportation]; for providing highway-related advantages for transit; and for acquisition of properties necessary to locate, construct, reconstruct, improve, and maintain the trunk highway system.” This authorization provides that no more than $14,000,000 of the bonds may be spent for program delivery (program delivery consists of engineering work by both consultants and Mn/DOT staff needed to prepare plans and specifications used to solicit bids for construction contracts, construction contract supervision and inspection, and a variety of other project-specific support activities). Mn/DOT has determined and the Commissioner of Finance has concurred that the bond proceeds will be used on the following four projects:

Trunk Highway 23 in west central Minnesota from Richmond to Cold Springs (build a four lane highway where a two lane highway exists today; bond funds will be used for construction, purchasing right of way, and for program delivery activities).

Trunk Highway 52 near Rochester, Minnesota (upgrade current circumferential beltway highways; bond funds will be used for purchase of right of way and for program delivery activities).

Construction of a portion of Trunk Highway 212, a new freeway west of Eden Prairie, Minnesota (bond funds will be used for purchasing right of way and for program delivery activities).

Rebuilding and expanding a bridge on Interstate Highway 694, which is a part of the trunk highway system, over the Mississippi River near Newport, Minnesota and upgrading trunk highways that approach the bridge from both directions (bond funds will be used for construction, purchasing right of way, and for program delivery activities).

ESTIMATED REVENUES AND EXPENDITURES
TRUNK HIGHWAY FUND
(Thousands of Dollars)

	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 2001
Beginning Fund Balance	$ 152,844.0	$ 223,551.8
Forecast Revenues		
Motor Fuel Tax	347,938.2	355,182.8
Motor Vehicle Tax	352,570.6	276,392.3
General Fund Transfer		88,234.6
Federal Aid	308,634.3	307,495.0
Drivers License	23,984.6	24,814.9
Investment Income	17,357.4	14,818.7
Other Miscellaneous Income	32,955.2	61,986.6
Bond Proceeds	0.0	30,000.0
Total Forecast Revenues	$1,083,440.3	$1,158,924.9
Estimated Expenditures		
State Roads		
State Road Construction	499,393.3	677,763.3
Highway Debt Service(1)	13,465.7	17,724.8
Program Support	79,461.7	96,720.6
Program Delivery	77,021.8	100,551.6
Operations	202,636.6	223,402.4
General Support	49,368.9	60,821.4
Buildings	3,768.3	29,456.7
Other State Agencies	87,616.4	86,120.5
Total Estimated Expenditures	$1,012,732.5	$1,292,561.3
Ending Fund Balance	$ 223,551.8	$ 89,915.3

(1) Debt service transfer for $13.1 million in outstanding bond principal, plus repayments of advances from local governments (up to $10 million per year). Fiscal Year 2001 also includes debt service for this bond issue.

Capital Needs of the Trunk Highway System

The trunk highway system includes 11,940 miles of roadways and bridges. The state manages the capital maintenance and upgrading of the trunk highway system, in partnership with the Federal Highway Administration. It uses an extensive planning process that includes a statewide transportation plan, updated every three years, and an annual Statewide Transportation Improvement Program (STIP), which details all highway construction and maintenance projects that are capital in nature. Projects included in the STIP range from major construction, involving building new highways or rebuilding highways that add additional traffic capacity, to less substantive improvements such as resurfacing existing highways.

Recently, a planning process identified an ongoing need for upgrading interregional corridors (between important regional centers of the state) and undertaking projects to eliminate “bottlenecks” on metropolitan area freeways and expressways. Over a ten year period over $1 billion of needs were identified in each of these two areas. Minnesota’s 2000 Legislature provided approximately $350 million of funding over the next three years to begin addressing these needs. In addition, a bond authorization of $100 million was provided for these same purposes.

Plans for the just completed and upcoming fiscal years call for the following improvements.

TRUNK HIGHWAY IMPROVEMENT PROGRAM
Fiscal Year 2000
($ in Millions)

Improvement Category	Trunk Highway Funds	Bond Funds	Federal Funds	Total
Interstate Preservation	$ 18.0	$	$ 38.5	$ 56.5
Major Construction	35.5		86.8	122.3
Reconstruction	18.3		42.9	61.2
Bridge Replacement	7.1		7.6	14.7
Bridge Repair	2.1		2.8	4.9
Reconditioning	12.6		31.4	44.0
Resurfacing	38.6		42.1	80.7
Road Repair	16.9			16.9
Safety	4.8		4.5	9.3
Traffic Management	14.3		12.0	26.3
Municipal Agreements	18.0		1.1	19.1
Right of Way	39.9		8.0	47.9
Miscellaneous Agreement	9.4			9.4
	$235.5	$0.0	$277.7	$513.2

TRUNK HIGHWAY IMPROVEMENT PROGRAM
Fiscal Year 2001
($ in Millions)

Improvement Category	Trunk Highway Funds	Bond Funds	Federal Funds	Total
Interstate Preservation	$ 6.0	$	$ 54.0	$ 60.0
Major Construction	24.7		50.7	75.4
Reconstruction	20.7		48.3	69.0
Bridge Replacement	11.7		15.0	26.7
Bridge Repair	4.7		4.3	9.0
Reconditioning	8.8		35.3	44.1
Resurfacing	35.8		48.8	84.6
Road Repair	16.8			16.8
Safety	9.1		5.0	14.1
Traffic Management	18.3		13.6	31.9
Municipal Agreements	23.5			23.5
Right of Way	76.3	25.0		101.3
Miscellaneous Agreement	15.0			15.0
Program Delivery(1)	0.0	5.0(1)	0.0	5.0
	$271.4	$ 30.0	$275.0	$576.4

(1) Other Program Delivery expenditures are funded through the Minnesota Department of Transportation Operating Budgets.

HISTORIC REVENUES AND EXPENDITURES

The following two tables set forth the Trunk Highway Fund revenues and expenditures for the Fiscal Years ending June 30, 1997 through 1999, and for the additional time periods shown. For the Fiscal Years ended June 30, 1997 through 1999 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. For the twelve-month periods ending June 30, 1999 and June 30, 2000 and for the three-month periods ending September 30, 1999 and September 30, 2000, such revenues and expenditures include only cash receipts and disbursements allocable to Fiscal Years 1999 and 2000 and Fiscal Years 2000 and 2001, respectively. 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. The tables are prepared on the budgetary basis. The actual expenditures set forth in the second table are presented by object of expenditure, the State's historical method of presentation, whereas forecasts of expenditures are presented by function, consistent with current generally accepted accounting principles for reporting purposes.

STATE OF MINNESOTA
TRUNK HIGHWAY FUND
COMPARATIVE STATEMENT OF REVENUES
(Thousands of Dollars)

	Fiscal Year Ended June 30[1]			July 1, 1998 Through June 30, 1999[1]	July 1, 1999 Through June 30, 2000[1]	July 1, 1999 Through Sept. 30, 1999[1]	July 1, 2000 Through Sept. 30, 2000[1]
	1997	1998	1999				
Revenues:							
Taxes:[2]							
Motor Fuel	$333,571	$341,568	$ 360,506	$356,736	$ 362,877	$ 98,419	$101,440
Motor Vehicle	303,978	322,516	346,499	346,291	370,355	80,481	62,784
Less: Revenue Refunds	(29,270)	(32,544)	(33,221)	(30,889)	(32,723)	(3,084)	(12,715)
Net Taxes	$608,279	$631,540	$ 673,784	$672,138	$ 700,509	$175,816	$151,509
Federal Grants	292,392	239,746	287,922	236,657	308,634	97,299	115,808
Drivers License	18,760	18,659	20,938	21,822	24,531	5,582	6,123
Penalties & Fines	5,134	7,031	6,915	5,053	6,062	778	636
Investment Income	14,450	16,126	15,699	16,538	17,357	2,600	3,149
Other Revenue	35,365	38,008	30,233	30,711	28,659	5,660	11,553
Revenue Refunds	(2,247)	(2,444)	(2,332)	(2,332)	(2,314)	(5)	(15)
Total Revenues	**$972,133**	**$948,666**	**$1,033,159**	**$980,587**	**$1,083,438**	**$287,730**	**$288,763**

(1) For Fiscal Years 1997, 1998, and 1999, the schedule of revenues includes all revenue for the Fiscal Year, including accruals at June 30. For the twelve-month periods ended June 30, 1999 and 2000, and also for the three-month periods ended September 30, 1999 and 2000, current year receipts, without auditing year-end accruals have been included.

(2) These amounts represent the Trunk Highway Fund portion of the Motor Fuel and Motor Vehicle Taxes.

TRUNK HIGHWAY FUND
COMPARATIVE STATEMENT OF EXPENDITURES AND TRANSFERS TO OTHER FUNDS
(Thousands of Dollars)

	Fiscal Year Ended June 30(1) 1997	1998	1999	July 1, 1998 Through June 30, 1999(1)	July 1, 1999 Through June 30, 2000(1)	July 1, 1999 Through Sept. 30, 1999(1)	July 1, 2000 Through Sept. 30, 2000(1)
Expenditures:							
Personal Services	$299,108	$311,636	$ 327,599	$305,743	$336,211	$ 71,087	$ 73,379
Purchased Services	102,998	103,256	113,437	89,821	83,757	16,541	15,270
Materials and Supplies	73,504	47,459	67,484	48,091	42,026	6,593	7,325
Capital Outlay:							
Equipment	45,333	18,179	37,853	19,419	14,387	1,250	1,263
Capital Outlay & Real Property(2)	430,630	449,831	490,005	490,005	477,750	38,716	53,250
Grants and Subsidies:							
Individuals	0	10	41	16	25	15	3
Counties	158	85	234	234	208	103	0
School Districts	0	21	21	20	21	0	0
Private Organizations	3,496	3,224	1,413	1,413	606	93	0
Other	767	733	733	683	820	320	287
Total Expenditures	$955,994	$934,434	$1,038,819	$955,444	$955,811	$134,719	$150,778
Transfers:							
Debt Service	**(7,193)**	**(5,626)**	**(5,149)**	**(5,149)**	**(3,744)**	**0**	**0**
Other Transfers	2,303	4,272	(1,054)	(1,054)	3,283	(11)	80
Net Transfers	**$ (4,890)**	**$ (1,354)**	**$ (6,203)**	**$ (6,203)**	**$ (461)**	**$ (11)**	**$ 80**
Total Expenditures and Net Transfers Out	**$951,104**	**$933,080**	**$1,032,616**	**$949,241**	**$955,350**	**$134,708**	**$150,858**

(1) For Fiscal Years 1997, 1998 and 1999, the schedule of expenditures includes all expenditures for the respective Fiscal Years, plus encumbrances outstanding as of June 30. For the twelve-month periods ended June 30, 1999 and 2000 and also for the three-month periods ended September 30, 1999 and 2000, only current year expenditures have been included.

(2) Because construction contracts typically span into future Fiscal Years, and are encumbered in their entirety in the appropriate Fiscal Year, materially large amounts of encumbrances exist at the end of a Fiscal Year. Encumbrances have therefore been included in Capital Outlay and Real Property totals for all time periods.

MINNESOTACARE® PROGRAM

The 1992 Legislature established the MinnesotaCare® program to provide subsidized health care insurance for long term uninsured Minnesotans, reform individual and small group health insurance regulations, create a health care analysis unit to collect condition-specific data about health care practices in order to develop practice parameters for health care providers, implement certain cost containment measures into the system, and establish an office of rural health to ensure the health care needs of all Minnesotans are being met.

The program is not part of the Accounting General Fund. A separate fund, called the Health Care Access Fund, has been established as a special revenue fund to account for revenues and expenditures for the MinnesotaCare® program. Program expenditures are limited to revenues received in the Health Care Access Fund. Program revenues are derived from dedication of insurance premiums paid by individuals, and permanent taxes including a 2 percent gross revenue tax on hospitals, health care providers and wholesale drug distributors, a 2 percent use tax on prescription drugs and a 1 percent gross premium tax on nonprofit health service plans and HMO's. For calendar years 2000 and 2001, these permanent taxes have been temporarily lowered to 1.5 percent and to zero, respectively. The provider tax will continue at 1.5% until calendar year 2002, while the gross premium tax will remain at zero percent until calendar year 2003.

Activity in the Health Care Access Fund for the Previous Biennium is detailed below:

MINNESOTACARE®
PREVIOUS BIENNIUM
HEALTH CARE ACCESS FUND
($ in Millions)

Resources	
Unreserved Balance at June 30, 1997	$261
Revenues	351
Total Resources	612
Expenditures	338
Unreserved Balance at June 30, 1999	$274
Premium and IBNR Reserve Account	0
Federal Reserves	82
Unrestricted Balance at June 30, 1999	$192

Based on existing law after tax levels are adjusted, projected activity in the Health Care Access Fund for the Current Biennium is detailed below:

MINNESOTACARE®
CURRENT BIENNIUM
HEALTH CARE ACCESS FUND
($ in Millions)

Resources	
Unreserved Balance at June 30, 1999	$274
Revenues	369
Total Resources	643
Expenditures	421
Projected Unreserved Balance at June 30, 2001	$222
Premium and IBNR Reserve Account	0
Federal Reserves	119
Projected Unrestricted Balance at June 30, 2001	$103

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 Finance, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the Commissioner of Children, Families and Learning to pay debt service due on school district tax and state-aid anticipation certificates of indebtedness, certificates of indebtedness and capital notes for equipment, certificates of participation issued under Minnesota Statutes, Section 126C.40 Subdivision 6, and school district general obligation bonds, in the event that the school district notifies the Commissioner of Children, Families and Learning that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Commissioner of Children, Families and Learning 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 Accounting General Fund to the Commissioner of Children, Families and Learning the amounts needed to pay any warrants which are issued.

The amounts paid on behalf of any school district are required to be repaid by it 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 Commissioner of Children, Families and Learning.

Under State law 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 October 24, 2000, there were approximately $252 million of certificates of indebtedness enrolled in the program all of which will mature within a thirteen month period. The State expects that 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 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 five years, and are payable from 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 Children, Families and Learning, 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 the school districts, but are payable from taxes levied annually in amounts necessary to pay the amounts due thereunder.

School districts are authorized to issue general obligation bonds only when authorized by school district electors or special law, and only after levying a direct, irrevocable ad valorem tax on all taxable property in the school district for the years and in amounts sufficient to produce sums not less than 5 percent in excess of the principal of and interest on the bonds when due. As of October 24, 2000 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 2030, is approximately $6.9 billion. 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.

Based upon the amount of certificates of indebtedness and capital notes for equipment, certificates of participation and bonds now enrolled in the program, during the Current Biennium the total amount of principal and interest coming due as of October 24, 2000 is about $363 million, with the maximum amount of principal and interest payable in any one month being $277 million.

The State has not had to make any debt service payments on behalf of 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.

COUNTY CREDIT ENHANCEMENT PROGRAM

The 2000 Minnesota Legislature established a County Credit Enhancement Program to be codified in Minnesota Statutes, Chapter 373.45. The law authorizes and directs the Commissioner of Finance, under certain circumstances and subject to the availability of funds, to issue a warrant and authorizes the Public Facilities Authority to pay debt service coming due on certain county general obligation bonds, in the event that the county notifies the Public Facilities Authority that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Public Facilities Authority that it has not received from the county timely payment of moneys to be used to pay debt service. The legislation appropriates annually from the Accounting General Fund to the Public Facilities Authority the amounts needed to pay any warrants which are issued.

The amounts paid on behalf of any county are required to be repaid by it 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 Public Facilities Authority.

Counties are authorized to issue general obligation bonds and must levy a direct, irrevocable ad valorem tax on all taxable property in the county for the years and in amounts sufficient to produce sums not less than 5 percent in excess of the principal of and interest on the bonds when due.

The program enrolls county general obligation bonds issued for the following purposes: (1) jails, (2) correctional facilities, (3) law enforcement facilities, (4) social services and human services facilities, and (5) solid waste facilities.

The County Credit Enhancement Program is administered by the Minnesota Public Facilities Authority.

The program is open and counties may enroll bond issues in the program. No county bonds have yet been enrolled in the program.

The State has not had to make any debt service payments on behalf of counties 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 counties.

APPENDIX A

State Financial Statements
For the Fiscal Year
Ended June 30, 1999

APPENDIX A
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GENERAL PURPOSE FINANCIAL STATEMENTS

Independent Auditor's Report

Members of the Legislature

The Honorable Jesse Ventura, Governor

Ms. Pamela Wheelock, Commissioner of Finance

We have audited the accompanying general purpose financial statements of the State of Minnesota as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the state's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Metropolitan Council, Minnesota Technology Incorporated, Higher Education Services Office, Minnesota Partnership for Action Against Tobacco, Housing Finance Agency, Public Facilities Authority, Workers Compensation Assigned Risk Plan, National Sports Center Foundation, and University of Minnesota, which represent 99 percent of the assets and 99 percent of the revenues of the 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 discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Minnesota as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 21 to the general purpose financial statements, the 1999 Legislature approved a $1.3 billion rebate of General Fund resources to eligible taxpayers. Based on statutory guidance, the State of Minnesota has reported the $1.3 billion rebate amount as a reduction of General Fund sales tax revenue for the year ended June 30, 1999. As a result, the amount of General Fund sales tax revenue reported for the year ended June 30, 1999, is not comparable to prior years.

The year 2000 supplementary information is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We did not audit the information and do not express an opinion on it. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the State of Minnesota is or will become year 2000 compliant, the state's year 2000 remediation efforts will be successful in whole or in part, or that parties which the state does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 1999, 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, and grants.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 1, 1999

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 1999
(IN THOUSANDS)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE
ASSETS AND OTHER DEBITS				
Cash and Cash Equivalents	$ 4,053,615	$ 1,160,836	$ 427,815	$ 250,639
Investments	6,107	1,850	-	116,627
Accounts Receivable	523,697	152,650	93	52
Settlement Receivable	-	-	-	-
Interfund Receivables	83,320	68,773	-	16,727
Due from Other Governmental Units	-	-	-	-
Due from Primary Government	-	-	-	-
Accrued Investment/Interest Income	79,682	9	4	1,513
Federal Aid Receivable	-	375,849	-	-
Inventories	-	16,048	-	-
Grant Advances	-	5,757	9,633	-
Food Stamps	-	28,024	-	-
Deferred Costs	-	-	-	-
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	-
Investments	-	-	-	-
Loans Receivable	-	-	-	-
Interfund Receivables	-	-	-	-
Other Restricted Assets	-	-	-	-
Loans and Notes Receivable	7,486	92,557	48,198	-
Advances to Other Funds	3,100	740	-	-
Securities Lending Collateral	-	-	-	-
Fixed Assets (Net)	-	-	-	-
Other Assets	-	312	-	-
Amount Available for Debt Service	-	-	-	-
Amount to be Provided for Debt Service	-	-	-	-
Total Assets and Other Debits	$ 4,757,007	$ 1,903,405	$ 485,743	$ 385,558
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Warrants Payable	$ -	$ -	$ -	$ -
Accounts Payable	2,410,900	509,825	36,265	365
Interfund Payables	44,145	117,436	21,549	-
Payable to Other Governmental Units	-	-	-	-
Due to Component Units	127,562	769	20,500	-
Due to Primary Government	-	-	-	-
Loans Payable between Component Units	-	-	-	-
Deferred Revenue	142,989	75,629	-	-
Payable from Restricted Assets:				
Accounts Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Revenue Bonds Payable	-	-	-	-
Accrued Bond Interest Payable	-	-	-	-
Other Payable from Restricted Assets	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Loans and Notes Payable	-	-	-	-
Revenue Bonds Payable	-	-	-	-
Grants Payable	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences Payable	-	-	-	-
Advances from Other Funds	-	-	-	-
Workers Compensation Liability	-	-	-	-
Securities Lending Collateral	-	-	-	-
Funds Held in Trust	-	-	-	-
Other Liabilities	-	230	-	-
Total Liabilities	$ 2,725,596	$ 703,889	$ 78,314	$ 365
Equity and Other Credits:				
Contributed Capital	$ -	$ -	$ -	$ -
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Reserved Retained Earnings	-	-	-	-
Unreserved Retained Earnings	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	180,034	150,485	34,250	-
Budgetary Reserve	1,299,962	78,095	-	-
Other Reserved Fund Balances	10,438	195,417	248,952	385,193
Unreserved Fund Balances:				
Designated Fund Balances	478,883	298,099	739	-
Undesignated Fund Balances	62,094	477,420	123,488	-
Total Equity and Other Credits	$ 2,031,411	$ 1,199,516	$ 407,429	$ 385,193
Total Liabilities, Equity and Other Credits	$ 4,757,007	$ 1,903,405	$ 485,743	$ 385,558

The notes are an integral part of the financial statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		PRIMARY GOVERNMENT	
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATION	TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS
$ 68,021	$ 95,327	$ 4,678,256	$ -	$ -	$ 10,734,509	$ 1,301,419
29,750	15,090	40,151,658	-	-	40,321,082	2,050,517
25,511	34,017	184,714	-	-	920,734	300,479
-	-	-	-	-	-	63,900
5,058	28	54,956	-	-	228,862	13,306
-	-	-	-	-	-	4,712
-	-	-	-	-	-	148,831
799	259	183,053	-	-	265,319	40,409
-	-	94	-	-	375,943	57,021
15,376	1,198	2,197	-	-	34,819	31,905
-	-	-	-	-	15,390	-
-	-	-	-	-	28,024	-
983	420	-	-	-	1,403	13,400
-	-	-	-	-	-	598,030
18,604	-	-	-	-	18,604	361,539
-	-	-	-	-	-	560,166
-	-	-	-	-	-	21,244
-	-	-	-	-	-	118,302
34,803	-	22,850	-	-	205,894	2,108,620
-	-	-	-	-	3,840	-
-	-	3,934,909	-	-	3,934,909	71,622
91,109	34,433	17,701	3,112,593	-	3,255,836	2,441,411
939	-	-	-	-	1,251	1,078
-	-	-	-	232,095	232,095	44,202
-	-	-	-	2,964,315	2,964,315	130,204
$ 290,953	$ 180,772	$ 49,230,388	$ 3,112,593	$ 3,196,410	$ 63,542,829	$ 10,482,317
$ -	$ -	$ 193,340	$ -	$ -	$ 193,340	$ -
27,443	53,807	1,528,812	-	-	4,567,417	279,139
14,551	696	30,485	-	-	228,862	34,550
-	-	-	-	-	-	5
-	-	-	-	-	148,831	-
-	-	-	-	-	-	50,442
-	-	-	-	-	-	302,999
3,592	1,137	3,513	-	-	226,860	56,025
-	-	-	-	-	-	14,765
-	-	-	-	-	-	72,460
665	-	-	-	-	665	742,270
-	-	-	-	-	-	74,026
7,450	-	-	-	-	7,450	83,198
4,790	-	-	-	2,384,195	2,388,985	798,152
528	29,671	-	-	10,482	40,681	4,649
29,015	-	-	-	108,565	137,580	2,016,577
-	-	-	-	-	-	26,553
-	-	-	-	292,045	292,045	431,280
6,593	3,526	1,860	-	265,063	277,042	58,958
740	3,100	-	-	-	3,840	-
-	-	-	-	116,135	116,135	-
-	-	3,934,909	-	-	3,934,909	71,622
-	-	63,430	-	-	63,430	103,911
2,408	-	-	-	19,925	22,563	27,809
$ 97,775	$ 91,937	$ 5,756,349	$ -	$ 3,196,410	$ 12,650,635	$ 5,249,390
$ 25,474	$ 6,064	$ -	$ -	$ -	$ 31,538	$ 852,490
-	-	-	3,112,593	-	3,112,593	1,018,085
11,137	64,170	-	-	-	75,307	676,802
156,567	18,601	-	-	-	175,168	1,002,973
-	-	5,494	-	-	370,263	32,859
-	-	-	-	-	1,378,057	-
-	-	42,734,224	-	-	43,574,224	902,894
-	-	731,790	-	-	1,509,511	557,357
-	-	2,531	-	-	665,533	189,467
$ 193,178	$ 88,835	$ 43,474,039	$ 3,112,593	$ -	$ 50,892,194	$ 5,232,927
$ 290,953	$ 180,772	$ 49,230,388	$ 3,112,593	$ 3,196,410	$ 63,542,829	$ 10,482,317

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

YEAR ENDED JUNE 30, 1999
(IN THOUSANDS)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	EXPENDABLE TRUST
Net Revenues:					
Individual Income Taxes	$ 5,695,664	$ -	$ -	$ -	$ -
Corporate Income Taxes	767,364	-	-	-	-
Sales Taxes	2,117,038	-	-	2,365	-
Motor Vehicle License Taxes	959	554,598	-	-	-
Fuel Taxes	-	587,954	-	-	-
Other Taxes	1,304,171	368,314	-	2,765	384,788
Tobacco Settlement	281,088	-	-	-	-
Federal Revenues	223	3,726,431	-	-	4,469
Licenses and Fees	155,301	184,457	-	-	-
Care and Hospitalization Revenues	90,170	233	-	-	-
Tuition and Student Fees	275,446	15,741	-	-	-
Departmental Services	53,999	122,677	-	-	-
Investment/Interest Income	220,582	58,040	3,643	32,046	148,480
Deferred Compensation Contributions	-	-	-	-	57,530
Securities Lending Income	-	-	-	-	2,371
Other Revenues	105,314	122,477	614	1,286	49,480
Net Revenues	$ 11,067,319	$ 5,740,922	$ 4,257	$ 38,462	$ 647,118
Expenditures:					
Current:					
Protection of Persons and Property	$ 121,808	$ 132,255	$ 166	$ -	$ 26
Transportation	457	425,908	986	-	5,439
Resource Management	120,272	190,512	10,262	-	4,406
Economic and Manpower Development	83,477	153,628	1,565	-	1,757
Education	905,305	82,518	18,270	-	7,629
Health and Social Services	553,111	331,636	172	-	904
General Government	281,806	39,830	37,962	108	4,045
Securities Lending Rebates and Fees	-	-	-	-	2,147
Total Current Expenditures	$ 2,066,236	$ 1,356,287	$ 69,383	$ 108	$ 26,353
Capital Outlay	17,222	486,901	132,380	-	3,496
Debt Service	60,883	9,013	482	583,132	-
Grants and Subsidies	7,910,296	3,471,005	123,771	-	875,678
Deferred Compensation Withdrawals	-	-	-	-	32,554
Total Expenditures	$ 10,054,637	$ 5,323,206	$ 326,016	$ 583,240	$ 938,081
Excess of Revenues Over (Under) Expenditures	$ 1,012,682	$ 417,716	$ (321,759)	$ (544,778)	$ (290,963)
Other Financing Sources (Uses):					
General Obligation Bonds	$ -	$ 7,100	$ 195,500	$ 107,148	$ -
Operating Transfers-In	104,229	816,561	159,617	334,035	477,833
Operating Transfers to Debt Service	(321,060)	(6,675)	(6,300)	-	-
Other Operating Transfers-Out	(276,613)	(1,203,012)	(1,563)	-	(93)
Transfers-In from Primary Government	-	-	-	-	-
Transfers-Out to Primary Government	-	-	-	-	-
Transfers-In from Component Units	1,040	-	-	14,298	-
Transfers-Out to Component Units	(833,083)	(16,385)	(103,268)	-	(1,089)
Capital Leases	4,007	2,947	-	-	-
Other Sources (Uses)	-	-	-	-	-
Net Other Financing Sources (Uses)	$ (1,321,480)	$ (399,464)	$ 243,986	$ 455,481	$ 476,651
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (308,798)	$ 18,252	$ (77,773)	$ (89,297)	$ 185,688
Fund Balances, Beginning, as Reported	$ 2,348,340	$ 1,163,391	$ 513,277	$ 474,490	$ 1,633,629
Prior Period Adjustments	-	19,433	(28,075)	-	-
Change in Fund Structure	(11,131)	(289)	-	-	-
Fund Balances, Beginning, as Restated	$ 2,337,209	$ 1,182,535	$ 485,202	$ 474,490	$ 1,633,629
Residual Equity Transfers-In	3,000	-	-	-	-
Residual Equity Transfers-Out	-	(3,000)	-	-	(63)
Change in Inventory	-	1,729	-	-	-
Fund Balances, Ending	$ 2,031,411	$ 1,199,516	$ 407,429	$ 385,193	$ 1,819,254

The notes are an integral part of the financial statements.

PRIMARY GOVERNMENT TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS
$ 5,695,664	$ -
767,364	-
2,119,403	-
555,557	-
587,954	-
2,060,038	47,944
281,088	186,159
3,731,123	1,782
339,758	-
90,403	-
291,187	-
176,676	-
462,791	18,885
57,530	-
2,371	-
279,171	17,846
$ 17,498,078	$ 272,616
$ 254,255	$ -
432,790	35,799
325,452	28,791
240,427	11,466
1,013,722	4,212
885,823	30,658
363,751	41,049
2,147	-
$ 3,518,367	$ 151,975
639,999	865
653,510	37,452
12,380,750	151,997
32,554	-
$ 17,225,180	$ 342,289
$ 272,898	$ (69,673)
$ 309,748	$ 28,488
1,892,275	30,124
(334,035)	-
(1,481,281)	(5,960)
-	242,138
-	(8,651)
15,338	-
(953,825)	-
6,954	-
-	1,333
$ (544,826)	$ 287,472
$ (271,928)	$ 217,799
$ 6,133,127	$ 293,020
(8,642)	24,890
(11,420)	-
$ 6,113,065	$ 317,910
3,000	-
(3,063)	(21,060)
1,729	-
$ 5,842,803	$ 514,649

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND AND APPROPRIATED SPECIAL REVENUE FUNDS BUDGETARY BASIS

YEAR ENDED JUNE 30, 1999
(IN THOUSANDS)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Net Revenues:						
Individual Income Taxes	$ 5,138,580	$ 5,305,177	$ 166,597	$ -	$ -	$ -
Corporate Income Taxes	781,820	778,282	(3,538)	-	-	-
Sales Taxes	2,164,627	2,127,043	(37,584)	-	-	-
Motor Vehicle License Taxes	-	-	-	559,886	555,443	(4,443)
Fuel Taxes	-	-	-	579,366	583,102	3,736
Tobacco Taxes	-	-	-	7,433	6,591	(842)
Other Taxes	1,275,426	1,331,214	55,788	285,571	300,726	15,155
Federal Revenues	-	-	-	294,813	301,766	6,953
Other Intergovernmental Revenues	149,202	148,935	(267)	-	-	-
Licenses and Fees	-	-	-	52,904	56,449	3,545
Care and Hospitalization Revenues	20,836	25,554	4,718	-	-	-
Tuition and Student Fees	239,683	275,138	35,455	-	-	-
Departmental Services	54,794	34,789	(20,005)	84,322	82,267	(2,055)
Investment/Interest Income	192,000	219,586	27,586	36,597	41,950	5,353
Other Revenues	199,210	235,354	36,144	36,884	30,703	(6,181)
Net Revenues	$ 10,216,178	$ 10,481,072	$ 264,894	$ 1,937,776	$ 1,958,997	$ 21,221
Expenditures:						
Protection of Persons and Property	$ 156,115	$ 153,863	$ 2,252	$ 98,701	$ 97,947	$ 754
Transportation	12,433	12,319	114	1,002,566	976,466	26,100
Resource Management	188,975	187,428	1,547	137,931	134,536	3,395
Economic and Manpower Development	194,335	189,279	5,056	141,233	138,714	2,519
Education	5,219,588	5,075,656	143,932	285	285	-
Health and Social Services	3,140,974	2,885,037	255,937	161,126	148,796	12,330
General Government	1,590,722	1,577,117	13,605	17,603	14,896	2,707
Total Expenditures	$ 10,503,142	$ 10,080,699	$ 422,443	$ 1,559,445	$ 1,511,640	$ 47,805
Excess of Revenues Over (Under) Expenditures	$ (286,964)	$ 400,373	$ 687,337	$ 378,331	$ 447,357	$ 69,026
Other Financing Sources (Uses):						
Operating Transfers-In	$ 324,434	$ 334,678	$ 10,244	$ 664,108	$ 687,993	$ 23,885
Operating Transfers to Debt Service	(299,581)	(299,581)	-	(5,230)	(5,230)	-
Other Operating Transfers-Out	(385,128)	(385,128)	-	(1,145,639)	(1,145,639)	-
Transfers-Out to Component Units	(664,008)	(663,233)	775	(3,714)	(3,714)	-
Net Other Financing Sources (Uses)	$ (1,024,283)	$ (1,013,264)	$ 11,019	$ (490,475)	$ (466,590)	$ 23,885
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (1,311,247)	$ (612,891)	$ 698,356	$ (112,144)	$ (19,233)	$ 92,911
Fund Balances, Beginning, as Reported	2,560,891	2,560,891	-	591,282	591,282	-
Prior Period Adjustments	-	39,350	39,350	1	2,468	2,467
Budgetary Fund Balances, Ending	$ 1,249,644	$ 1,987,350	$ 737,706	$ 479,139	$ 574,517	$ 95,378
Less: Appropriation Carryover	-	204,856	(204,856)	-	42,999	(42,999)
Less: Budgetary Reserve	1,120,366	1,299,962	(179,596)	78,095	78,095	-
Less: Reserve for Other	-	-	-	3,559	3,559	-
Undesignated Fund Balances, Ending	$ 129,278	$ 482,532	$ 353,254	$ 397,485	$ 449,864	$ 52,379

The notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

YEAR ENDED JUNE 30, 1999
(IN THOUSANDS)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE		
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PRIMARY GOVERNMENT TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS
Operating Revenues:					
Net Sales	$ 473,882	$ 22,419	$ 10,989	$ 507,290	$ 16,962
Interest Income	1,283	-	-	1,283	158,325
Investment Income	-	-	103,676	103,676	59,351
Tobacco Settlement	-	-	179,712	179,712	-
Rental and Service Fees	67,402	114,384	-	181,786	214,679
Insurance Premiums	7,536	292,687	-	300,223	47,530
Other Income	1,204	5,215	14	6,433	7,724
Total Operating Revenues	$ 551,307	$ 434,705	$ 294,391	$ 1,280,403	$ 504,571
Less: Cost of Goods Sold	313,502	11,770	-	325,272	-
Gross Margin	$ 237,805	$ 422,935	$ 294,391	$ 955,131	$ 504,571
Operating Expenses:					
Interest and Financing Costs	$ -	$ -	$ -	$ -	$ 158,167
Purchased Services	58,513	194,003	315	252,831	66,167
Salaries and Fringe Benefits	89,426	32,674	4,685	126,785	185,655
Claims	5,992	164,754	-	170,746	(7,977)
Depreciation	8,358	14,957	-	23,315	63,058
Amortization	25	325	-	350	49
Supplies and Materials	6,273	6,028	-	12,301	20,404
Indirect Costs	2,634	2,201	-	4,835	524
Other Expenses	5,759	1,770	-	7,529	17,786
Total Operating Expenses	$ 176,980	$ 416,712	$ 5,000	$ 598,692	$ 503,833
Operating Income (Loss)	$ 60,825	$ 6,223	$ 289,391	$ 356,439	$ 738
Nonoperating Revenues (Expenses):					
Investment Income	$ 6,419	$ 7,115	$ -	$ 13,534	$ 103,128
Grants and Subsidies	231	-	-	231	79,325
Other Nonoperating Revenues	913	705	-	1,618	107,187
Interest and Financing Costs	(2,332)	(1,421)	-	(3,753)	(28,529)
Rebate Costs	-	(3,341)	-	(3,341)	-
Grants, Aids and Subsidies	(566)	-	-	(566)	(109,849)
Other Nonoperating Expenses	-	-	-	-	(1,380)
Gain (Loss) on Sale of Fixed Assets	(49)	481	125	557	21,885
Net Nonoperating Revenues (Expenses)	$ 4,616	$ 3,539	$ 125	$ 8,280	$ 171,767
Income Before Operating Transfers	$ 65,441	$ 9,762	$ 289,516	$ 364,719	$ 172,505
Operating Transfers-In	5,404	-	23,210	28,614	778
Operating Transfers-Out	(63,246)	(11,433)	(30,894)	(105,573)	(24,942)
Transfers-In from Primary Government	-	-	-	-	40,076
Transfers-Out to Primary Government	-	-	-	-	(1,040)
Net Income (Loss)	$ 7,599	$ (1,671)	$ 281,832	$ 287,760	$ 187,377
Depreciation on Fixed Assets Acquired with Contributed Capital	352	-	-	352	29,606
Increase (Decrease) in Retained Earnings/Fund Balances	$ 7,951	$ (1,671)	$ 281,832	$ 288,112	$ 216,983
Retained Earnings/Fund Balances, Beginning, as Reported	$ 159,673	$ 84,442	$ 762,650	$ 1,006,765	$ 1,462,121
Prior Period Adjustments	80	-	-	80	671
Retained Earnings/Fund Balances, Beginning, as Restated	$ 159,753	$ 84,442	$ 762,650	$ 1,006,845	$ 1,462,792
Residual Equity Transfers-In	-	-	63	63	-
Retained Earnings/Fund Balances, Ending	$ 167,704	$ 82,771	$ 1,044,545	$ 1,295,020	$ 1,679,775

The notes are an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED JUNE 30, 1999
(IN THOUSANDS)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE		
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	PRIMARY GOVERNMENT TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS
Cash Flows from Operating Activities:					
Operating Income (Loss)	$ 60,825	$ 6,223	$ 289,391	$ 356,439	$ 738
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation	$ 8,358	$ 15,087	$ -	$ 23,445	$ 63,058
Amortization	25	325	-	350	49
Write-off of Equipment	22	-	-	22	-
Investment Income	-	-	(103,676)	(103,676)	(62,186)
Interest and Financing Costs	-	-	-	-	158,167
Loan Principal Repayments	4,119	-	-	4,119	346,695
Loans Issued	(4,580)	-	-	(4,580)	(371,006)
Provision for Loan Defaults	390	-	-	390	(1,331)
Customer Deposits	-	-	-	-	33,767
Return of Customer Deposits	-	-	-	-	(46,842)
Net Nonoperating Revenues (Expenses)	912	-	-	912	1,971
Change in Assets and Liabilities:					
Accounts Receivable	(6,663)	(1,010)	(699)	(8,372)	26,785
Inventories	(1,771)	214	-	(1,557)	344
Other Assets	(1,422)	(11)	-	(1,433)	2,140
Accounts Payable	6,086	8,291	162	14,539	3,290
Deferred Revenues	1,759	373	-	2,132	(1,651)
Claims and Judgments Payable	-	-	-	-	(76,000)
Other Liabilities	2,858	357	-	3,215	1,405
Net Reconciling Items to be Added (Deducted) from Operating Income	$ 10,093	$ 23,626	$ (104,213)	$ (70,494)	$ 78,655
Net Cash Flows from Operating Activities	$ 70,918	$ 29,849	$ 185,178	$ 285,945	$ 79,393
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 204	$ 705	$ -	$ 909	$ 242,417
Grant Disbursements	(566)	-	-	(566)	(118,835)
Transfers-In	6,454	-	22,304	28,758	42,784
Transfers-Out	(61,747)	(11,433)	(29,133)	(102,313)	(23,167)
Residual Equity Transfers-In	-	-	(63)	(63)	-
Advances from Other Funds	20	6,365	-	6,385	-
Advances to Other Funds	(49)	(33)	-	(82)	-
Repayments of Advances from Other Funds	-	(6,325)	-	(6,325)	-
Repayments of Advances to Other Funds	-	30	-	30	-
Rebate Costs	-	(841)	-	(841)	-
Proceeds from Bond Sales	-	-	-	-	499,620
Repayment of Debt	-	-	-	-	(379,647)
Bond Issuance Costs	-	-	-	-	(2,586)
Interest Paid	-	-	-	-	(158,275)
Net Cash Flows from Noncapital Financing Activities	$ (55,684)	$ (11,532)	$ (6,892)	$ (74,108)	$ 102,311
Cash Flows from Capital and Related Financing Activities:					
Investment in Fixed Assets	$ (11,369)	$ (19,409)	$ -	$ (30,778)	$ (99,898)
Investment Leasehold Improvements	-	(58)	-	(58)	-
Proceeds from the Sale of Fixed Assets	-	1,110	865	1,975	25,630
Proceeds of Capital Loan	86	-	-	86	-
Capital Contributions	-	-	-	-	37,933
Capital Lease Payments	-	51	-	51	-
Proceeds from Loans	-	18,557	-	18,557	-
Repayment of Loan Principal and Other Capital Debt	-	(16,308)	-	(16,308)	-
Proceeds from Bond Sales	-	-	-	-	53,674
Repayment of Bond Principal	(2,458)	-	-	(2,458)	(73,670)
Interest Paid	(2,327)	(1,401)	-	(3,728)	(30,123)
Net Cash Flows from Capital and Related Financing Activities	$ (16,068)	$ (17,458)	$ 865	$ (32,661)	$ (86,454)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 337,555	$ 4,998	$ -	$ 342,553	$ 1,194,672
Purchase of Investments	(340,448)	-	(58,968)	(399,416)	(1,216,198)
Investment Earnings	6,275	7,323	30,364	43,962	123,252
Net Cash Flows from Investing Activities	$ 3,382	$ 12,321	$ (28,604)	$ (12,901)	$ 101,726

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED JUNE 30, 1999
(IN THOUSANDS)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE		
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	PRIMARY GOVERNMENT TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS
Net Increase (Decrease) in Cash and Cash Equivalents	$ 2,548	$ 13,180	$ 150,547	$ 166,275	$ 196,976
Cash and Cash Equivalents, Beginning, As Reported	$ 58,888	$ 82,147	$ 42,029	$ 183,064	$ 781,455
Prior Period Adjustment	-	-	-	-	197,160
Change in Fund Structure	6,585	-	-	6,585	-
Cash and Cash Equivalents, Beginning, As Restated	$ 65,473	$ 82,147	$ 42,029	$ 189,649	$ 978,615
Cash and Cash Equivalents, Ending	$ 68,021	$ 95,327	$ 192,576	$ 355,924	$ 1,175,591

Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:
Cash and Cash Equivalents for the Nonexpendable Trust Funds and the Component Units as of June 30, 1999, on the Combined Statement of Cash Flows is reconciled to the Cash and Cash Equivalents on the Combined Balance Sheet as follows:

Cash and Cash Equivalents June 30, 1999:
(In Thousands)

Fiduciary Funds:	
Pension Trust Funds	$ 3,068,649
Investment Trust Funds	32,977
Nonexpendable Trust Funds	192,576
Expendable Trust Funds	1,152,830
Agency Funds	231,224
Total Fiduciary Funds	$ 4,678,256
Component Units:	
Governmental Funds	$ 112,487
Proprietary Funds	1,175,591
University Fund	611,371
Total Component Units	$ 1,899,449

Noncash Investing, Capital, and Financing Activities:
Depreciation reported on the Statement of Cash Flows exceeds that reported on the Statement of Revenues, Expenses and Changes in Retained Earnings for the Internal Service Funds because a portion of the depreciation is included in the Cost of Goods Sold.

The notes are an integral part of the financial statements.

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS PENSION AND INVESTMENT TRUST FUNDS

YEAR ENDED JUNE 30, 1999
(IN THOUSANDS)

	PENSION TRUST FUNDS			INVESTMENT TRUST	
	DEFINED BENEFIT	DEFINED CONTRIBUTION	TOTAL PENSION TRUST	SUPPLEMENTAL RETIREMENT	TOTAL
Additions:					
Contributions:					
Employer	$ 450,789	$ 21,992	$ 472,781	$ -	$ 472,781
Member	404,661	18,371	423,032	-	423,032
Contributions from Other Sources	50	-	50	-	50
Participating Plans	-	-	-	222,107	222,107
Total Contributions	$ 855,500	$ 40,363	$ 895,863	$ 222,107	$ 1,117,970
Net Investment Income:					
Investment Income	$ 4,123,194	$ 99,551	$ 4,222,745	$ 44,627	$ 4,267,372
Less: Investment Expense	(25,067)	-	(25,067)	(180)	(25,247)
Net Investment Income	$ 4,098,127	$ 99,551	$ 4,197,678	$ 44,447	$ 4,242,125
Securities Lending Revenues (Expenses):					
Securities Lending Income	$ 198,560	$ 2,516	$ 201,076	$ 1,689	$ 202,765
Borrower Rebates	(174,949)	(2,224)	(177,173)	(1,489)	(178,662)
Management Fees	(6,155)	(70)	(6,225)	(48)	(6,273)
Net Securities Lending Revenue	$ 17,456	$ 222	$ 17,678	$ 152	$ 17,830
Total Investment Income	$ 4,115,583	$ 99,773	$ 4,215,356	$ 44,599	$ 4,259,955
Transfers From Other Funds	$ 7,899	$ 1,101	$ 9,000	$ -	$ 9,000
Other Additions	6,382	351	6,733	-	6,733
Total Additions	$ 4,985,364	$ 141,588	$ 5,126,952	$ 266,706	$ 5,393,658
Deductions:					
Benefits	$ 1,482,319	$ -	$ 1,482,319	$ -	$ 1,482,319
Refunds/Withdrawals	36,657	33,024	69,681	24,713	94,394
Administrative Expenses	26,454	4,556	31,010	-	31,010
Transfers to Other Funds	3,639	5,361	9,000	-	9,000
Total Deductions	$ 1,549,069	$ 42,941	$ 1,592,010	$ 24,713	$ 1,616,723
Net Increase	$ 3,436,295	$ 98,647	$ 3,534,942	$ 241,993	$ 3,776,935
Net Assets Held in Trust for Pension Benefits, Beginning	$ 35,960,404	$ 687,904	$ 36,648,308	$ 184,997	$ 36,833,305
Net Assets Held in Trust for Pension Benefits, Ending	$ 39,396,699	$ 786,551	$ 40,183,250	$ 426,990	$ 40,610,240

The notes are an integral part of the financial statements.

UNIVERSITY OF MINNESOTA
STATEMENT OF CHANGES IN FUND BALANCES - CONSOLIDATED TOTALS
YEAR ENDED JUNE 30, 1999
(IN THOUSANDS)

	CONSOLIDATED TOTALS
Revenues and Other Additions:	
Unrestricted Revenues	$ 663,708
Federal Appropriations	16,178
Transfers from Primary Government	643,682
Federal Grants and Contracts	256,465
State Grants and Contracts	43,630
Other Government Grants and Contracts	6,778
Private Gifts, Grants, and Contracts	215,582
Endowment Income	11,137
Investment Income	11,191
Realized Gains and Adjustments to Market Value, Net	91,177
Student Loan Interest	1,867
Expended for Plant Facilities	230,083
Retirement of Indebtedness	5,094
Other Additions	7,804
Total Revenues and Other Additions	$ 2,204,376
Expenditures and Other Deductions:	
Education and General	$ 1,578,263
Auxiliary Enterprises	148,036
Indirect Costs Recovered	55,391
Adjustments to Carrying Value of Loans	304
Administrative and Collection Costs	611
Expended for Plant Facilities	164,119
Transfer to Primary Government	5,647
Retirement of Indebtedness	612
Debt Incurred	7,956
Interest on Indebtedness	17,432
Depreciation of Investment in Plant	111,900
Disposal of Plant	7,123
Total Expenditures and Other Deductions	$ 2,097,394
Net Increase for the Year	$ 106,982
Fund Balance, Beginning, as Reported	$ 2,105,557
Change in Accounting Principle	(40,702)
Fund Balance, Beginning, as Restated	$ 2,064,855
Fund Balance, Ending	$ 2,171,837

The notes are an integral part of the financial statements.

UNIVERSITY OF MINNESOTA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
YEAR ENDED JUNE 30, 1999
(IN THOUSANDS)

	UNRESTRICTED	RESTRICTED	TOTAL
Revenues and Transfers from Primary Government:			
Tuition and Fees	$ 279,083	$ -	$ 279,083
Federal Appropriations	-	16,153	16,153
Transfers from Primary Government	501,950	77,268	579,218
Federal Grants and Contracts	48,145	206,164	254,309
State Grants and Contracts	540	48,886	49,426
Other Government Grants and Contracts	75	4,160	4,235
Private Gifts, Grants and Contracts	15,082	211,561	226,643
Endowment Income	87	11,100	11,187
Investment Income	27,772	1,434	29,206
Realized Gains and Adjustments to Market Value, Net	(1,480)	(66)	(1,546)
Sales and Services of Educational Activities	98,074	-	98,074
Sales and Services of Auxiliary Enterprises	196,330	-	196,330
Total Revenues and Transfers from Primary Government	$ 1,165,658	$ 576,660	$ 1,742,318
Expenditures and Mandatory Transfers:			
Education and General:			
Instruction	$ 365,980	$ 82,030	$ 448,010
Research	60,090	281,424	341,514
Public Service	32,982	112,816	145,798
Academic Support	164,988	38,569	203,557
Student Services	57,190	5,299	62,489
Institutional Support	156,736	3,933	160,669
Operation and Maintenance of Plant	124,379	303	124,682
Scholarship and Fellowships	40,753	50,791	91,544
Education and General Expenditures	$ 1,003,098	$ 575,165	$ 1,578,263
Mandatory Transfers for:			
Principal and Interest	$ 5,449	$ 38	$ 5,487
Student Aid Matching	732	(588)	144
Total Education and General	$ 1,009,279	$ 574,615	$ 1,583,894
Auxiliary Enterprises:			
Expenditures	$ 145,991	$ 2,045	$ 148,036
Mandatory Transfers for:			
Principal and Interest	1,106	-	1,106
Renewals and Replacements	144	-	144
Total Auxiliary Enterprises	$ 147,241	$ 2,045	$ 149,286
Total Current Expenditures and Mandatory Transfers	$ 1,156,520	$ 576,660	$ 1,733,180
Other Transfers, Additions (Deductions):			
Excess of Restricted Additions Over Expenditures	$ -	$ (3,668)	$ (3,668)
Refunded to Grantors	-	(2,695)	(2,695)
Nonmandatory Transfers	(53,050)	3,850	(49,200)
Total Other Transfers, Additions (Deductions)	$ (53,050)	$ (2,513)	$ (55,563)
Net Increase (Decrease) for the Year	$ (43,912)	$ (2,513)	$ (46,425)

The notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation

The reporting policies of the state of Minnesota conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Reporting Entity of the State of Minnesota

This report includes the various state departments, agencies, institutions and organizational units, which are controlled by or dependent upon the Minnesota legislature and/or its constitutional officers. The state, a primary government, has also considered for inclusion all potential component units for which it may be financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. The GASB has set forth criteria to be used in determining financial accountability. 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. As required by GAAP, these financial statements include the state of Minnesota (the primary government) and its component units.

Discretely presented component units. These are entities that are legally separate from the state, but for which the state is financially accountable, or their relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. These component units are reported in a separate column and separately identified in the note disclosures because of their separate legal status.

- **Metropolitan Council (MC)** (governmental and proprietary fund types). 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 council members are appointed by the governor with the chair responsible for the council activities. MC includes the Metropolitan Sports Facilities Commission as a component unit. MC's fiscal year ends December 31.

- **Minnesota Technology Incorporated (MTI)** (governmental fund type). MTI fosters long-term economic growth and job creation by stimulating innovation and the development of new products, services and production processes through technology transfer, applied research and financial assistance. The state's General Fund provides most of the funding for MTI.

- **Higher Education Services Office (HESO)** (governmental and proprietary fund types). HESO makes and guarantees loans to qualified post-secondary students. HESO provides the state grant and loan program services for which the state provides administrative funding. Revenue bonds are issued in its own name with limitations set by the legislature.

- **Export Finance Authority (EFA)** (governmental fund type). EFA aids and facilitates the financing of exports from the state. Excess revenue is transferred to the state's General Fund.

- **Agricultural and Economic Development Board (AEDB)** (governmental fund type). AEDB provides services to state government by administering state programs for agricultural and economic development. AEDB may issue revenue bonds for the purpose of financing development projects.

- **Rural Finance Authority (RFA)** (governmental fund type). RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program and agricultural improvement program. RFA is under the administrative control of a commissioner appointed by the governor. The state has issued general obligation bond debt for the programs.

- **Minnesota Partnership for Action Against Tobacco (MPAAT)** (governmental fund type). MPAAT issues grants to health, community and academic organizations throughout Minnesota in support of research and cessation activities that will encourage and help tobacco users quit. MPAAT is funded through a tobacco lawsuit settlement with the state of Minnesota.

- **Housing Finance Agency (HFA)** (proprietary fund type). HFA provides money for loans and technical assistance for construction and rehabilitation of housing for families of low and moderate incomes. HFA is under the administrative control of a commissioner appointed by the governor. HFA issues bonds in its own name.

- **Public Facilities Authority (PFA)** (governmental and proprietary fund types). PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. A state agency provides administrative services to PFA. The state provides funding for PFA. The board members determine the funding for local government projects.

- **Workers' Compensation Assigned Risk Plan (WCARP)** (proprietary fund type). WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers who have been unable to obtain an insurance policy through the voluntary market. The state Commissioner of the Department of Commerce 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 are inadequate to meet its obligations. WCARP's fiscal year ends December 31.

- **National Sports Center Foundation (NSCF)** (proprietary fund type). NSCF is under contract with the Minnesota Amateur Sports Commission to operate the National Sports Center facility primarily for the purpose of holding youth-oriented athletic and other non-athletic functions and events. NSCF is responsible for certain improvements to the facility and the operating costs of the facility. The commission approves the foundation's spending budget, approves all rates and fees and has ownership of any reserve funds. The assets belong to the state. The foundation's fiscal year ends December 31.

- **University of Minnesota (U of M)** (college and university fund type). The U of M was established on a permanent basis by the Minnesota constitution. The state appropriates a large percentage of the U of M's operating budget. The legislature elects the 12-member board of regents, which governs the U of M, but the state does not have direct authority over the U of M's management. The state has issued debt for the U of M capital projects.

Complete financial statements of the discretely presented component units may be obtained from their respective administrative offices as follows:

Metropolitan Council
Mears Park Centre
230 East Fifth Street
St. Paul, Minnesota 55101

Minnesota Technology Incorporated
400 Mill Place
111 Third Avenue South
Minneapolis, Minnesota 55401

Public Facilities Authority
Department of Trade & Economic Development
121 East Seventh Place
St. Paul, Minnesota 55101

Higher Education Services Office
1450 Energy Park Drive
Suite 350
St. Paul, Minnesota 55108

Agricultural & Economic Development Board
Dept. of Trade & Economic Development
121 East Seventh Place
St. Paul, Minnesota 55101

Rural Finance Authority
Department of Agriculture
90 West Plato Boulevard
St. Paul, Minnesota 55107

Minnesota Partnership for Action Against Tobacco
590 Park Street
Suite 400
St. Paul, Minnesota 55103

Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101

Export Finance Authority
Department of Trade & Economic Development
1000 World Center, 30 East Seventh Street
St. Paul, Minnesota 55101

Workers' Compensation Assigned Risk Plan
Park Glen National Insurance Company
4500 Park Glen Road, Suite 410
Minneapolis, Minnesota 55416

National Sports Center Foundation
National Sports Center
1700 105 Avenue Northeast
Blaine, Minnesota 55449

University of Minnesota
100 Church Street Southeast, 301 Morrill Hall
Minneapolis, Minnesota 55455

Related entities. These are entities for which the state is accountable because the state appoints a voting majority of the board, but for which the state does not have financial accountability. The following are related entities not included in the reporting entity:

- **Higher Education Facilities Authority**. The governor appoints a majority of the board. The Authority can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of the Authority.

- **Joint Underwriting Association**. The governor appoints a majority of each board. The board establishes the operating plan and determines premium rates and assessments. Membership in the associations is a condition for doing business in the state.

- **Medical Malpractice Joint Underwriting Association**. The governor 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.

- **State Fund Mutual Insurance Company**. The governor appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments.

- **Workers' Compensation Reinsurance Association**. The governor appoints a majority of the board. The association supports itself solely from revenues derived from premiums charged to its members. The state has no authority to affect the operations of the association.

The following organizations also prepare and publish their own financial reports, which may contain differences in presentation resulting from differing reporting emphasis. Copies of their reports may be obtained directly from the organization.

State Lottery
2645 Long Lake Road
Roseville, Minnesota 55113

Minnesota State Retirement System
175 West Lafayette Frontage Road, Suite 300
St. Paul, Minnesota 55107

Public Employees Retirement Association
200 Skyway Level
514 St. Peter Street
St. Paul, Minnesota 55102

State Board of Investment
Capital Professional Office Building
590 Park Street, Suite 200
St. Paul, Minnesota 55155

Teachers Retirement Association
500 Gallery Building
17 West Exchange Street
St. Paul, Minnesota 55102

Classification of Funds

Individual funds have been established as stipulated by legal provisions or by administrative discretion. The funds presented are classified as follows:

Governmental 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. Included in this classification are the General Fund (which accounts for all financial resources except those required to be accounted for in another fund), special revenue, capital projects and debt service fund types. The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The capital project funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The Debt Service Fund accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.

Proprietary Funds account for all assets, liabilities and equities, and match revenues and expenses to determine net income and capital maintenance. The fund types included in this category are the enterprise and internal service funds.

Fiduciary Funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Included in this fund category are expendable and nonexpendable trust, pension and investment trust and agency fund types. Depending on their nature, fiduciary funds are classified for accounting measurement purposes, such as governmental (expendable trust funds) or proprietary funds (pension, investment and nonexpendable trust funds). Agency funds are custodial in nature; thus, they do not measure results of operations.

Account Groups provide the means to account for the fixed asset acquisitions and the general obligation long-term indebtedness for all governmental fund types.

Component Units account for the assets, liabilities and operations of discretely presented component units. Statements other than balance sheets are combined with statements of funds using a similar basis of accounting.

Basis of Accounting

All proprietary, pension, investment and nonexpendable trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized as they are incurred. The accrual basis of accounting is also used for contributions, benefits and refunds paid for defined benefit and defined contribution pension plans. All proprietary funds, except the Workers' Compensation Assigned Risk Plan (WCARP, component unit), follow applicable GASB guidance or Financial Accounting Standard Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with, or contradict, GASB pronouncements. WCARP has elected to follow all applicable FASB statements issued after November 30, 1989 that do not contradict GASB pronouncements.

All governmental, expendable trust and agency funds are accounted for using the modified accrual basis of accounting. The modified accrual basis of accounting includes the following recognition principles:

Revenues. Individual income, sales and unemployment compensation taxes and federal grants are the major revenue sources susceptible to accrual. Tax revenues 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. *Available* means the revenue is collectible by the close of the books in September. Similarly, anticipated refunds of such taxes are recorded as reductions in revenue in the period when the claim is received and the state's liability is measurable. Federal grants collected on a reimbursement basis are recognized as revenue when reimbursable expenditures are made. Revenues collected on an advance basis, including certain federal grant revenues to which the state does not yet have legal entitlement, are reported as deferred revenue until the related commitment arises, at which time revenue is recognized.

Taxpayer assessed revenues are recognized in accordance with GASB Statement 22, "Accounting for Taxpayer Assessed Tax Revenues". This principle requires that revenues are recognized in the accounting period in which they become susceptible to accrual. These tax revenues include sales, income, gasoline, medical providers and miscellaneous taxes, which are accrued in the fiscal period when they become both measurable and available to finance expenditures.

Expenditures and related liabilities. Expenditures and related liabilities are recognized when fund obligations are incurred as a result of the receipt of the goods and services, except principal and interest on long-term debt, which are recorded when due. Grant expenditures are discussed separately.

Encumbrances. Encumbrance accounting is used for budgetary control and reporting purposes only. In the financial statements, encumbrances are recorded in the balance sheet as a reservation of fund balance for subsequent year expenditures, except for those long-term commitments which rely significantly on future resources, as discussed in Note 10.

College and university type. College and university type is accounted for on the accrual basis of accounting in accordance with accounting principles outlined in the American Institute of Certified Public Accountants' audit guide, Audits of Colleges and Universities and guidelines suggested by the National Association of College and University Business Officers. Under these standards, two types of operating statements are prepared, which should not be combined with governmental or proprietary statements. Only the combined totals are presented for the statement of revenues, expenses and changes in fund balance.

The above guidelines normally permit recognition of revenues and receivables when the state appropriates funds. For consistency in reporting intra-entity transactions, the state does not apply this guideline to transactions between the primary government and the college and university type.

Grant Expenditures and Liabilities Recognition

Grants are contributions of cash or other assets by the state to other governmental units, individuals or non-governmental organizations. Because the state does not receive a direct service for grant payments, the GAAP requirement that expenditures and liabilities be recognized at the point goods and services are received is not relevant for grants. Therefore, it is necessary to use different criteria for the recognition of grant expenditures and liabilities.

Grants are normally paid on an entitlement or reimbursement basis. Reimbursements may be for specific services provided to eligible recipients, or such reimbursements may be for eligible types of expenditures. Grants paid on a reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of specific services to eligible recipients or makes eligible types of expenditures. Entitlement type grants may be based on services provided by the grantee, which the grant is meant to help fund, but are not based on the cost of providing the service. Expenditures and related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed is reasonably estimable soon after the end of the fiscal year. Other types of entitlement type grants are not based on the services provided or the actions taken by the grantee. Expenditures and related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Compensated Absences

State employees accrue vacation leave, sick leave and compensatory leave at various rates within limits specified in the collective bargaining agreements. Such leave is liquidated in cash only at the time of termination from state employment. For governmental funds, the liability for compensated absences is reported in the General Long-Term Obligation Account Group. All other fund types report this liability as a fund liability.

Cash Equivalents and Investments

Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash management pools and money market funds that are used essentially as demand deposit accounts are also included in cash equivalents.

Investments are reported at fair value. The basis for determining the fair value of investments that are not based on market quotations includes analysis of future cash flows, audited financial statements and independent appraisals.

Inventories

Inventories for governmental funds are recorded as expenditures when purchased and are not a resource available for appropriation. There are exceptions to this. The Trunk Highway Fund (special revenue fund) inventories are valued using the weighted-average cost. Inventories of the Miscellaneous Special Revenue (special revenue fund) and the Northeast Minnesota Economic Protection (expendable trust) funds consist of repossessed properties held for resale and are valued at market. Inventories for all other funds are expensed when consumed. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of the enterprise funds are valued using the first-in first-out, average cost and specific cost methods. Inventories of the internal service funds are valued using the first-in first-out method.

Restricted Assets

Mandatory asset segregations are presented in various enterprise funds as restricted assets. Such segregations are required by bond covenants and other external restrictions. The excess of restricted assets over liabilities payable from restricted assets will first be used for bonds payable. The remainder, if any, is included in reserved retained earnings.

Fixed Assets

Governmental Fund Types. Fixed assets for these funds are reported in the General Fixed Assets Account Group. General fixed assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. An inventory of land and buildings for the general fixed assets was completed in 1985. Historical cost records for older fixed assets are incomplete or not available. Accordingly, estimated historical costs have been used in these situations. 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. Public domain (infrastructure) general fixed assets, such as highways, curbs, bridges and lighting systems, are not capitalized. Depreciation is not provided on the general fixed assets nor is interest capitalized during construction.

Proprietary and Fiduciary Fund Types. Fixed assets for these funds are stated at cost or, for donated assets, at fair value at date of acquisition. Such assets are depreciated or amortized on a straight-line basis over the useful life of the assets. Estimated useful lives are as follows:

Buildings	40-50 years
Improvements (large)	20-50 years
Improvements (small)	3-10 years
Equipment	3-12 years

Depreciation on fixed assets acquired with resources externally restricted for that purpose is closed to contributed capital after being recognized in operations.

Depreciation reported on the Statement of Cash Flows exceeds that reported on the Statement of Revenues, Expenses and Changes in Retained Earnings for the internal service funds because a portion of depreciation is included in the cost of goods sold.

General Long-Term Liabilities

All unmatured long-term indebtedness not reported in a proprietary or fiduciary fund is accounted for in the General Long-Term Obligation Account Group. Included among these liabilities are the non-current portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills, workers compensation claims and arbitrage rebate requirements (see Note 7).

Deferred Costs

In governmental fund types, bond discounts, premiums and issuance costs are recognized in the current period. In the proprietary funds, they are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method, which approximates the effective interest method. The deferred costs reported are primarily for bond issuance costs of the enterprise funds.

Deferred Compensation Plan

The state offers a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement Association. The State Board of Investment (SBI) and two insurance companies manage investments. The portion of the plan where participants have selected investment options provided by the two insurance companies is excluded from the state's financial statements because the funds are not under the state's control. The portion of the plan where participants have selected investment options provided by SBI is accounted for in the State Deferred Compensation Fund, an expendable trust fund, with its investments reported at fair value.

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 will be held in trust, in custodial accounts or in qualifying contracts as required by federal law. The state is not liable for any investment losses under the plan, but does have the duty of due care of a prudent investor where SBI manages the investments.

Effective July 1, 1999, this plan will be administered by Great West Life and Annuity.

Budgeting and Budgetary Control

Minnesota 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 are available for either year of the biennium. The governor's budget for the biennium is developed by the Department of Finance and presented to the legislature for approval. Specific appropriations are required for all expenditures from the General Fund and all special revenue funds except the Federal, Maximum Effort School Loan, Iron Range Resources and Rehabilitation, Petroleum Tank Cleanup 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; i.e., there is no limit on the amount which 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 in their departments.

It is standard practice for unencumbered appropriation balances to cancel to the fund at the end of the fiscal year. However, if specifically provided for in law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The budget and the state accounting system are maintained essentially on a cash basis with the exception that, at year end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. The accounting system controls expenditures by appropriation line item as established in the legally adopted appropriation bills. There are no instances where expenditures exceed the authorized limits at the legal level of budgetary control. A separate report showing the detail of legal level of control and actual expenditures is available from the Department of Finance.

Memorandum Only Totals Column

The totals columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. The information in these columns does not present consolidated financial position, results of operations or cash flows.

2. CASH AND INVESTMENTS

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 in separate bank accounts. The cash in individual funds may be invested separately where permitted by statute, but 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. Investment earnings of the primary government's pools are allocated to the individual funds where provided by statute; earnings for all other participants are credited to the General Fund. Investment earnings of certain non-expendable trust funds are assigned to expendable trust funds as required by statute.

The following table summarizes the state's cash and cash equivalents (in thousands), including amounts reported as restricted assets at December 31, 1998 or June 30, 1999, whichever is applicable. Cash with the U.S. Treasury is available for the cash demands of the Reemployment Insurance Fund (expendable trust fund).

Carrying Amount	Primary Government	Component Units
Cash in Bank	$ 44,888	$ 1,332
Cash on Hand and Imprest Cash	3,114	9,200
Cash with Fiscal Agent	4,379	-
Cash with U.S. Treasury	621,651	-
Cash Equivalents:		
Cash Management Investment Pools	9,953,937	94,340
Other	106,540	1,794,577
Total Cash and Cash Equivalents	$ 10,734,509	$ 1,899,449

Deposits

At June 30, 1999, the primary government's bank balance was $57,774,000. For component units at December 31, 1998 or June 30, 1999, whichever is applicable, the bank balances were $16,961,000. These bank balances were adjusted by items in transit to arrive at the state's cash in bank balance. The bank balances were fully covered by federal depository insurance or collateral held by the state's agent in the state's name or held by the component unit in the component unit's name (lowest risk category). Minnesota Statutes, Section 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. This statute further requires that such insurance and collateral shall be in amounts sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amount and the fair value of the collateral.

Investments

The majority of the state's investing is managed by the Minnesota State Board of Investment (MSBI). Minnesota Statutes, Section 11A.24 broadly restricts investments of the primary government to obligations and stocks of U.S. and Canadian governments, their agencies and their registered corporations, 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. The state has invested in derivatives. The risks and exposure of these investments at June 30, 1999 cannot be determined.

The state statutes do not prohibit Minnesota from participating in securities lending transactions, and Minnesota has, by way of a Custodial Trust Agreement, authorized State Street Bank and Trust Company (State Street) to act as agent in lending the Minnesota's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street lent on behalf of Minnesota certain securities held by State Street as custodian and received cash (both United States and foreign currency) and securities issued or guaranteed by the United States government, sovereign debt of foreign countries and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than one hundred percent (100%) of the fair value of the loaned securities.

Minnesota did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf, and State Street indemnified Minnesota by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return a loaned security or pay distribution thereon. No borrower failed to return loaned securities or pay distributions thereon during the fiscal year. In addition, there were no losses during the fiscal year resulting from default of the borrowers or State Street.

During the fiscal year, Minnesota and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in the Minnesota State Board of Investments Fund, a separately managed vehicle. As of June 30, 1999, the investment pool had an average duration of 75 days and an average weighted maturity of 434 days. 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, 1999, Minnesota had no credit risk exposure to borrowers. The collateral held and the fair value of securities on loan for Minnesota as of June 30, 1999 were $4,184,333,000 and $4,066,935,000 respectively.

Primary Government - Investments at June 30, 1999
(in thousands)

Investment Type	Fair Value
Repurchase Agreements	$ 90,034
Commercial Paper	4,515,155
Short Term Corporate Notes	7,770
U.S. Treasury Obligations	2,027,433
Mortgaged Backed	5,480,441
Corporate Obligations	4,457,567
Foreign & Other Obligations	398,820
Corporate Stocks	27,858,803
Other Equity	2,039,419
Total Investments in Risk Category 1	$ 46,875,442
Trustee Managed Pools (not categorized)	3,524,721
Total Investments	$ 50,400,163

Component Units - Investments at June 30, 1999 or December 31, 1998
(in thousands)

Investment Type	Risk Category 1	Risk Category 2	Risk Category 3	Fair Value
Repurchase Agreements	$ 82,342	$ -	$ -	$ 82,342
Commercial Paper	454,473	-	-	454,473
Short Term Corporate Notes	63,550	-	-	63,550
U.S. Treasury Obligations	695,431	-	84,041	779,472
Mortgaged Backed	461,523	-	-	461,523
Corporate Obligations	1,024,544	-	-	1,024,544
Municipal & Other Obligations	138,520	-	-	138,520
Corporate Stocks	689,479	-	-	689,479
Other Equity	77,245	-	-	77,245
Total Investments	$ 3,687,107	$ -	$84,041	$3,771,148
Trustee Managed Pool/ Mutual Funds (not categorized)	-	-	-	529,825
Total Investments	$ 3,687,107	$ -	$84,041	$4,300,973

Funds not invested by MSBI are primarily enterprise type funds. Investments for these funds must also conform to the above statute and may be further restricted by bond indentures.

The investment table above shows the state's risk category 1 and other investments, including cash equivalents, at their carrying and fair values. Risk category 1 includes securities which are insured or registered or are held by the state or its agent in the state's name. Investments in risk category 2 include uninsured and unregistered securities held by the counter party's trust department or agent in the component unit's name. Neither the primary government nor the component units have investments in risk category 2. Investments in risk category 3 include uninsured and unregistered securities held by the counter party or by its trust department or agent, but not in the component unit's name. The primary government has no investments in risk category 3.

3. CAMBRIDGE BANK LITIGATION FUNDS

Revenue bonds were issued to satisfy the claims and judgments resulting from litigation. The Cambridge Litigation Revenue Fund, the Cambridge Litigation Revenue Bond Fund and the Cambridge Litigation Revenue Bond Debt Service Fund are used to record revenues, bond proceeds, claims and judgments and debt service payments. These funds are presented as part of the General Fund and the Debt Service Fund (governmental funds).

The General Fund, as presented herein, includes the Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund, which were established and maintained in the state treasury and on the state's books and records as a separate Special Revenue Fund, pursuant to Minnesota Statutes, Section 16A.67. The Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund were established by the Commissioner of Finance's order dated May 1, 1996, which was entitled "Order of the Minnesota Commissioner of Finance for Issuance and Sale of $200,000,000 State Revenue Bonds, Series 1996A" (the "Order") and are required to be maintained until the State Revenue Bonds, Series 1996A, and any other revenue bonds hereafter issued and made payable from the Cambridge Litigation Revenue Bond Fund (the "Revenue Bonds") are paid or discharged in accordance with the Order. The Cambridge Litigation Revenue Fund is used to record receipts of certain non-tax revenues (comprising departmental earnings, medical payments and non-dedicated lottery revenues, all as defined in the Order), revenue bond proceeds and investment earnings, and the disbursement of revenue bond proceeds to pay costs of a judgment against the state and related claims described below, and the transfer of revenues and investment earnings first to the Cambridge Litigation Revenue Bond Debt Service Fund to pay debt service on the revenue bonds, and second to the General Fund to pay costs of state government.

The terms, departmental earnings, medical payments and non-dedicated lottery revenues are defined in the Order substantially as follows:

- *Departmental Earnings* are certain license fees, service fees and other charges imposed by or pursuant to the state law, which are collected from the general public and regulated businesses and professions. The use of these fees is not otherwise restricted by federal law and is not determined to constitute a tax of statewide application on any class of property, income, transaction or privilege. In addition, these fees, penalties and interest may not be dedicated to another fund.

- *Medical Payments* means all amounts paid to the state by non-state resources for payment of, or as reimbursement for payment by the state from its General Fund of, costs incurred for the care and treatment of mentally ill and developmentally disabled persons at regional treatment centers.

- *Non-dedicated Lottery Revenues* means all lottery net income not dedicated and required by the State Constitution, Article XI, Section 14 to be transferred to the Environment and Natural Resources Trust Fund (expendable trust fund).

For the fiscal year ended June 30, 1999, the funding received by and transferred from the Cambridge Litigation Revenue Fund, including revenues, investment earnings and the moneys received by and disbursed from the Cambridge Litigation Revenue Bond Fund, were as follows (in thousands):

	Cambridge Litigation Revenue Fund and Cambridge Litigation Revenue Bond Fund
Net Revenues:	
License and Fees	$ 99,532
Care & Hospitalization	75,815
Department Services	36,423
Penalties & Fines	5,165
Investment/Interest Income	472
Net Revenues	$ 217,407
Other Financing Sources (Uses):	
Operating Transfers	$ 31,697
Transfers to Debt Service and General Fund	(241,546)
Net Other Financing Sources (Uses)	$ (209,849)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 7,558

The 1997 legislature appropriated $16,600,000 from the General Fund to pay any additional claims. The total remaining claims are estimated to be $4,000,000 for the General Fund as of June 30, 1999. No additional claims are expected to be paid from the Cambridge Litigation Revenue Bond Fund. The principal and interest on claims paid during fiscal year 1999 totaled $2,196,000 and $2,704,000 respectively.

The Cambridge Litigation Revenue Fund and the Cambridge Litigation Revenue Bond Fund, while maintained and administered as separate funds on the official books and records of the state as covenanted and agreed in the Order, have been presented as part of the General Fund for financial reporting purposes for the following reasons. First, the purpose for which the revenue bonds were issued is to fund a portion of the judgment entered against the state in Cambridge State Bank vs. James, 514 N.W.2d 565 (Minn. 1994) and related claims, wherein the Minnesota Supreme Court held that certain banks were entitled to a refund of taxes paid on income from federal obligations. The judgment and related claims are obligations of the General Fund and have been recorded as an accrued liability in the General Long-Term Obligation Account Group. Second, the revenues appropriated to the Cambridge Litigation Revenue Fund, prior to the establishment of the Cambridge Litigation Revenue Fund, have been revenues of the General Fund. Third, revenues appropriated to the Cambridge Litigation Revenue Fund, which are not required to be transferred to the Cambridge Litigation Revenue Bond Debt Service Fund to pay debt service on the Revenue Bonds, are required to be and have been transferred to the General Fund, and once so transferred, are available only for General Fund purposes.

4. INTERFUND ACTIVITY

Primary Government

Interfund receivables and payables at June 30, 1999 of the primary government, including current portion of interfund advances, are summarized as follows (in thousands):

Primary Government

Fund	Receivables	Payables
General Fund:	$ 83,320	$ 44,145
Special Revenue Funds:		
Trunk Highway	$ 37,365	$ -
Highway UserTax Distribution	-	65,106
Federal	12,975	27,273
Maximum Effort School Loan	-	2,189
Natural Resources	3,170	-
Health Care Access	-	7,300
Solid Waste	-	10,752
Miscellaneous Special Revenue	15,263	4,816
Total Special Revenue Funds	$ 68,773	$ 117,436
Capital Projects Funds:		
General Projects	$ -	$ 18,620
Transportation	-	16
Building	-	2,913
Total Capital Projects Funds	$ -	$ 21,549
Debt Service Fund:	$ 16,727	$ -
Enterprise Funds:		
College & University Enterprise Act.	$ 60	$ -
State Operated Community Services	4,230	-
State Lottery	-	14,551
State College & Universities Revenue	740	-
Private Employers Insurance	-	-
Enterprise Activities	28	-
Total Enterprise Funds	$ 5,058	$ 14,551
Internal Service Funds:		
State Printer	$ 28	$ -
Central Motor Pool	-	640
Central Services	-	56
Total Internal Service Funds	$ 28	$ 696

Fund	Receivables	Payables
Fiduciary Funds:		
Pension Trust Funds:		
Defined Benefit Pension Funds:		
Public Employees Retirement	$ 1,027	$ 27
Police and Fire	36	738
Police and Fire Consolidation	1	232
State Employees Retirement	1,083	373
State Patrol Retirement	-	64
Correctional Employees Retirement	308	148
Judicial Retirement	-	31
Elective State Officers	203	1
Legislative Retirement	7,064	38
Defined Contribution Fund:		
Unclassified Employees Retirement	84	125
Public Employees Retirement	-	67
Nonexpendable Trust Funds:		
Permanent School	-	9,040
Environment & Natural Resources	4,789	1,958
Expendable Trust Funds:		
Municipal State-Aid Street	6,946	-
County State-Aid Highway	23,655	-
Endowment School	4,410	-
Endowment	99	40
Environment & Natural Resources	1,958	63
Reemployment Insurance	-	9,613
State Deferred Compensation	-	695
Agency Funds:		
Miscellaneous Agency	3,293	7,232
Total Fiduciary Funds	$ 54,956	$ 30,485
Total Primary Government	$ 228,862	$ 228,862

The noncurrent portion of interfund advances for the primary government at June 30, 1999 are summarized as follows (in thousands):

	Advances to Other Funds	Advances from Other Funds
General Fund	$ 3,100	$ -
Special Revenue Funds:		
Health Care Access	740	-
Internal Service Funds:		
Central Motor Pool	-	3,100
Enterprise Funds:		
Private Employers Insurance	-	740
Total All Funds	$ 3,840	$ 3,840

During the year ended June 30, 1999, the advance from the Health Care Access Fund (special revenue fund) to the Private Employers Insurance Fund (enterprise fund) was written down by $150,000 to $740,000. The Private Employers Insurance Fund is discontinuing the full operation of the Minnesota Employees Insurance Program, which provides the income for the fund.

Component Units

Interfund receivables and payables at June 30, 1999 within component units and between the primary government and component units are summarized as follows (in thousands):

Component Units

Fund	Receivables	Payables
Governmental Funds:		
Metropolitan Council	$ 12,372	$ 26,358
Proprietary Funds:		
Metropolitan Council-Unrestricted	934	8,192
Metropolitan Council-Restricted	21,244	-
Totals	$ 34,550	$ 34,550

Primary Government and Component Units

Fund	Due from Primary Government	Due to Primary Government
Component Units		
Governmental Funds:		
Public Facilities Authority	$ 20,500	$ -
Proprietary Funds:		
Workers' Compensation Assigned Risk Plan	-	4,757
College and University Funds:		
University of Minnesota	128,331	45,685
Total Component Units	$ 148,831	$ 50,442
Primary Government		
Governmental Funds:		
General Fund	$ -	$ 127,562
Health Care Access	-	769
Building Fund	-	20,500
Total Primary Government	$ -	$ 148,831
Total	$ 148,831	$ 199,273

Due to primary government exceeds the due from component units by $50,442,000. An amount of $45,685,000 is because of the University of Minnesota's unmatured long-term debt being included in the Long-Term Debt Account Group, which the state cannot recognize as a receivable. The remaining difference of $4,757,000 results from the Workers' Compensation Assigned Risk Plan having a different fiscal year end than the primary government.

Transfers-out to component units exceeds transfers-in from primary government by $27,929,000. Of this amount, $4,561,000, $4,158,000, $13,173,000 and $6,037,000 were reported as transfers-out to component units in the General Fund, Trunk Highway Fund (special revenue fund), General Project Fund and Building Fund (capital project funds), respectively. The $27,929,000 was recorded as contributed capital in the Public Facilities Authority Fund (proprietary fund type).

Residual equity transfers-out exceed similar transfers-in by $21,060,000 because of differing reporting focuses for proprietary and governmental fund types. These residual equity transfers from governmental fund types are reported as part of the increase to contributed capital in the proprietary funds.

5. LOANS, NOTES AND FINANCING LEASES RECEIVABLE

Loans, notes and financing leases receivable, net of allowances for possible losses, as of June 30, 1999, consisted of the following (in thousands):

	General	Special Revenue	Capital Projects	Enterprise	Fiduciary
Student Loan Program	$ 180	$ -	$ -	$ 34,803	$ -
Economic Development	337	19,301	36,395	-	22,850
School Districts	-	14,221	-	-	-
Energy	-	3,411	9,959	-	-
Agricultural	4,721	25,493	1,756	-	-
Transportation	-	21,387	-	-	-
Resources	2,248	7,475	68	-	-
Other	-	1,269	20	-	-
Total	$ 7,486	$ 92,557	$ 48,198	$ 34,803	$ 22,850

	Component Units	
	Non-restricted	Restricted
Metropolitan Council (Governmental)	$ 15,461	$ -
Agricultural and Economic Development Board	31,542	-
Rural Finance Authority	50,335	-
Housing Finance Authority	1,730,678	-
Higher Education Services Office (Proprietary)	217,414	-
University of Minnesota	63,190	-
Public Facilities Authority (Proprietary)	-	560,166
Total	$ 2,108,620	$ 560,166

6. FIXED ASSETS

Primary Government

Summary of Changes in General Fixed Assets
(in thousands)

	Beginning Balances	Additions	Deductions	Completed Construction	Other Adjustments	Ending Balances
Land	$ 306,186	$ 15,303	$ 103	$ -	$ 972	$ 322,358
Buildings	1,931,550	10	1,695	174,860	(3,228)	2,101,497
Equipment	443,187	42,056	86,984	-	61,282	459,541
Construction in Progress	215,086	155,662	-	(174,860)	33,309	229,197
Total	$ 2,896,009	$ 213,031	$ 88,782	$ -	$ 92,335	$ 3,112,593

Governmental and expendable trust funds' capital outlay expenditures totaled $639,999,000 for fiscal year 1999. Of this amount, $440,244,000 was for infrastructure fixed assets, which are not included in general fixed assets. Donations of general fixed assets received during fiscal year 1999 are valued at $13,276,000.

General fixed assets purchased with resources provided by outstanding capital lease agreements at June 30, 1999 consisted of equipment costing $77,266,000 and buildings costing $1,781,000.

Authorizations and commitments as of June 30, 1999 for the largest construction in progress projects consisted of the following (in thousands):

	Admininistration Projects	Educational Buildings	Iron Range Resources	Military Affairs	Corrections Facilities	Human Services
Authorization	$ 74,875	$ 138,525	$ 2,074	$ 3,319	$ 4,725	$ 49,822
Expended through June 30, 1999	74,742	71,361	950	988	4,115	45,231
Unexpended Commitment	-	12	-	-	-	-
Available Authorization	$ 133	$ 67,152	$ 1,124	$ 2,331	$ 610	$ 4,591

Commitments are reserved in the fund balance for either encumbrances or long-term commitments.

Proprietary and fiduciary fund type fixed assets consisted of the following as of June 30, 1999 (in thousands):

	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Combined Totals
Land	$ 788	$ -	$ 15,404	$ 16,192
Buildings	112,481	-	-	112,481
Land and Building Improvements	54,279	6,610	-	60,889
Equipment	28,045	100,821	3,272	132,138
Total	$ 195,593	$ 107,431	$ 18,676	$ 321,700
Less: Accumulated Depreciation	104,484	72,998	975	178,457
Net Total	$ 91,109	$ 34,433	$ 17,701	$ 143,243

Land in the Permanent School Fund (nonexpendable trust fund) totaling 2,509,227 acres were donated by the federal government and was valued at the estimated fair value at the time of donation.

Component Units

Component Unit fixed assets consisted of the following as of the end of their respective fiscal year (in thousands):

	Governmental Type			Proprietary Type					College and University Type	
	Metropolitan Council	Minnesota Technology Incorporated	Higher Education Services Office	Housing Finance Agency	Public Facilites Authority	Metropolitan Council	National Sports Center Foundation	Higher Education Services Office	University of Minnesota	Combined Totals
Land	$ -	$ -	$ -	$ -	$ -	$ 26,996	$ 174	$ -	$ 33,754	$ 60,924
Buildings and Improvements	-	-	-	-	-	1,493,976	278	-	1,704,141	3,198,395
Equipment	13,909	2,518	757	2,410	2	306,972	411	193	563,508	890,680
Other Fixed Assets	-	-	-	-	-	-	-	-	158,505	158,505
Total	$ 13,909	$ 2,518	$ 757	$ 2,410	$ 2	$ 1,827,944	$ 863	$ 193	$ 2,459,908	$ 4,308,504
Less: Accumulated Depreciation	-	2,047	490	1,380	-	671,487	342	112	1,191,235	1,867,093
Total	$ 13,909	$ 471	$ 267	$ 1,030	$ 2	$ 1,156,457	$ 521	$ 81	$ 1,268,673	$ 2,441,411

7. GENERAL LONG-TERM OBLIGATIONS

Primary Government

A summary of general long-term obligations at June 30, 1999 and the changes during fiscal year 1999 are as follows (in thousands):

	Beginning Balances	Increases	Decreases	Ending Balances
Liabilities for:				
General Obligation Bonds	$ 2,506,939	$ 299,700	$ 422,444	$ 2,384,195
Loans	15,723	-	5,241	10,482
Revenue Bonds	132,825	-	24,260	108,565
Claims	385,790	102,533	196,278	292,045
Compensated Absences	254,774	10,289	-	265,063
Workers Compensation	113,732	15,164	12,761	116,135
Capital Leases	18,313	6,954	6,172	19,095
Arbitrage Liabilities	840	-	10	830
Totals	$ 3,428,936	$ 434,640	$ 667,166	$ 3,196,410

The resources to repay the various general long-term obligations have been or will be provided from the fund types as follows (in thousands):

	General Fund	Special Revenue Funds	Total
Liabilities for:			
General Obligation Bonds	$ 2,264,243	$ 119,952	$ 2,384,195
Loans	-	10,482	10,482
Revenue bonds	104,660	3,905	108,565
Claims	110,656	181,389	292,045
Compensated Absences	163,501	101,562	265,063
Workers Compensation	95,464	20,671	116,135
Capital Leases	10,304	8,791	19,095
Arbitrage Liabilities	830	-	830
Totals	$ 2,749,658	$ 446,752	$ 3,196,410

Principal and interest payment schedules (in thousands) are provided in the following table for general obligation bonds, revenue bonds, loans, capital leases and arbitrage. There are no payment schedules for claims, compensated absences or workers compensation.

Fiscal Year	General Obligation Bonds	Loans	Revenue Bonds	Capital Leases	Arbitrage	Totals
2000	$ 332,511	$ 5,241	$ 56,084	$ 7,644	$ 347	$ 401,827
2001	307,547	5,241	55,960	6,479	483	375,710
2002	283,727	-	884	4,391	-	289,002
2003	270,579	-	883	2,084	-	273,546
2004	245,584	-	880	150	-	246,614
Thereafter	1,853,311	-	4,102	-	-	1,857,413
Total Payments	$ 3,293,259	$ 10,482	$ 118,793	$ 20,748	$ 830	$ 3,444,112
Interest	909,064	-	10,228	1,653	-	920,945
Total Principal	$ 2,384,195	$ 10,482	$ 108,565	$ 19,095	$ 830	$ 2,523,167

Minnesota Statutes, Section 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 was enacted requiring the appropriation.

In fiscal year 1999, the Department of Finance made the necessary transfers (in thousands) to the Debt Service Fund as follows:

General Fund	$	321,060
Special Revenue Funds:		
Trunk Highway Fund	$	5,149
Natural Resources Fund		81
Maximum Effort School Loan Fund		1,294
Miscellaneous Special Revenue Fund		151
Total Special Revenue Funds	$	6,675
Capital Projects Funds:		
Building Fund	$	6,296
Transportation		4
Total Capital Projects Funds	$	6,300
Component Units:		
Rural Finance Authority	$	8,651
University of Minnesota		5,647
Total Component Units	$	14,298
Total Operating Transfers to Debt Service Fund	$	348,333

The amount shown in the Debt Service Fund as reserved for debt requirements differs from that shown in the General Long-Term Obligation Account Group as Amount Available in Debt Service Fund because the Debt Service Fund amount includes amounts for both principal and interest on general obligation bonds while the General Long-Term Obligation Account Group includes only the amount for bond principal.

General Obligation Bond Issues

On November 1, 1998, $299,700,000 in general obligation state various purpose and state refunding bonds were issued at a true interest rate of 4.41 percent. During fiscal year 1999, $422,444,000 in general obligation bonds principal was repaid.

The entire refunding bond proceeds of $99,700,000 (net of $103,000 and an additional $3,392,000 from existing funds in the Debt Service Fund) have been placed in special escrow accounts and invested in government securities. These investments have been certified to be sufficient to pay all principal and interest on the bonds when due. Accordingly, the original refunded bonds have been eliminated, and the new advance refunding bonds have been added to the General Long-Term Obligation Account Group.

The balance outstanding for all extinguished debt at June 30, 1999 was $481,600,000, which is shown below (in thousands). The state remains contingently liable to pay the refunded general obligation bonds.

Outstanding Defeased Debt

Refunding Date	Refunding Amount	Refunded Amount	Outstanding Amount	Refunded Bond Call Date
May 1, 1993	$ 292,260	$ 273,190	$ 207,950	August 1, 2000
August 1, 1993	146,995	133,770	95,900	August 1, 2001
November 1, 1993	91,720	81,650	81,650	August 1, 2002
November 1, 1998	99,700	96,100	96,100	October 1, 2004
Total	$ 630,675	$ 584,710	$ 481,600	

The most recent refunding transactions will save the state aggregate debt service payments of approximately $4.1 million and will result in an economic gain or present value savings of approximately $3.4 million over the life of the refunded bonds.

A schedule of general obligation bonds authorized, but unissued and bonds outstanding at June 30, 1999 is provided in the table below (in thousands). This schedule includes general obligation bonds that were sold for the State Operated Community Services Fund, which is presented as an enterprise fund.

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	$ 742,076	$ 1,228,434	3.75 - 7.56
State Operated Community Services	2,845	4,790	3.75 - 7.56
State Transportation	48,260	65,610	4.69 - 7.56
Waste Management	3,680	4,865	5.00 - 7.56
Water Pollution Control	7	98,126	4.58 - 7.56
Maximum Effort School Loan	1,192	93,275	5.00 - 7.56
Reinvest in Minnesota	525	15,340	5.00 - 6.90
Rural Finance Administration	8,500	67,965	5.00 - 6.98
Refunding Bonds	-	707,348	3.97 - 6.95
Exchange Bonds	-	6,289	0.05
Municipal Energy Building	970	8,915	5.00 - 7.56
Game and Fish Building	-	138	5.33 - 6.95
Trunk Highway	-	17,675	3.75 - 6.95
Airport Facilities	81,275	44,125	4.40 - 7.95
Landfill	60,100	26,090	4.54 - 5.76
Totals	$ 949,430	$ 2,388,985	

Revenue Bonds Payable

Revenue bonds payable of $104,660,000 as reported in the General Long-Term Obligation Account Group are special obligations of the state and are for airport facilities secured by St. Louis County. The remaining $3,905,000 bonds payable are special obligations of the state for the financing of the Giants Ridge recreational area.

Loans

Loans payable are the result of loans from local governments to the state for the financing of highway construction projects. This financing provides advance funding of the state and federal share of these projects. Loan repayment without interest begins after completion of the related project.

Claims

Municipal solid waste landfills liability totaling $239,734,000 for closure and postclosure care are reported for the landfill cleanup program payable from the Solid Waste Fund (special revenue fund) and the General Fund.

Additional claims of $52,311,000 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).

Compensated Absences

The liability for compensated absences for governmental funds totaling $265,063,000 is primarily for vacation leave and for vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid only at the time of termination from state employment. This obligation will be liquidated using future resources at unspecified times.

Workers' Compensation

The liability for workers' compensation reported is based on claims filed for injuries to state employees occurring prior to June 30, 1999 and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Leases

Capital leases payable are for those leases which meet the criteria in GASB Statement 1, "Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide". See Note 8 for the minimum future payments under operating leases.

Arbitrage Liabilities

The arbitrage rebate payable to the federal government of $830,000 is required by the Tax Reform Act of 1986 and the U.S. Treasury regulations and penalties. It is the estimate of the excess earnings on tax-exempt bond proceeds and debt service reserves. Interest earnings on bond proceeds are used primarily for debt service payments. The arbitrage rebate will be paid through an appropriation from the General Fund. There is no reservation of assets for this liability.

Component Units

The Metropolitan Council (MC, governmental fund type) issues general obligation bonds for parks, solid waste, sewers and transportation, backed by MC's full faith and credit and taxing powers. MC had $133,060,000 in general obligation bonds outstanding on December 31, 1998.

The Agricultural and Economic Development Board (AEDB) issues revenue bonds for agricultural and economic projects.

The following is a debt repayment schedule for MC and AEDB.

Long-Term Debt Repayment Schedule
Component Units - Government Funds
(in thousands)

	General Obligation Bonds MC		Revenue Bonds AEDB
Year Ending December 31	Amount	Year Ending June 30	Amount
1999	$ 37,031	2000	$ 4,947
2000	26,058	2001	4,771
2001	18,384	2002	4,743
2002	15,704	2003	4,776
2003	11,391	2004	5,006
Thereafter	51,512	Thereafter	34,793
Total	$ 160,080		$ 59,036
Interest	27,020		19,879
Bond Principal	$ 133,060		$ 39,157

8. LEASE AGREEMENTS

Operating Leases

The state and its component units are committed under various leases primarily for building and office space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1999 totaled approximately $64,905,000 and $10,448,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 1998 totaled approximately $2,248,000 for component units. Future minimum lease payments for existing lease agreements are as follows (in thousands):

Primary Government		Component Units			
Year Ending June 30	Amount	Year Ending June 30	Amount	Year Ending December 31	Amount
2000	$ 61,204	2000	$ 6,099	1999	$1,729
2001	54,747	2001	5,508	2000	1,508
2002	48,540	2002	5,288	2001	1,340
2003	38,795	2003	4,935	2002	1,225
2004	26,854	2004	4,982	2003	1,184
Thereafter	1,995	Thereafter	41,476	Thereafter	2,530
Total	$232,135	Total	$68,288	Total	$9,516

Capital Leases

The state and its component units have entered into several capital lease agreements to purchase equipment. The leases meet the criteria of a capital lease as defined by "Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"" which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The terms of each agreement provide options to purchase the equipment at any time during the lease period.

In the governmental funds, equipment purchased through capital lease agreements is included with the general fixed assets. The state's liability for these capital leases is included in general long-term obligations (see Note 7).

9. LONG-TERM OBLIGATIONS - PROPRIETARY FUNDS

Revenue and General Obligation Bonds

Primary Government

The enterprise funds listed below have the authority to issue, and have issued, revenue bonds which are not general obligations of the state, but are payable solely from rentals, revenues and other income, charges and monies as were pledged for repayment. Premiums and discounts on revenue bonds are amortized using the interest method over the life of the bonds to which they relate.

The State Colleges and Universities Revenue (SCU) is authorized by Minnesota Statutes, Section 136F.98 to issue revenue bonds in the principal amount of $40,000,000 to finance the acquisition, construction and remodeling of college buildings for dormitory, residence hall, student union and food service purposes.

The Minnesota State Colleges and Universities (MnSCU), which is included in the College and Universities Enterprise Activities (CUEA), financed the construction of a dormitory and a modular housing project through the Higher Education Facilities Authority. The $1,625,000 debt for these two projects is reported by MnSCU in CUEA.

In addition, the State Operated Community Services (SOCS) has been appropriated money to provide group residential housing for individuals with developmental disabilities. The state has issued general obligation bonds to finance these projects. The debt service costs on the bonds sold to finance these projects must be paid in accordance with Minnesota Statutes, Section 16A.643 from the group residential housing fees charged.

Component Units (proprietary funds)

The Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.21-.22 to issue bonds and notes for the purpose of providing funds for rehabilitation, construction and mortgage loans, or for refunding 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 $2,400,000,000, according to Minnesota Statutes, Section 462A.22.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.072 to issue revenue bonds for the purpose of making loans to municipalities for wastewater treatment facilities. The amount outstanding on these bonds at any time shall not exceed $850,000,000, according to Minnesota Statutes, Section 446A.12.

The Higher Education Services Office (HESO) is authorized by Minnesota Statutes, Sections 136A.171-.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, may not exceed $550,000,000, according to Minnesota Statutes, Section 136A.171.

The University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects.

The Metropolitan Council (MC) issues environmental services general obligation bonds backed by MC in full faith and credit and taxing powers.

Primary Government

Long-Term Debt Repayment Schedule
Proprietary Funds - June 30, 1999
(in thousands)

	Revenue Bonds		General Obligation Bonds
Fiscal Year(s)	SCU	CUEA	SOCS
2000	$ 2,407	$ 105	$ 415
2001	2,422	110	415
2002	2,409	120	415
2003	2,419	130	415
2004	2,429	140	415
Thereafter	40,777	1,020	5,289
	$ 52,863	$ 1,625	$ 7,364
Interest	(24,808)	-	(2,574)
Bond Principal	$ 28,055	$ 1,625	$ 4,790

Component Units

Long-Term Debt Repayment Schedule
Component Units - June 30, 1999
(in thousands)

	Revenue Bonds				General Obligation Bonds	
Fiscal Year(s)	HFA	PFA	HESO	U of M	MC*	U of M
1999	$ -	$ -	$ -	$ -	$ 101,841	$ -
2000	313,143	53,719	2,671	1,458	92,748	22,866
2001	313,602	55,549	2,671	1,437	59,892	22,866
2002	144,265	56,872	2,671	1,411	56,384	36,474
2003	145,052	55,932	2,671	1,397	53,089	37,102
2004	141,749	53,361	2,671	1,407	51,876	116,228
Thereafter	2,893,333	553,645	116,470	12,192	42,482	518,780
	$ 3,951,144	$ 829,078	$ 129,825	$ 19,302	$ 458,312	$ 754,316
Unamortized (Discount)/Premium	-	3,730	392	-	(2,049)	-
Interest	(1,869,439)	(276,248)	(61,717)	(6,377)	(194,227)	(278,800)
Bond Principal	$ 2,081,705	$ 556,560	$ 68,500	$ 12,925	$ 262,036	$ 475,516

*MC fiscal year ends December 31, 1998

Bond Defeasances

Primary Government

For proprietary fund debt that was defeased in prior years through in-substance defeasances, the outstanding defeased amount as of June 30, 1999 for SCU is $11,612,000. SCU remains contingently liable to pay this defeased debt.

Component Units

Public Facilities Authority (proprietary fund type) had $105,617,000 various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 1999.

10. LONG-TERM COMMITMENTS

Long-term commitments consist of grant agreements, construction and other contracts. These commitments will be partially funded by current reserves for long-term commitments with the remaining resources provided by future bond proceeds, mining tax revenues and federal grants. Long-term commitments as of June 30, 1999 were as follows (in thousands):

Special Revenue Fund:	
Trunk Highway Fund	$ 448,666
Capital Projects Funds:	
General Project Fund	159,354
Transportation Fund	19,078
Building Fund	275,080
Total Primary Government	$ 902,178
Component Unit:	
University of Minnesota	$ 412,121

11. CONTINGENT LIABILITIES – LITIGATION

1) 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 fiscal years ending June 30, 2000 and June 30, 2001 were $875,000 for each year. The maximum limits of liability for tort claims are $300,000 for any one claim and $750,000 for any number of claims arising out of a single occurrence. The limit on liability for a single occurrence rises to $1,000,000 on January 1, 2000.

2) 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 $10,000,000 in excess of current levels.

   a. At any one time, there are hundreds of Department of Transportation 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 $10 million. Liability arising out of decisions unfavorable to the state may impact the state's trunk highway fund.

   b. At any one time, there are claims and cases pending against various state agencies, including but not limited to, the Departments of Administration and Transportation and the Minnesota State Colleges and Universities, and other state agencies which may be potentially responsible parties for clean-up of hazardous and other contaminated waste sites under federal and state superfund and other environmental laws. In the aggregate, it is possible that the potential liability of the state for such claims may exceed $10 million because all parties are jointly and severally liable under federal and state superfund laws. Liability out of decisions unfavorable to the state may impact the trunk highway fund for claims against the Department of Transportation and the state's General Fund for claims against other state agencies.

   c. *Jesse Lee Brown and Ronald Bergeron v. State of Minnesota.* Hennepin County District Court. Plaintiffs are Medicaid and GAMC recipients who suffered tobacco-related illnesses during the period of January 1, 1978 and December 31, 1996. Plaintiffs claim rights to a share of the settlement proceeds in *State of Minnesota, et al. v. Philip Morris Incorporated, et al.* Plaintiffs have claimed that they are entitled to the difference between the amount of the tobacco trial settlement and the amount of moneys expended to treat smoking-related illnesses, but not less than one-third of the end recovery. This would amount to between $2.05 billion and $4.86 billion. The State has moved to dismiss the case for failure to state a claim upon which relief could be granted, and to sanction the attorneys for bringing a frivolous suit. The District Court granted the State's motion to dismiss on December 15, 1998. Plaintiffs have appealed the District Court's dismissal to the Court of Appeals.

d. *Eveleth Taconite Company and Eveleth Mines LLC v. Commissioner.* Tax Court. The taxpayers in this and four other such cases contend that a 1994 recodification of a 1993 provision allowing a specific exemption for replacement equipment purchased by the taconite industry, without regard to the expansion of a facility (at a time when replacement equipment was otherwise fully taxable), rendered their repair and replacement parts exempt as well. The Commissioner determined that parts purchased by the taconite industry were subject a specific reduced rate rather than a complete exemption. The Tax Court ruled that the repair and replacement parts were exempt as capital equipment and that the Commissioner must pay refunds in this case. The Commissioner did not appeal the Tax Court's decision. The aggregate amount of refunds in all of these cases, as well as in administrative claims and appeals pending before the Commissioner, is estimated to approximate $21 million dollars.

e. *Minneapolis Branch of the NAACP v. State of Minnesota* and *Xiong v. State.* Hennepin County District Court. In September 1995, the Minnesota Branch of the NAACP and several Minneapolis school children and their parents brought suit in State Court against the State of Minnesota, the Governor, the Treasurer, the Auditor, the Attorney General, the Legislature, various legislators, the State Department of Children, Families and Learning and several of its officials, the State Board of Education and its members, and the Metropolitan Council, claiming that the segregation of minority and poor students in the Minneapolis public schools has deprived the students of an adequate education in violation of the Minnesota Constitution. The plaintiffs also claim that the unequal education received by Minneapolis students relative to students in suburban schools violates the Minneapolis students' right to equal protection under the Minnesota Constitution. The Metropolitan Council is no longer a defendant in the plaintiffs' state court action. The suit, which is being brought as a class action, seeks a declaratory judgment that the defendants have violated the law, an injunction requiring them to obey the law and to provide the students an adequate and desegregated education, and an award of attorney fees. It is impossible at this point to estimate the State's exposure in this case especially since the plaintiffs have not articulated the precise relief they are seeking. While the complaint does not request monetary damages, it does request injunctive relief that could force the State to spend a substantial sum of money for additional funding of various items for the Minneapolis schools, and increased busing expenses. Since the complaint alleges that the segregation of the Minneapolis schools is at least partially the result of housing practices and policies that have caused disproportionate concentrations of poor and minority students in select areas, it is possible that the relief the plaintiffs will ultimately request will involve the redistribution of minority and poor families in the Minneapolis/St. Paul metropolitan area. The cost of any such relief, if required to be paid by the State, could exceed $10 million. The district court denied the State's motion to dismiss as to the State and certain principal named defendants but the district court did grant the motion to dismiss as to certain other state officials. The district court denied the plaintiffs' motion for partial summary judgment. The State, in response to the District Court's denial of its motion to dismiss, filed an appeal to and petition for accelerated review by the Minnesota Supreme Court. In January of 1997, the Minnesota Supreme Court dismissed the State's appeal as premature. In May of 1997, the State filed a motion with the district court seeking judgment on the pleadings for lack of subject matter jurisdiction which the district court denied. To date the alternative dispute resolution process has not been successful. In the meantime, district court proceedings are continuing. The *Xiong* case, filed in February 1998, also challenges the adequacy of the education provided in the Minneapolis Public Schools. Although the plaintiffs are different, this case is brought by the same attorneys as the *NAACP* case and alleges essentially the same claims. Some of the claims are now based on events that happened since the filing of the *NAACP* case. A motion to consolidate the *Xiong* case with *NAACP* has been granted.

12. CONTINGENT LIABILITIES - OTHER

Primary Government

Pension Trust Funds

In addition to the pension trust funds included in the reporting entity (see Note 16), there are other public employee pension funds which the state may be contingently liable for the unfunded liability. These are pension trust funds where the state is funding a portion of the unfunded liability. The pension trust funds involve the year-end in which the most current data is available and the unfunded liabilities are provided for below (in thousands):

Minneapolis Employee Retirement Fund	June 30, 1999	$ 106,487
Minneapolis Teachers Retirement Fund	June 30, 1999	$ 454,898
St. Paul Teachers Retirement Fund	June 30, 1999	$ 234,614
Local Police and Fire Funds	December 31, 1998	$ 13,494

In 1996, the Local Police and Fire funds consisted of nine local plans. In 1998, five of the plans were reported as part of the Public Employees Retirement pension trust funds, so the unfunded liability of the Local Police and Fire Fund for 1998 consisted of four local plans.

The pension trust funds for which the state has custodial responsibility, but for which the state is not contingently liable, include the Public Employees Retirement, Police and Fire and the Police and Fire Consolidation funds.

All of the above unfunded liabilities were computed using the entry age normal actuarial cost (level normal cost) method. Assumptions include 6 and 5 percent interest rates, and 4 and 3.5 percent annual salary growth rates for the Minneapolis Employee Retirement Fund and the Local Police and Fire funds, respectively. Additional annual contributions are provided to reduce the current unfunded liabilities. It has been the intent of the legislature, in establishing contribution rates, to provide sufficient resources to retire or fully fund the liabilities for the Local Police and Fire funds by June 30, 2009 and by June 30, 2020 for the Minneapolis Employees Retirement Fund.

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act (MS 115C.09) requires the state to reimburse owners for most of their costs to clean up contamination from leaks and spills from petroleum tanks. The payments will come from the Petroleum Tank Cleanup Fund (Petrofund, special revenue fund). A significant number of unreported tank contamination sites and cleanup costs presently exist, which will require Petrofund expenditures. As of June 30, 1999, the Petrofund has recognized cumulative liabilities of $284 million. Various studies have estimated that the total of all payments for the program may reach $450 to $800 million in cleanup costs (based on data available through July 1992).

Solid Waste Fund

The Closed Landfill program was established to provide environmental response to 106 qualified landfill sites. There are currently 90 closed state-permitted sites that are in the program. The state becomes responsible for closed municipal solid waste facilities only after certain eligibility requirements are met. The state may perform cleanup and final cover procedures as well as all maintenance and monitoring functions at these qualifying sites in perpetuity. The state reports a portion of these costs as operating expenses in each fiscal year. As of June 30, 1999, cumulative expenditures of $77.7 million have been made by the Solid Waste Fund. Various studies have estimated that the total of all payments for the program may reach $477 million for those sites currently in the program (based on 1999 dollars). These estimates include response action costs, costs for natural resources damage, costs representing future unknown additional remedies, which have some probability of occurring and reimbursements. Actual costs may be higher because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations.

Component Units

The *Metropolitan Council* enters into contracts for various purposes, including transit services and construction projects, among others. As of December 31, 1998, unpaid commitments for transit services were approximately $36.5 million, unpaid commitments for construction contracts were approximately $24.7 million and future commitments for regional transit capital projects were approximately $45.9 million.

The *Workers' Compensation Assigned Risk Plan (WCARP)* contracts with five servicing contractors to provide policy issuance, premium accounting and claim settlement services in exchange for a service fee based upon a standard written premium. Contingent liabilities exist with respect to performance of the above services to the extent that the servicing carriers are unable to meet their obligations under terms of the general service agreement.

WCARP, through Employers Life Insurance Company of Wausau, has purchased annuities to settle certain claims with the claimant as payee, but for which WCARP remains contingently liable. WCARP eliminated its loss reserves for these claims at the time the annuities were purchased. A contingent liability exists to the extent that the issuer of the annuity contracts becomes unable to fulfill its contractual obligations. The present value of annuity contracts still in force at December 31, 1998 was approximately $5.1 million.

WCARP had a change in estimates of insured events in prior years. This decrease resulted in a reduction in the estimate of the ultimate cost of losses incurred; thus, a negative expense for this fiscal year. This decrease was due primarily to the release of reserves attributed to improvement in claim experience, as well as changes in economic, social and legal trends since the loss reserves were originally established.

The *University of Minnesota (U of M)* has construction projects in progress, principally buildings, that have been included in the assets of the plant funds, at June 30, 1999 approximating $225,757,000. The estimated cost to complete these facilities is $412,121,000, which is to be funded from plant fund assets and $154,354,000 in appropriations available from the state of Minnesota.

The U of M owns certain steam production facilities, which produce steam for heating and cooling for the Twin Cities campuses, which are managed, operated and maintained by an unaffiliated company by agreement. The term of the agreement is for 25 years and commenced on July 1, 1992. Under the agreement, the U of M must make minimum fixed payments for certain operating and maintenance costs as well as contingent payments based on monthly usage. The minimum fixed amount of the required payments at June 30, 1999 are as follows (in thousands):

Fiscal Year Ending June 30	Total
2000	$ 5,619
2001	5,619
2002	5,619
2003	5,619
2004	5,620
Thereafter	$ 73,048
Total	$ 101,144

Other Contingent Liabilities

The 1993 legislature established a School District Credit Enhancement Program. The legislation authorized and directs the Commissioner of Finance to issue a warrant and authorize the Commissioner of Children, Families and Learning (CFL) to pay debt service coming due, under certain circumstances and subject to the availability of funds. Payments made on behalf of the school district are paid for the following: 1) the school district tax and the state-aid anticipation certificates of indebtedness, 2) certificates of indebtedness and capital notes for equipment, 3) certificates of participation and 4) school district general obligation bonds. The school district must notify the Commissioner of CFL that it does not have sufficient money in its debt service fund for this purpose. Payment can also be made if the paying agent informs the Commissioner of CFL that it has not received from the school district timely payments to be used to pay debt service. The amounts paid on behalf of any school district are required to be repaid by the district 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 Commissioner of Children, Families and Learning. As of November 1, 1999, there was approximately $5.79 billion in principal and interest of bonds, certificates of indebtedness and capital notes enrolled in the program. The state has not had to make any debt service payments on behalf of school districts under the program and does not expect to make any payments in the future.

13. NORTHWEST AIRLINES MAINTENANCE FACILITIES

Minnesota Laws 1991, Chapter 350 authorized the state to issue revenue bonds secured by the state's full faith and credit in an amount up to $50,000,000 to finance the construction and equipping of an engine repair facility in Hibbing, and up to $125,000,000 to finance the construction and equipping of an aircraft maintenance facility in Duluth. By agreement dated December 21, 1994 with Northwest Airlines, Inc. (NAI), the intended lessee of both facilities and certain other parties, it was agreed that the Hibbing facility would not be constructed and that the state would use its best efforts to issue revenue bonds secured by the state's full faith and credit for the Duluth facility. The state issued $47,670,000 of revenue bonds in May 1995. As of June 30, 1999, $46,255,000 of the revenue bonds remained outstanding, of which $27,250,000 are payable primarily from lease payments of NAI, and of which $19,005,000 are payable primarily from tax increment revenues derived from the Duluth facility and other revenues of the city of Duluth. In the event such revenues are insufficient, the state will have the right to apply to the payment of such bonds, or to reimburse itself for making such payments from, certain state-aid payments otherwise payable to the city of Duluth. Of the $46,255,000 revenue bonds issued by the state, $44,125,000 are secured by the state's full faith and credit, and $2,130,000 are secured by the full faith and credit of St. Louis County. The bonds are structured so that the initial bonds, together with expected later refundings, will provide financing over a 30-year amortization period. On July 1, 1999, $3,435,000 of the revenue bonds were defeased, thereby reducing the amount of the stated outstanding balance. The defeased funds are to be held in escrow. The invested funds will be sufficient to pay principal of, and interest on, the bonds to their earliest call date. The 1997 Minnesota legislature cancelled $48,765,000 of the bonding authorization for the engine repair facility.

14. EQUITY

Contributed Capital

Components of the changes in the contributed capital of the enterprise and internal service funds and component unit proprietary funds are as follows (in thousands):

	Primary Government			Component Units
Source	Enterprise Funds	Internal Service Funds	Total	Proprietary
Contributed Capital, Beginning	$ 14,717	$ 6,064	$ 20,781	$ 686,450
Additions:				
General Fund Contributions	11,109	-	11,109	20,439
Federal Grants	-	-	-	108,565
Prior Period Adjustment	-	-	-	44,377
Other Contributions	-	-	-	22,265
Reductions:				
Amortization/Depreciation on Fixed Assets Acquired with Contributed Capital	(352)	-	(352)	(29,606)
Contributed Capital, Ending	$ 25,474	$ 6,064	$ 31,538	$ 852,490

Retained Earnings

The following table identifies in greater detail the retained earnings (in thousands) of the reporting entity:

	Proprietary Fund Types		
	Enterprise	Internal Service	Component Units
Retained Earnings:			
Reserved for Debt Requirements	$ 11,137	$ -	$ 557,833
Reserved per State Law	-	-	92,302
Reserved for Claims	-	64,170	26,667
Total Reserved Retained Earnings	$ 11,137	$ 64,170	$ 676,802
Unreserved Retained Earnings	156,567	18,601	1,002,973
Total Retained Earnings	$ 167,704	$ 82,771	$ 1,679,775

Reserved Retained Earnings

Primary Government

Reserved for Claims represents the accrued amount for claims incurred, but not reported for the Public Employees Insurance Program Fund.

Component Units

Reserved Retained Earnings per State Law consists of $92,302,000 in the Housing Finance Agency Fund. This reserve is the unused portion of state appropriations provided for specific programs. These programs are primarily for interest rate reductions on housing mortgages and home improvement loans.

Reserve for Claims consists of claims submitted to the Metropolitan Council for construction in progress.

Fund Balances

The following table identifies in greater detail the fund balances (in thousands) of the reporting entity:

	Governmental Fund Types					Fiduciary Fund Types	University Fund Type
	General	Special Revenue	Capital Projects	Debt Service	Component Units	Trust and Agency	University of Minnesota
Fund Balances:							
Reserved for Encumbrances	$ 180,034	$ 150,485	$ 34,250	$ -	$ 8,013	$ 5,494	$ 24,846
Reserved for Inventory	-	16,048	-	-	-	2,197	-
Reserved for Long-Term Receivables	7,338	88,457	48,198	-	96,622	22,799	-
Reserved for Long-Term Commitments	-	84,719	200,754	-	37,647	-	-
Reserved for Local Governments	-	-	-	-	-	398,151	-
Reserved for Trust Principal	-	-	-	-	-	1,044,545	-
Reserved for Debt Requirements	-	-	-	385,193	-	-	-
Reserved for Pension Benefits	-	-	-	-	-	41,266,532	-
Budgetary Reserve	1,299,962	78,095	-	-	-	-	-
Reserved for Long-Term Advances	3,100	740	-	-	-	-	-
Reserved for Other	-	5,453	-	-	-	-	768,625
Total Reserved Fund Balances	$ 1,490,434	$ 423,997	$ 283,202	$ 385,193	$ 142,282	$ 42,739,718	$ 793,471
Unreserved Fund Balances:							
Designated for Appropriation Carryover	478,883	72,050	-	-	-	-	-
Designated for Fund Purposes	-	226,049	739	-	339,317	731,790	218,040
Total Designated Fund Balance	$ 478,883	$ 298,099	$ 739	$ -	$ 339,317	$ 731,790	$ 218,040
Undesignated	62,094	477,420	123,488	-	33,050	2,531	156,417
Total Unreserved Fund Balances	$ 540,977	$ 775,519	$ 124,227	$ -	$ 372,367	$ 734,321	$ 374,457
Total Fund Balance	$ 2,031,411	$ 1,199,516	$ 407,429	$ 385,193	$ 514,649	$ 43,474,039	$ 1,167,928

Reserved Fund Balance

The reserved portion of the fund balances indicates that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use.

The *Budgetary Reserve* in the General Fund consists of three different accounts. First, there is the budget reserve account that is appropriated by the legislature for use only when it appears that probable receipts will be less than anticipated and that the amount available for the remainder of the biennium will be less than needed for budgeted expenditures. In this circumstance, state law requires that the commissioner of Finance, with the approval of the governor and after consulting with legislative leadership, transfer amounts necessary from the reserve to the unreserved fund balance. Next, there is the cash flow account that is used to meet cash flow deficiencies resulting from the uneven distribution of revenue collections and required expenditures during a fiscal year. Finally, there is the property tax reform account that is available for and may only be spent on reforming the property tax system. The balance in this account does not cancel and remains in the account until appropriated for property tax reform.

The *Budgetary Reserve* in the Health Care Access Fund (special revenue fund) is a statutory reserve set up to preserve basic health care services when federal funding is significantly reduced. This reserve is limited to $150,000,000.

The *Reserved for Local Governments* is the equity amount in three expendable trust funds required by the state constitution to be paid to local governments. The funds are the Municipal State-Aid Street, County State-Aid Highway and Endowment School funds. The payments to these local governments are for street and highway projects (to municipalities and counties) and to subsidize education in the local school districts.

The *Reserved for Other* totaling $5,453,000 in the special revenue funds consists primarily of petroleum overcharge fines ($4,239,000 in the Federal Fund and $506,000 in the Miscellaneous Special Revenue Fund) allocated by the federal courts to be used for energy conservation programs. The balance consists of the reserve for a revenue bond ($708,000 in the Iron Range Resources and Rehabilitation Fund) as required by bond covenants.

Reserved for Other - University of Minnesota (component unit) totaling $768,625,000, consists primarily of current externally restricted operating funds along with restricted plant funds that may be utilized only in accordance with the purposes established by the source of the funds.

Unreserved Fund Balance

Primary Government

The unreserved portion of the fund balances consists of designated fund balances indicating tentative managerial plans for future use of resources and undesignated fund balances indicating those unreserved financial resources available for appropriation. A portion of the undesignated fund balances in the Natural Resources (special revenue) funds may be appropriated only for specific programs.

Designated for Fund Purposes consists of fund balances for non-appropriated funds to be used for the following purposes (in thousands):

	Special Revenue Funds	Capital Projects Funds	Expendable Trust Funds
Education	$ 3,841	$ -	$ -
Economic Development	57,155	739	712,993
Health and Social Services	73,545	-	-
Transportation	2,245	-	-
Resource Management	10,085	-	4,817
Miscellaneous	79,178	-	13,980
Totals	$ 226,049	$ 739	$ 731,790

The total Designated for Fund Purposes of Governmental Component Units and the University of Minnesota of $339,317,000 and $218,040,000 respectively, is to be used primarily for debt service.

15. PRIOR PERIOD ADJUSTMENTS AND OTHER CHANGES IN ACCOUNTING PRINCIPLES

Prior Period Adjustments

Primary Government

The Chemical Dependency Treatment (enterprise fund) Fund Balance increased by $80,000 due to the capitalization of capital assets and corresponding accumulated depreciation that were previously expensed.

The Maximum Effort School Loan Fund (special revenue fund) did not report deferred revenue in previous years. This adjustment resulted in a prior period adjustment of $3,093,000 because the fund recognized revenue in prior years that did not meet the available criteria for recognition.

Component Units

A portion of the Public Facilities Authority (governmental fund type) operations, with a June 30, 1998 fund balance of $28,075,000, was previously reported as part of the primary government in the Building Fund (capital project fund). The Public Facilities Authority receives direct appropriations from the legislature to fund the program. Based upon a full entity wide audit, compared to a program specific audit in prior years, this activity was determined to be part of this component unit; not part of the primary government.

The Minnesota Technologies Incorporated (governmental fund type) fund balance decreased $3,185,000 as a result of adjusting the investments at the beginning of the fiscal year to fair value and adjusting prior year interest receivable to actual.

Beginning retained earnings for Metropolitan Council's (MC) Environmental Services Fund (enterprise fund) was restated by $671,000 due to implementation of GASB Statement 31.

Beginning in 1998, MC changed its policy on the treatment of cash equivalents. In prior years, MC considered cash and cash equivalents to be only cash. Cash and cash equivalents are now identified as cash and pooled investments. The beginning balance for cash and cash equivalents increased and investments decreased by $197,160,000.

Other Changes in Accounting Principles

Primary Government

The State Operated Community Services Fund (SOCS) activity was previously reported as part of the General Fund and the Miscellaneous Special Revenue Fund (special revenue fund). Based on re-evaluation of the fund structure, this activity has been reclassified as an enterprise fund. The net effect of this change for SOCS is an increase of $6,585,000 on the cash flow statement and no beginning retained earnings. The General Fund and the Miscellaneous Special Revenue Fund are reporting a Change in Fund Structure adjustment of $11,131,000 and $289,000 respectively, which are increases to SOCS contributed capital. Other contributed capital came from the General Fixed Assets Account Group and the General Long-Term Obligation Account Group.

Certain loan receivable balances, which have not been reported, are now being reported in the Miscellaneous Special Revenue Fund (special revenue fund). These programs derived funding of $22,526,000 from the U. S. Environmental Protection Agency over fiscal years 1996 - 1998, which was used entirely for loan issuance. There were no loan repayments prior to July 1, 1999.

Component Units

The University of Minnesota changed its method for depreciating certain buildings to comply with the requirement of the federal government in its OMB Circular A-21 that the depreciation methods used to calculate the depreciation amounts for facilities and administrative rate proposals be the same methods used to calculate the depreciation for financial statements. This change in depreciation method assigns various useful lives to the individual components of certain research buildings, as opposed to the previous method of using one life for the entire building. The adjustment of $40,702,000 is the increase to accumulated depreciation of investment in plant. The current year effect of the change was an increase of $1,020,000 to depreciation of investment in plant.

16. PENSION AND INVESTMENT TRUST FUNDS

The state of Minnesota performs a fiduciary role for several pension trust funds. For some of these, the state contributes as an employer and for others, performs only a fiduciary role. These trust funds are categorized as either defined benefit or defined contribution (pension trust funds) or investment trust funds.

Pension fund information is provided by three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below. See Summary of Significant Accounting and Reporting Policies (Note 1) for addresses.

Plan Administrator	Plans Covered
Public Employees Retirement Association (PERA)	Public Employees Retirement Fund Police and Fire Fund Police and Fire Consolidated Fund Public Employees Defined Contribution Retirement Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Minnesota State Retirement System (MSRS)	State Employees Fund State Patrol Fund Correctional Employees Fund Judicial Fund Elective State Officers Fund Legislative Fund Unclassified Employee Retirement Fund

Norwest Banks is the plan administrator for the College and University Retirement Fund. Norwest prepares, but does not publish its financial report. Copies of this report may be obtained from the Department of Finance.

Defined Benefit Pension Funds

Plan Descriptions and Contribution Information

- Multiple employer, cost-sharing plans:

  The State Employees Retirement Fund (SERF) covers those employees of the state, University of Minnesota and certain other entities not covered by other pension funds. Thirty-two employers participate in this plan. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates are 1.2 percent and 1.7 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by the school districts or by the state. Four hundred sixty-one employers participate in this plan. Normal retirement is age 65. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund. Currently, TRF does not have an unfunded actuarial accrued liability.

The Public Employees Retirement Fund (PERF) covers employees of various governmental subdivisions, including counties, cities, school districts and related organizations. Approximately 2,000 employers participate in this plan. There are two types of membership: basic and coordinated. Normal retirement age is 65. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. The state is not an employer of the participants in the plan, but performs only in a fiduciary capacity and is not responsible for the unfunded accrued liability of this fund.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental subdivisions. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. The state is not an employer of participants in the plan, but performs in a fiduciary capacity. Approximately 500 employers participate in this plan.

- Single employer (state of Minnesota) plans:

The State Patrol Retirement Fund (SPRF) covers state patrol officers, crime bureau officers and various conservation officers who perform enforcement duties. Normal retirement age is 55. Annuity is based on 3.0 percent for each year of service.

The Correctional Employees Retirement Fund (CERF) covers state employees who have direct responsibility for inmates at Minnesota correctional facilities. Normal retirement age is 55. The annuity is based on 2.4 percent for each year of service.

The Judicial Retirement Fund (JRF) covers judges of the supreme court, district courts, county courts, probate courts and various court referees. Normal retirement age is 65. The annuity is 2.7 percent for each year of service (3.2 percent for each year after June 30, 1980).

The Elective State Officers Fund (ESOF) covers the state's constitutional officers. Vesting occurs after eight years. Normal retirement age is 62. Annuities are 2.5 percent for each year of service.

The Legislative Retirement Fund (LRF) covers members of the state's house of representatives and senate. Vesting occurs after six years. Normal retirement age is 62. Annuity is 2.5 percent for each year of service.

- Multiple employer, agent plan:

The Police and Fire Consolidation Fund (PFCF) covers police officers and firefighters belonging to a local relief association that elected to merge with the Public Employee Retirement Association (PERA). The state is not an employer of participants of the plan, but performs only in a fiduciary capacity. Forty-four employers participate in this plan.

Funding Policy Information

	Single Employer					Multiple Employer	
	SPRF	CERF	JRF	ESOF	LRF	SERF	TRF
Statutory Authority, Minnesota, Chapter	352B	352	490	352C	3A	352	354
Required Contribution Rate of Active Members (%)	8.40	5.50	8.00	9.00	9.00	4.00	5.00
Required Contribution Rate of Employer (%)	12.60	7.70	20.50	N/A	N/A	4.00	5.00

Cost Sharing Plan Required Contributions
(in thousands)

Required Contributions		SERF	TRF
(employee and employer)*	1999	$ 132,802	$ 262,565
	1998	$ 125,216	$ 275,419
	1997	$ 130,416	$ 345,830

* Contributions were 100 percent of required contributions.

Single Employer Plan Disclosures
(in thousands)

		SPRF	CERF	JRF	ESOF	LRF
Annual Required Contributions (ARC)*	1999	$ 6,410	$ 13,786	$ 8,999	$ 150	$ 3,535
	1998	$ 6,765	$ 12,161	$ 6,803	$ 243	$ 3,345
	1997	$ 6,388	$ 10,133	$ 6,367	$ 235	$ 3,616
Interest on Net Pension Obligation (NPO)*	1999	$ -	$ -	$ -	$ -	$ -
	1998	$ -	$ -	$ -	$ -	$ 27
	1997	$ -	$ -	$ -	$ -	$ 73
Amort adj to ARC*	1999	$ -	$ -	$ -	$ -	$ -
	1998	$ -	$ -	$ -	$ -	$ (19)
	1997	$ -	$ -	$ -	$ -	$ (54)
Annual Pension Cost	1999	$ 6,410	$ 13,786	$ 8,999	$ 150	$ 3,535
	1998	$ 6,765	$ 12,161	$ 6,803	$ 243	$ 3,353
	1997	$ 6,388	$ 10,133	$ 6,367	$ 235	$ 3,635
Contributions	1999	$ 9,562	$ 14,550	$ 9,120	$ 66	$ 2,765
	1998	$ 9,110	$ 14,100	$ 8,700	$ 217	$ 5,799
	1997	$ 9,897	$ 14,636	$ 8,099	$ 209	$ 3,874
% of ARC Contributed	1999	149%	106%	101%	44%	78%
	1998	135%	116%	128%	89%	173%
	1997	155%	144%	127%	89%	107%
NPO (end of year)	1999	$ -	$ -	$ -	$ -	$ -
	1998	$ -	$ -	$ -	$ -	$ -
	1997	$ -	$ -	$ -	$ -	$ 620
Increase (Decrease) in NPO	1999	$ -	$ -	$ -	$ -	$ -
	1998	$ -	$ -	$ -	$ -	$ (620)
	1997	$ -	$ -	$ -	$ -	$ (239)

* Components of Annual Pension Cost

Actuarial Assumptions for Single Employers

- The actuarial cost method used by all plans is the Entry Age Normal method.
- The method used to determine actuarial valuation of assets is cost plus one-third unrealized gains or losses.
- Minnesota statutes or valuation standards do not require an inflation rate assumption to cost the plans.
- Investment returns for pre-retirement and post-retirement are 8.5 percent and 6.0 percent respectively for SPRF, CERF and JRF, and 8.5 percent and 5.0 percent, respectively for LRF and ESOF.
- Projected salary increases are graded from 7.75 percent to 5.25 percent for SPRF and CERF. For LRF, ESOF and JRF, projected salary increases are a level 5.0 percent.
- The payment of earnings on retired reserves in excess of 6.0 percent are accounted for by 6.0 percent post-retirement assumptions for SPRF, CERF and JRF. Payment of earnings on retired reserves in excess of 5.0 percent are accounted for by 5.0 percent post-retirement assumptions for LRF and ESOF.
- The level percentage of projected payroll is the amortization method used.
- The amortization period is through July 1, 2020.

Required Supplementary Information
Schedule of Funding Progress
(in thousands)

		SPRF	CERF	JRF	ESOF	LRF
Actuarial Valuation Date	1999	7/1/99	7/1/99	7/1/99	7/1/99	7/1/99
	1998	7/1/98	7/1/98	7/1/98	7/1/98	7/1/98
	1997	7/1/97	7/1/97	7/1/97	7/1/97	7/1/97
Actuarial Value of Plan Assets	1999	$ 472,687	$ 335,408	$ 97,692	$ 198	$ 33,474
	1998	$ 430,011	$ 295,291	$ 86,578	$ 500	$ 31,212
	1997	$ 375,650	$ 241,916	$ 74,681	$ 456	$ 25,678
Actuarial Accrued Liability	1999	$ 406,215	$ 307,408	$ 139,587	$ 3,373	$ 66,418
	1998	$ 371,369	$ 261,869	$ 130,727	$ 3,369	$ 62,928
	1997	$ 332,427	$ 212,638	$ 117,714	$ 3,214	$ 60,055
Total Unfunded Actuarial Liability (Asset)	1999	$ (66,472)	$ (28,000)	$ 41,895	$ 3,175	$ 32,944
	1998	$ (58,642)	$ (33,422)	$ 44,149	$ 2,869	$ 31,716
	1997	$ (43,223)	$ (29,278)	$ 43,033	$ 2,758	$ 34,377
Funded Ratio*	1999	116%	109%	70%	6%	50%
	1998	116%	113%	66%	15%	50%
	1997	113%	114%	63%	14%	43%
Annual Covered Payroll	1999	$ 45,333	$ 106,131	$ 32,940	$ 291	$ 7,490
	1998	$ 43,170	$ 97,363	$ 24,647	$ 476	$ 6,965
	1997	$ 40,763	$ 81,132	$ 23,068	$ 460	$ 7,529
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	1999	(147%)	(26%)	127%	1091%	440%
	1998	(136%)	(34%)	179%	603%	455%
	1997	(106%)	(36%)	187%	600%	457%

* Actuarial value of assets as a % of actuarial accrued liability.

Defined Contribution Funds

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds for which the benefits to be received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial valuation of accrued benefit liability nor any actuarially required contribution.

Plan Descriptions and Contribution Information

The Unclassified Employee Retirement Fund, authorized by Minnesota Statutes, Chapter 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state. Statutory contribution rates are 4.0 percent for employee and 6.0 percent for employer. Vesting occurs immediately, and normal retirement age is 58. Annuity is based on age and value of participant's account. Eighteen employers participate in this plan.

The College and Universities Retirement funds, authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, cover unclassified teachers, librarians, administrators and certain other staff members who have been employed full-time for a minimum of two academic years. The plan administrator is Norwest Banks. Participation is mandatory for qualified employees. These funds consist of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). There are two member groups participating in the IRAP, one for faculty and one for managerial employees. For the faculty, the employer and employee statutory contribution rates are 6.0 and 4.5 percent respectively, while for the managerial employees the employer rate is 6.0 percent and the employee rate is 4.1 percent. For the SRP, the statutory contribution rate is 5 percent of salary between $6,000 and $40,000. Vesting occurs immediately, and normal retirement is age 55. One employer participates in this plan. Total current membership in the plan is approximately 12,500.

The Public Employee Defined Contribution Retirement Fund (PEDCR) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services and physicians employed at public facilities. The plan administrator is the Public Employee Retirement Association. Plan benefits depend solely on amounts contributed to the plan plus investment earnings less administrative expenses. There is no vesting period required to receive benefits from this plan. PEDCR Fund covers approximately 1,000 units of government. There are 4,031 members in the plan.

Defined Contribution Plans
Contributions Made for Fiscal Year 1999
(in thousands)

	Unclassified Employee Retirement Fund	Colleges and Universities Retirement Fund	PERA Defined Contribution Fund
Employee Contributions	$3,885	$13,708	$778
Employer Contributions	$5,574	$15,560	$858

Investment Trust Funds

The Supplemental Retirement Fund (investment trust fund) is administered by the State Board of Investment, which issues a separate report (see Note 1 for address). This fund is an investment pool for external participants, which are locally administered retirement funds and a deferred compensation plan.

Component Units

The following component units are participants in the SERF, P&FF and the Unclassified Employees Retirement funds:

Agricultural and Economic Development Board
Export Finance Authority
Higher Education Services Office
Housing Finance Agency
Metropolitan Council
Minnesota Technology Incorporated
Public Facilities Authority
Rural Finance Authority
University of Minnesota

17. POST-RETIREMENT BENEFITS

For certain employees, post-retirement benefits are available upon retirement at age 55 under terms of their employment contract. Through fiscal year 1999, the employees involved were primarily conservation officers, guards at correctional facilities and highway patrol officers. If these employees elect retirement at age 55, the state will pay the employer's share of health insurance benefits until the employees reach age 65.

The legislature has, from time to time, provided early retirement incentives for other employees meeting specific requirements. The specific circumstances usually require the employee to retire within a certain narrow time frame, whereby the state will pay the employer's share of health insurance benefits until the employee reaches age 65. The 1993 and 1995 legislatures approved incentive windows from May 17, 1993 through January 30, 1994, and from May 23, 1994 through January 30, 1995 respectively.

The cost of these benefits, which is recognized as paid, was $4,468,000 during fiscal year 1999. The number of employees currently receiving this benefit is approximately 1,065.

18. SEGMENT INFORMATION AND CONDENSED BALANCE SHEET

Significant enterprise fund financial data for the year ended June 30, 1999 follows.

Primary Government

Enterprise Funds' Segment Information
(in thousands)

	State Colleges & Universities Revenue	State Lottery	Colleges & University Enterprise Activities	Minnesota Correctional Industries	Chemical Dependency Treatment	Public Employees' Insurance	Private Employers Insurance	Enterprise Activities	State Operated Community Services	Total
Operating Revenues	$ 46,003	$ 364,661	$ 60,324	$ 18,469	$ 13,465	$ 7,830	$ 53	$ 4,106	$ 36,396	$ 551,307
Depreciation/Amortization Expense	5,534	1,468	140	451	58	4	1	67	660	8,383
Operating Income (Loss)	20	58,358	4,221	(1,759)	370	(210)	(185)	200	(190)	60,825
Nonoperating Revenues (Expenses):										-
Investment Income	2,854	1,668	1,115	276	189	267	50	-	-	6,419
Grants (Revenue)	-	-	211	-	-	-	-	20	-	231
Grants (Expense)	-	-	(566)	-	-	-	-	-	-	(566
Net Operating Transfers-In (-Out)	-	(60,391)	(2,834)	3,348	-	750	150	(21)	1,156	(57,842
Net Income (Loss)	986	-	1,958	2,363	559	807	15	199	712	7,599
Changes in Contributed Capital	(352)	-	-	4	-	-	-	-	11,105	10,757
Fixed Assets:										
Additions	7,565	1,548	576	451	69	-	-	20	1,140	11,369
Net Working Capital	89	(3,632)	27,355	14,148	6,195	4,406	743	3,061	15,674	68,039
Total Assets	116,907	37,467	76,630	17,496	7,104	5,967	864	4,505	24,013	290,953
Noncurrent Liabilities Payable from:										
Other Sources	-	-	-	-	-	-	740	-	-	740
Total Fund Equity	$ 82,974	$ -	$ 69,521	$ 15,607	$ 5,744	$ 4,400	$ -	$ 3,115	$ 11,817	$ 193,178

Listed below are the discretely presented component units:

Component Units - Governmental Funds

Public Facilities Authority (PFA)
Metropolitan Council (MC)
Minnesota Technology, Incorporated (MTI)
Higher Education Services Office (HESO)
Export Finance Authority (EFA)
Agricultural and Economic Development Board (AEDB)
Rural Finance Authority (RFA)
Minnesota Partnership for Action Against Tobacco (MPAAT)

Component Units - Proprietary Funds

Housing Finance Agency (HFA)
Public Facilities Authority (PFA)
Metropolitan Council (MC)
Workers' Compensation Assigned Risk Plan (WCARP)
National Sports Center Foundation (NSCF)
Higher Education Services Office (HESO)

Other Component Units

University of Minnesota (U of M)

Significant component unit financial data for the year ended June 30, 1999 follows.

Component Units

Condensed Statements - Governmental Funds
(in thousands)

	PFA	MC*	MTI	HESO	EFA	AEDB	RFA	MPAAT	Totals
Balance Sheet:									
Current Assets	$ 42,865	$ 60,776	$ 9,858	$ 4,302	$ 1,063	$ 14,394	$ 17,880	$ 64,689	$ 215,827
Non-Current Assets	-	159,308	-	-	-	49,037	50,335	122,306	380,986
Due from Other Governmental Units	-	2,444	-	-	-	-	-	-	2,444
Fixed Assets	-	13,909	471	267	-	-	-	-	14,647
Amount Available for Debt Service	-	44,202	-	-	-	-	-	-	44,202
Amount to be Provided for Debt Service	-	91,047	-	-	-	39,157	-	-	130,204
Total Assets and Other Debits	$ 42,865	$ 371,686	$ 10,329	$ 4,569	$ 1,063	$ 102,588	$ 68,215	$ 186,995	$ 788,310
Current Liabilities	$ 822	$ 72,953	$ 935	$ 4,059	$ -	$ 1,084	$ -	$ 151	$ 80,004
Due to Other Governmental Units	-	5	-	-	-	-	-	-	5
Long-Term Liabilities	-	139,758	270	291	-	39,157	-	-	179,476
Total Liabilities	$ 822	$ 212,716	$ 1,205	$ 4,350	$ -	$ 40,241	$ -	$ 151	$ 259,485
Total Equity	$ 42,043	$ 158,970	$ 9,124	$ 219	$ 1,063	$ 62,347	$ 68,215	$ 186,844	$ 528,825
Operating Statement:									
Revenues	$ -	$ 68,802	$ 3,653	$ 2,015	$ 56	$ 4,402	$ 3,785	$ 189,903	272,616
Current Expenditures	-	(127,396)	(13,248)	(8,131)	-	(141)	-	(3,059)	(151,975)
Capital Outlay	-	(865)	-	-	-	-	-	-	(865)
Debt Service	-	(25,709)	-	-	-	(11,743)	-	-	(37,452)
Grants & Subsidies	(7,282)	-	(8,871)	(135,844)	-	-	-	-	(151,997)
Excess of Revenues Over Expenditures	$ (7,282)	$ (85,168)	$ (18,466)	$ (141,960)	$ 56	$ (7,482)	$ 3,785	$ 186,844	$ (69,673)
Bond Proceeds	-	18,773	-	-	-	5,215	4,500	-	28,488
Transfers-In from Primary Government	21,250	69,316	10,037	141,535	-	-	-	-	242,138
Other Financing Sources (Uses)	-	25,532	(35)	-	-	-	(8,651)	-	16,846
Over Expenditures and Other Uses	$ 13,968	$ 28,453	$ (8,464)	$ (425)	$ 56	$ (2,267)	$ (366)	$ 186,844	$ 217,799

* December 31 year end

Condensed Statements - Proprietary Funds
(in thousands)

	HFA	PFA	MC*	WCARP*	NSCF*	HESO	Totals
Balance Sheet:							
Current Assets	$ 480,874	$ -	$ 106,193	$ 254,609	$ 551	$ 12,547	$ 854,774
Non-Current Assets	2,013,204	-	5,576	675,547	-	280,430	2,974,757
Due from Other Governmental Units	-	-	2,268	-	-	-	2,268
Restricted Assets	360,493	1,017,115	234,952	-	-	35,589	1,648,149
Fixed Assets	1,030	2	1,156,457	-	521	81	1,158,091
Total Assets	$ 2,855,601	$ 1,017,117	$ 1,505,446	$ 930,156	$ 1,072	$ 328,647	$ 6,638,039
Current Liabilities	$ 7,938	$ 29,647	$ 77,523	$ 21,526	$ 659	$ 450	$ 137,743
Due to Primary Government	-	-	-	4,757	-	-	4,757
Long-Term Liabilities	2,243,157	566,106	679,928	405,000	260	68,823	3,963,274
Total Liabilities	$ 2,251,095	$ 595,753	$ 757,451	$ 431,283	$ 919	$ 69,273	$ 4,105,774
Total Equity	$ 604,506	$ 421,364	$ 747,995	$ 498,873	$ 153	$ 259,374	$ 2,532,265
Operating Statement:							
Revenues	$ 175,827	$ 35,386	$ 227,328	$ 47,530	$ 4,976	$ 13,524	$ 504,571
Operating Expenditures	(150,260)	(30,599)	(305,361)	(2,564)	(5,729)	(9,320)	(503,833)
Operating Income (Loss)	$ 25,567	$ 4,787	$ (78,033)	$ 44,966	$ (753)	$ 4,204	$ 738
Nonoperating Revenues (Expenses)	(29,753)	(771)	114,758	81,208	706	5,619	171,767
Transfer-in from Primary Government	40,076	-	-	-	-	-	40,076
Other sources (uses)	(1,040)	-	5,442	-	-	-	4,402
Incr.(Decr.) in Retained Earnings	$ 34,850	$ 4,016	$ 42,167	$ 126,174	$ (47)	$ 9,823	$ 216,983
Changes in Contributed Capital	$ -	$ 133,831	$ 32,209	$ -	$ -	$ -	$ 166,040

* December 31 year end

Component Unit Condensed Balance Sheet
University Fund
(in thousands)

	U of M
Current Assets	$ 761,538
Non-Current Assets	886,294
Due from Primary Government	128,331
Fixed Assets	1,268,673
Restricted Assets	11,132
Total Assets	$ 3,055,968
Current Liabilities	$ 174,423
Due to Primary Government	45,685
Bonds and Other Long-Term Liabilities	664,023
Total Liabilities	$ 884,131
Total Equity	$ 2,171,837

	Governmental Totals	Proprietary Totals	University Totals	Total Component Units
Balance Sheet:				
Current Assets	$ 215,827	$ 854,774	$ 761,538	$ 1,832,139
Non-Current Assets	380,986	2,974,757	886,294	4,242,037
Due from other Governmental Units	2,444	2,268	-	4,712
Due from Primary Government	-	-	128,331	128,331
Restricted Assets	-	1,648,149	11,132	1,659,281
Fixed Assets	14,647	1,158,091	1,268,673	2,441,411
Amount Available for Debt Service	44,202	-	-	44,202
Amount to be Provided	130,204	-	-	130,204
Total Assets	$ 788,310	$ 6,638,039	$ 3,055,968	$ 10,482,317
Current Liabilities	$ 80,004	$ 137,743	$ 174,423	$ 392,170
Due to Other Governmental Units	5	-	-	5
Due to Primary Government	-	4,757	45,685	50,442
Long-term Liabilities	179,476	3,963,274	664,023	4,806,773
Total Liabilities	$ 259,485	$ 4,105,774	$ 884,131	$ 5,249,390
Total Equity	$ 528,825	$ 2,532,265	$ 2,171,837	$ 5,232,927

Investments are no longer included in the current asset calculation; they are represented within non-current assets.

19. RISK MANAGEMENT

Primary Government

The state is exposed to various risks of loss related to tort, to theft of, damage to, or destruction of assets, to errors or omissions and to employer obligations. The state manages these risks through the Risk Management Fund (internal service fund), a self-insurance fund, and other self-insurance mechanisms.

The state has not experienced significant reduction in insurance coverage from the prior year. It has not had any settlements in excess of coverage for the past three years.

Risk Management Fund

State agencies may elect to participate in the Risk Management Fund, which offers liability and property coverage. The agency pays a premium to participate in this coverage. All state agencies are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a deductible between $1,000 and $100,000; the fund covers the balance of the claim up to $500,000. The primary reinsurer covers losses up to $25,000,000 after which the excess loss is shared among three reinsurers up to $400,000,000. The liability coverage is up to the statutory limit of $300,000 per person for property damage or bodily injury up to $750,000 per occurrence. Once annual losses paid by the Risk Management Fund reaches $3,500,000, the reinsurer will step in and cover those losses in excess of each covered agency's deductible. Once this limit is reached, the fund has to pay a $10,000 maintenance deductible for each claim.

The Risk Management Fund purchases insurance policies for state agencies seeking other types of coverage. This type of policy covers risks that the state is not able to self-insure and include aviation, medical malpractice and foster care liability. The premiums for these policies are billed back to agencies at cost.

The state is prevented from insuring property against loss because of statutory prohibition. Certain agencies and programs are exempted from this prohibition. These include the Stillwater Prison, Minnesota

State Colleges and Universities, Family Farm Security Program, Department of Military Affairs, Iron Range Resources and Rehabilitation Board and the Sibley House. The Commissioner of the Department of Administration may authorize the purchase of insurance on state properties should it be deemed necessary and appropriate to protect buildings and content. All losses of state property are self-insured or are covered by programs of the Risk Management Fund or by insurance policies purchased by the Risk Management Fund on behalf of state agencies.

Tort Claims

Tort claims against the state are limited by statute to $300,000 per person for property damage or bodily injury up to $750,000 per occurrence. These risks are covered through self-insurance for which each state agency is responsible to pay for the cost of claims from their operating budgets of various funds. The 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 legislature.

Workers Compensation

The state also participates in the Workers' Compensation Reinsurance Association, which pays for catastrophic workers' compensation claims in excess of the retention amount of $1,160,000. These risks are covered through self-insurance for which each state agency is responsible to pay for the cost of claims from their operating budgets of various funds.

State Employee Group Insurance Program

The State Employee Group Insurance Program (SEGIP) was created by the Minnesota Legislature as an employee insurance trust fund with the intent to "provide eligible employees and other eligible persons with life insurance and hospital, medical and dental benefits coverage through provider organizations". The trust fund is not associated with a public risk pool. The fund used to account for SEGIP is an internal service fund dedicated solely for the purpose of this program. A contingency reserve is maintained within the trust fund to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund. The fund has the authority to invest discretionary resources with the State Board of Investment and credit the earnings to the fund.

SEGIP provides benefits coverage to employees by contracting with carriers to provide a network of providers. Agencies are assessed premiums based on the employees' enrollment selections.

The self-funded programs within the fund establish claims liabilities based on estimates of the ultimate costs 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 provided by the insurance carriers and reviewed by the program managers 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 Employee Insurance Program

The Public Employees Insurance Program (PEIP) is a public entity risk pool currently operating as an insurance program. 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 benefit coverage" to "result in a greater utilization of government resources" and "advance the health and welfare of the citizens of the state".

PEIP's membership as of June 30, 1999 was 5,326 members, which include three school districts, 44 cities/townships, six counties and 20 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 and will reinsure for claims through its administrators/managed care organizations for Stop-Loss coverage for claims in excess of $50,000. The employers' premium would be increased the next plan year and over several plan years, if necessary, to recover costs in the event of a deficiency. Investment income is not anticipated in calculating premium deficiencies. In the event the assets of the pool would be exhausted, members would not be responsible for the pool's liabilities.

The pool establishes claim 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. The estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risks reinsured.

The following table presents changes in the balances of self-insured claims liabilities during the fiscal years ended June 30, 1999 and 1998:

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund				
Fiscal Year Ended 6/30/98	$ 5,121,000	$ 4,097,000	$ 2,686,000	$ 6,532,000
Fiscal Year Ended 6/30/99	$ 6,532,000	$ 1,807,000	$ 2,210,000	$ 6,129,000
Tort Claims (*)				
Fiscal Year Ended 6/30/98	$ -	$ 589,500	$ 589,500	$ -
Fiscal Year Ended 6/30/99	$ -	$ 702,000	$ 702,000	$ -
Workers Compensation				
Fiscal Year Ended 6/30/98	$106,877,000	$ 18,180,000	$ 11,325,000	$113,732,000
Fiscal Year Ended 6/30/99	$113,732,000	$ 15,164,000	$ 12,761,000	$116,135,000
State Employee Insurance Plans				
Fiscal Year Ended 6/30/98	$ 14,899,000	$232,594,000	$231,078,000	$ 16,415,000
Fiscal Year Ended 6/30/99	$ 16,415,000	$276,882,000	$271,944,000	$ 21,353,000
Public Employee Insurance Program				
Fiscal Year Ended 6/30/98	$ -	$ 1,968,000	$ 1,433,000	$ 535,000
Fiscal Year Ended 6/30/99	$ 535,000	$ 5,796,000	$ 5,495,000	$ 836,000

* The Attorney General's Office does not recognize liabilities for Tort Claims. Claims have never exceeded funding appropriated by the legislature.

Component Units

Metropolitan Council

Metropolitan Council (MC) is exposed to various risks of loss related to tort, to theft of, damage to, or destruction of assets, to errors or omissions and to employer obligations. MC both purchases commercial insurance and self-insures for these risks of loss as discussed below. MC has not experienced significant reduction in insurance coverage from the prior year. In addition, MC has not had any settlements in excess of coverage for the past three years.

Liability

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred, but not reported. Claims liabilities are calculated considering recent claims settlement trends including frequency and amount of payouts. Minnesota Statute 466.04 generally limits the MC's 1998 tort exposure to $300,000 per claim and $750,000 per occurrence for a claim arising on or after January 1, 1998. For claims arising earlier, the limits are $200,000 per claim and $600,000 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.

Workers Compensation

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 take into consideration recently settled claims, the frequency of claims and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 4.96 percent.

The self-insurance retention limit for workers' compensation is $1,080,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

The University is self-insured for medical malpractice, general liability, directors and officers liability and automobile liability through RUMINCO, Ltd., a wholly owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and sets up reserves. The total estimated expense of a claim is estimated and booked as a liability when it is probable 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.

The University is also self-insured for workers' compensation through an internally maintained fund, and excess insurance is maintained through the Workers' Compensation Reinsurance Association. The internal fund for workers' compensation is maintained only to fund the current year's expected payouts. Each year, an actuarial estimate of the University's liability for workers' compensation is compiled and recorded, but the liability is not funded in a separate reserve.

The following table presents changes in the balances of claims liabilities during the fiscal years ended December 31, 1998 and 1997 or June 30, 1999 and 1998, as applicable:

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council				
Fiscal Year Ended 12/31/97	$15,151,000	$5,049,000	$4,886,000	$15,314,000
Fiscal Year Ended 12/31/98	$15,314,000	$5,649,000	$5,546,000	$15,417,000
University of Minnesota – RUMINCO, Ltd.				
Fiscal Year Ended 6/30/98	$ 7,458,000	$6,258,000	$3,165,000	$10,551,000
Fiscal Year Ended 6/30/99	$10,551,000	$4,651,000	$3,622,000	$11,580,000
University of Minnesota – Workers' Compensation				
Fiscal Year Ended 6/30/98	$20,033,000	$ 869,000	$3,902,000	$17,000,000
Fiscal Year Ended 6/30/99	$17,000,000	$ 549,000	$2,849,000	$14,700,000

20. 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds. This inequality results primarily from differences in the recognition of accruals, reimbursements, deferred revenue, intrafund and loan transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered, while on the modified accrual basis of accounting, expenditures are recognized when the goods or services are received, regardless of the year encumbered. A reconciliation of the fund balances under the two bases for the General and special revenue funds is provided in the table "Reconciliation of GAAP Basis Fund Balances to Budgetary Basis Fund Balances".

A major difference between GAAP and the budgetary fund balances for special revenue funds is an entity difference for those funds, which do not require legal appropriations. A reconciliation of this entity difference is presented below (in thousands). Other differences in basis of accounting and perspective (fund structure) are included in the subsequent table.

Total GAAP Basis Fund Balances - All Special Revenue Funds	$ 1,199,516
Special Revenue Funds not requiring Legal appropriation	(396,508)
Total GAAP Fund Balance - Appropriated Special Revenue Funds	$ 803,008

		Special Revenue Funds								
	General Fund	Trunk Highway	Highway User Tax Distribution	State Airport	Environ-mental	Solid Waste	Natural Resources	Special Compensation	Health Care Access	Total Special Revenue
GAAP Basis Fund Balances	$2,031,411	$ 343,884	$ 139	$ 26,030	$ 23,216	$ 54,467	$ 42,428	$ 1,471	$ 311,373	$ 803,008
Less: Reserved Fund Balances	1,490,434	162,584	139	13,704	4,951	-	11,336	613	90,118	283,445
Less: Designated Fund Balances	478,883	16,254	-	2,400	15,927	-	5,101	-	272	39,954
Undesignated Fund Balances	$ 62,094	$ 165,046	$ -	$ 9,926	$ 2,338	$ 54,467	$ 25,991	$ 858	$ 220,983	$ 479,609
Basis of Accounting Differences										
Revenue Accurals/Adjustments:										
Taxes Receivable	$ (383,694)	$ -	$ (2,184)	$ -	$ -	$ -	$ -	$ -	$ (29,236)	$ (31,420)
Human Services Receivable	(12,624)	-	-	-	-	-	-	-	-	-
Deferred Revenue	128,019	-	-	-	-	-	-	5,687	-	5,687
Other Receivables	(1,618)	-	-	(49)	-	-	(6,224)	-	74	(6,199)
Expenditure Accruals/Adjustments:										
Family Support, Medical Assist., and MAXIS	167,627	-	-	-	-	-	-	-	-	-
Police and Fire Aid	58,205	-	-	-	-	-	-	-	-	-
Community Service Grants	14,787	-	-	-	-	-	-	-	-	-
Education Aids	397,199	-	-	-	-	-	-	-	-	-
Other Payables	61,301	4	-	839	926	(1,462)	-	30,050	-	30,357
Other Financial Sources (Uses):										
Transfers-In	(4,630)	(31,335)	-	-	-	-	(3,022)	-	-	(34,357)
Transfers-Out	-	-	3,140	-	-	-	-	-	-	3,140
Reserved Fund Balances:										
Long-Term Receivables	-	-	-	3,047	-	-	-	-	-	3,047
Fund Structure Differences										
Terminally Funded Pension Plan	7,257	-	-	-	-	-	-	-	-	-
Cambridge Bank Fund Consolidation	(6,604)	-	-	-	-	-	-	-	-	-
Other	(4,787)	-	-	-	-	-	-	-	-	-
Budgetary Basis: Undesignated Fund Balances	$ 482,532	$ 133,715	$ 956	$ 13,763	$ 3,264	$ 53,005	$ 16,745	$ 36,595	$ 191,821	$ 449,864

21. SALES TAX REBATE

A sales tax rebate not to exceed $1.3 billion was approved by the 1999 legislature. The law specifies that the rebate is a reduction of fiscal year 1999 sales tax revenues. The amount necessary to pay the sales tax rebates and interest is appropriated from the General Fund to the Commissioner of Revenue in fiscal year 1999 and is available to claim by taxpayers until June 30, 2001.

In order to calculate the individual taxpayer's rebate, the law specifies that the state will use the 1997 income tax returns to determine the estimated amount of 1999 sales tax paid by individual taxpayers.

Eligible taxpayers for this rebate include either of the following:

- Individuals who filed a 1997 Minnesota income tax return on or before June 15, 1999, and had a tax liability before refundable credits. In addition, these individual must not be claimed as a dependent on a 1997 federal income tax return filed by another person.
- Individuals who had property taxes payable on his or her homestead abated to zero.

This rebate was recorded in the financial statements as reduction of the sales tax revenue and recorded as an additional accounts payable in the General Fund as of June 30, 1999.

The majority of the $1.3 billion accrued in fiscal year 1999 was issued to the taxpayers in August and September of 1999. Of this amount, approximately $39 million was collected by the state through revenue recapture programs.

22. SUBSEQUENT EVENTS

Primary Government

On August 9, 1999, $185,000,000 of general obligation state various purpose bonds were sold at a true interest rate of 5.01 percent. The bonds were issued to finance the cost of capital improvements. These bonds are backed by the full faith and credit and taxing powers of the state of Minnesota.

As required by the constitution and statutes, transfers from the funds presented below were made on November 30, 1999 to the separately invested Debt Service Fund to cover the principal and interest maturing through July 1, 2001 (in thousands):

General	$255,037
Natural Resources	27
Trunk Highway	3,744
Maximum Effort School Loan	1,720
Colleges and Universities	14,078
Total Transfers to Debt Service	$274,606

Component Units

In December 1998, Metropolitan Council (MC, governmental and proprietary fund types) entered into a $60 million loan agreement with Public Facilities Authority (PFA) on behalf of its environmental services division. In March 1999, MC entered into a $21 million loan agreement with PFA on behalf of its transportation division. The loans are scheduled for repayment over a period of approximately 20 years.

On August 9, 1999, Housing Finance Authority (proprietary fund type) remarketed $65,640,000 of convertible option bonds.

On October 4, 1999, Glaxo Wellcome Inc. (Glaxo) agreed to pay the University of Minnesota (U of M) royalties on Glaxo's worldwide sales of Zaigen ®, an antiviral drug used to treat AIDS. The agreement settled a lawsuit brought by the U of M in October 1998, in which it claimed that Zaigen is among several compounds first patented in the 1980s by a U of M professor and subsequently licensed to Glaxo. Under the term of the settlement, Glaxo will pay the U of M a percentage of sales on a sliding fee scale. In addition, the U of M received a one-time payment of $7.25 million in October 1999.

REQUIRED SUPPLEMENTARY INFORMATION

Background

The state and its component units are currently addressing the year 2000 (Y2K) issues relating to its computer systems and other electronic equipment. The Y2K issue is the result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. For many years, programmers eliminated the first two digits from a year when writing programs. For example, programmers would designate January 1, 1965 as "01/01/65" instead of "01/01/1965." On January 1, 2000 at 12:00:01 a.m., the internal clock in computers and other equipment will roll over from "12/31/99" to "01/01/00." Unfortunately, many programs (if not corrected) will not be able to distinguish between the year 2000 and the year 1900. Also, some programs may not be able to recognize that 2000 is a leap year. These issues may cause the programs to process data inaccurately or to stop processing data altogether.

During 1996, the state established the Minnesota Year 2000 Project Office (Project Office) under the Department of Administration to develop and monitor a statewide Y2K effort for Executive Branch agencies. The Project Office worked with agencies to identify various computer systems and pieces of electronic equipment critical to conducting the state's operations and that need to be Y2K compliant. The Project Office is monitoring Y2K compliance efforts at the various agencies on a quarterly basis and is providing assistance and assigning resources to accelerate compliance for all mission-critical systems and equipment. The Project Office is also monitoring and assisting the agencies with efforts to develop contingency plans should Y2K failures adversely affect mission-critical operations. Individual agencies are solely responsible for the Y2K compliance of systems and equipment that are not deemed mission-critical.

Stages of Work

Primary Government

The Department of Finance in 1995 implemented a new non-Y2K compliant accounting/procurement system referred to as MAPS. The department knew that a new version of the software would have to be put in place to achieve Y2K compliance. In mid-1997, state technical staff, along with the system vendor, American Management Systems, Inc., began a $6.5 million project to install the new compliant version of the accounting software. The state has completed the validation/testing of the new version of the accounting software and fully implemented the accounting software during fiscal year 1999.

MAPS has many interfaces to other systems, which may have Y2K issues of their own. These include 52 interfaces, which have had identifiable Y2K issues, and five others that are discussed in the following paragraph. Of the 52 interfaces, statistics show Y2K status as follows: 92% implemented, 6% in validation/testing, none in remediation and the remainder in assessment stage. A contingency plan has been developed for the interface in the assessment stage; transactions could be handled manually if necessary.

Five additional interfaces were identified by two state agencies. Both of these agencies have extensive knowledge of these systems and have determined that no modifications are necessary.

The state of Minnesota also has many other computer type systems and other equipment running in state agencies. The Project Office had an initial budget of $1 million. The scope of the Project Office was originally to engage state agencies in the awareness of Y2K issues and to ensure that each agency moved through the appropriate assessment stages. The 1997 and 1998 legislatures approved an additional $23 million and $4.3 million respectively, for Y2K issues and to maintain the Project Office. Those monies are being spent by the agencies ensuring Y2K readiness of their systems.

The state Y2K Project Office is tracking over 1,300 mission-critical applications running in state agencies. As of October 1999, 99 percent of the applications have been tested for Y2K issues and have completed the necessary modifications. The applications not yet compliant reside in agencies that have developed continuation plans. These agencies include four very small agencies whose transactions can be handled manually if necessary and one agency that is waiting for a federal interface.

The Project Office monitors the majority of the state's agencies. However, the state has one large agency that is monitoring its own Y2K issues. This agency has a full-time project manager and several sub-committees to oversee the Y2K efforts. The administrative systems have been tested and implemented. The project manager is in the process of identifying other mission-critical systems and equipment. The majority of these systems and equipment are in the remediation stage. The remediation stage is expected to be completed by December 1, 1999 and agency plans to complete the validation/testing stage by December 15, 1999. In addition, the project manager is in the process of developing contingency plans to deal with any unexpected problems.

Component Units

Governmental and Proprietary type component units have evaluated the potential impact of Y2K issues. Of these component units, the statistics are currently showing a Y2K status as follows: 64% implemented, 9% in validation/testing and 27% in remediation stage. The component units that are not yet compliant will not have a material impact on the state.

The University of Minnesota (U of M) began to evaluate the potential impact of Y2K on the U of M systems starting with the critical central administration systems in 1996. A plan was developed to replace the central U of M systems most at risk, which included the various student and human resource management systems, with commercial software. Other central systems, which included payroll and accounting, were remediated and extensively tested. The U of M appointed an oversight committee to provide executive leadership and to monitor the Y2K progress.

The U of M has identified 401 projects, which may have Y2K issues of their own. These projects include 16 projects that remain to be completed. Of these 16 projects, 44% are in the validation/testing stage and 56% are in the remediation stage.

Resources Committed

As of June 30, 1999, the primary government and its component units have contracted with several vendors for assistance in addressing year 2000 issues as well as the purchase of additional computer hardware and software related to upgrades and the ongoing operations. The amount of those commitments are approximately $29,000,000 and $65,000,000 for the primary government and its component units, respectively. The majority of the commitments for the component units represent the replacement or upgrade of the central administrative systems of the U of M.

Uncertainties

Because of the unprecedented nature of the Y2K issue, the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. The state and its component units cannot assure that it is or will be Y2K ready, that remediation efforts will be successful in whole or in part, or that parties with whom the state and its component units interact will be Y2K ready.

APPENDIX B

State General Obligation
Long-Term Debt
(Unaudited)

General Obligation Bonds Outstanding November 1, 2000

The following schedule sets forth by type, all general obligation debt of the State expected to be outstanding as of November 1, 2000.

GENERAL OBLIGATION BONDS OUTSTANDING NOVEMBER 1, 2000
(INCLUDING THIS ISSUE)
($ in Thousands)

Category	Type	Principal Amount	
1	Building	$994,274	
	Transportation	91,220	
	Pollution Control	104,115	
	Waste Management	4,930	
	Refunding Bonds	565,909	
	Exchange Bonds	3,145	
	Reinvest in Minnesota	12,025	
	Land Fill	30,815	
	Infrastructure Development Bonds	320,571	
	Various Purpose	21,430	
	Total Category 1		$2,148,434
2	School Loan	$ 45,425	
	School Loan Refunding	33,705	
	Municipal Energy Building	7,030	
	Rural Finance Authority	69,225	
	Game and Fish Building	86	
	Total Category 2		$ 155,471
3	Trunk Highway Refunding	$ 9,720	
	Total Category 3		$ 9,720
4	State Cigarette Tax Bonds Refunding Bonds	$ 4,670	
	Total Category 4		$ 4,670
5	State Sports & Health Club Tax Bonds Refunding Bonds	9,850	
	Total Category 5		$ 9,850
	Total Outstanding November 1, 2000 — Previous Issues(1)		$2,328,145
	Plus November 1, 2000 Bond Issue		285,000
	Total Outstanding November 1, 2000, Including New Issue		$2,613,145

(1) Excludes all bonds previously refunded.

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 first category are payable primarily from money appropriated to the Debt Service Fund from the Accounting General Fund, which is supported by income tax, sales tax, and other receipts. The bonds comprising the second category are payable to a substantial degree from money appropriated to the Debt Service Fund from special accounts in the Accounting General Fund to which the receipts from special revenue sources, such as school district capital and debt service loan repayments, State college charges, fees and rentals, have been pledged. The third category, Trunk Highway Bonds, are payable primarily from the Trunk Highway Fund, which receives

62 percent of the net proceeds of the State gasoline and motor vehicle registration taxes pursuant to the State Constitution. The fourth category, State Cigarette Tax Bonds, are payable primarily from money appropriated to the Debt Service Fund from the sales tax imposed on the sale of cigarettes and other tobacco products. The fifth category, State Sports and Health Club Tax Bonds, are payable primarily from money appropriated to the Debt Service Fund from the sales tax imposed on membership dues, initiation fees and facilities fees of private sports and health clubs.

The table below does not include the bonds authorized by Laws 1991, Chapter 350, issued to finance facilities for Northwest Airlines, Inc. which are described on page E-4.

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED

November 1, 2000
($ in Thousands)

Purpose of Issue	Law Authorizing	Total Authorization(1)(2)(3)	Previously Issued	Authorizations To Be Sold	Remaining Authorization
Municipal Energy Building	1983, Ch. 323	$ 30,000.0	$ 29,830.0	$ 0.0	$ 170.0
Building	1987, Ch. 400	369,687.2	369,560.5	—	126.7
Water Pollution Control	1987, Ch. 400	66,747.0	66,740.0	—	7.0
Building	1989, Ch. 300	112,915.0	112,215.0	—	700.0
Building	1990, Ch. 610	270,160.0	269,866.0	—	294.0
Reinvest in Minnesota	1990, Ch. 610	5,375.0	5,350.0	—	25.0
Waste Management	1990, Ch. 610	7,000.0	6,570.0	180.0	250.0
Transportation	1990, Ch. 610	11,035.0	10,805.0	200.0	30.0
Wetlands/Reinvest in MN	1991, Ch. 354	28,000.0	27,340.0	—	660.0
Building	1992, Ch. 558	202,485.0	196,615.0	—	5,870.0
Waste Management	1992, Ch. 558	2,000.0	$ 250.0	—	1,750.0
Transportation	1992, Ch. 558	17,500.0	17,310.0	—	190.0
Building	1993, Ch. 373	39,615.0	38,355.0	—	1,260.0
Transportation	1993, Ch. 373	9,900.0	9,375.0	—	525.0
Building	1994, Ch. 643	528,025.0	510,789.0	4,000.0	13,236.0
Municipal Energy Building	1994, Ch. 643	4,000.0	3,950.0	—	50.0
Transportation	1994, Ch. 643	35,000.0	32,320.0	500.0	2,180.0
Landfill	1994, Ch. 639	90,000.0	37,540.0	—	52,460.0
Water Pollution Control	X1995, Ch.2	750.0	700.0	—	50.0
Building	1996, Ch. 463	484,137.0	451,535.0	9,900.0	22,702.0
Municipal Energy Building	1996, Ch. 463	4,000.0	3,850.0	—	150.0
Water Pollution Control	1996, Ch. 463	25,450.0	24,300.0	—	1,150.0
Waste Management	1996, Ch. 463	3,000.0	2,900.0	100.0	0.0
Transportation	1996, Ch. 463	10,000.0	9,965.0	—	35.0
Rural Finance Authority	1996, Ch. 463	41,000.0	35,600.0	2,500.0	2,900.0
Building	1997, Ch. 246	82,625.0	82,400.0	—	225.0
Water Pollution Control	1997, Ch. 246	4,000.0	3,500.0	—	500.0
Transportation	1997, Ch. 246	3,000.0	2,975.0	—	25.0
Building	X1997, Ch. 2	45,305.0	28,500.0	5,000.0	11,805.0
Building	1998, Ch. 404	98,795.0	56,900.0	22,365.0	19,530.0
Water Pollution Control	1998, Ch. 404	3,650.0	1,100.0	2,550.0	0.0
Building	1999, Ch. 240	444,805.0	147,215.0	90,950.0	206,640.0
Water Pollution Control	1999, Ch. 240	39,500.0	20,450.0	9,050.0	10,000.0
Transportation	1999, Ch. 240	28,440.0	18,300.0	6,400.0	3,740.0
Trunk Highway	2000, Ch. 479	100,100.0	0.0	30,000.0	70,100.0
Various Purpose(4)	2000, Ch. 492	470,900.0	26,870.0	101,305.0	342,725.0
Totals		$3,718,901.2	$2,661,840.5	$285,000.0	$772,060.7

(footnotes on B-3)

X indicates Special Session Laws.

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

(2) Minnesota Laws 1991, chapter 350, authorized the State to issue revenue bonds secured by the State's full faith and credit in an amount up to $125,000,000 to finance the construction and equipping of an aircraft maintenance facility in Duluth. The State issued $44,960,000 of these revenue bonds in May 1995 and $40,950,000 remain outstanding on October 1, 2000. These bonds are not included in the table for general obligation bonds authorized, issued and unissued on page B-2. (See page E-4).

(3) Minnesota Statutes, Section 16A.642, requires the Commissioner of Finance to prepare and present to appropriate legislative committees on or before February 1 of each odd-numbered 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.

(4) Does not include $71,360,000 of various purpose bonds authorized in the Laws 2000, Chapter 499.

Pursuant to state law, in the Order authorizing the issuance of the Bonds the Commissioner of Finance has reserved the right, for a period of eighteen months after the Bonds have been issued, to amend the Order to determine that a portion of the Bonds were issued, or shall be deemed to have been issued, pursuant to a law other than the one specified in the Order and for a different purpose, and reallocate and transfer their proceeds to the appropriate account in the bond proceeds fund for expenditure pursuant to the law designated in the amendment. Since the Commissioner's current practice is to issue Bonds essentially to meet cash requirements of projects financed only for a twelve month period, no such shifting is currently contemplated, but in a particular case it could become desirable or necessary to comply with federal tax regulations relating to the expenditure of tax-exempt bond proceeds.

Debt Management Policy

The Governor has established a State Debt Management Policy. Included in this policy is a guideline providing for the issuance of general obligation bonds in amounts such that appropriations to the Debt Service Fund from the Accounting General Fund should not exceed 3.0% of the Accounting General Fund non-dedicated revenues for a biennium; and a second guideline providing that the principal amount of general obligation bond debt should not exceed 2.5% of the personal income of State residents. A third guideline is that the total amount of all State general obligation bonds, moral obligation debt, State bond guarantees, equipment capital leases, and real estate leases outstanding at the end of any fiscal year should not exceed 5.0% of State personal income for that fiscal year. The purpose of the third guideline is to acknowledge all future commitments of the State, and to establish an upper limit on the total amount of the commitments.

The percentages of the appropriation for debt service from the Accounting General Fund and the ratios of debt to personal income are as follows:

Biennium Ending	Percentage of Accounting General Fund Revenues for Debt Service	Debt/Personal Income	Future Commitments/ Personal Income
June 30, 1987	2.47%	1.8%	—
June 30, 1989	2.76%	1.9%	—
June 30, 1991	3.10%	1.9%	—
June 30, 1993	2.79%	1.8%	4.44%
June 30, 1995	2.61%	1.8%	4.23%
June 30, 1997	2.47%	1.8%	3.64%
June 30, 1999	2.64%	1.8%	3.60%
June 30, 2001 (est)	2.39%	1.7%	—

Of the State's general obligation bonds outstanding and included in this issue on June 30, 2000, 40.1 percent are scheduled to mature within five years, and 71.9 percent are scheduled to mature within ten years.

NET AMOUNT TRANSFERRED TO DEBT SERVICE FUND FOR GENERAL OBLIGATION BONDS DEBT SERVICE

($ in Thousands)

In Fiscal Year	Accounting General Fund	All Other Funds	Transfer Total
1990	189,456	27,320	216,776
1991	184,124	17,122	201,246
1992	200,442	21,056	221,498
1993	208,311	17,417	225,728
1994	220,974	18,477	239,451
1995	212,890	24,372	237,262
1996	214,504	26,728	241,232
1997	235,519	22,459	257,978
1998	237,609	19,346	256,955
1999	286,495	20,445	306,940
2000	255,037	16,244	271,281

The Net Transfer amount does not include investment earnings in the Debt Service Fund and the Bond Proceeds Fund which are also appropriated to pay debt service on State general obligation bonds.

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STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/2000	2001	2002	2003	2004	2005	2006
GENERAL FUND								
STATE BUILDING CAPITAL IMPROVEMENT								
	'87.400	**8,760**	**4,240**	**1,395**	**455**	**245**	**245**	**245**
		1,553	387	208	156	136	124	111
	'88.718	**365**	**310**	**45**	**10**	**0**	**0**	**0**
		16	14	2	0	0	0	0
	'89.290	**550**	**275**	**65**	**60**	**15**	**15**	**15**
		94	25	13	11	8	7	6
	'89.300	**34,300**	**4,135**	**3,750**	**2,530**	**2,110**	**2,110**	**2,110**
		12,403	1,746	1,523	1,357	1,238	1,129	1,018
	'90.365	**105**	**105**	**0**	**0**	**0**	**0**	**0**
		3	3	0	0	0	0	0
	'90.610	**21,063**	**5,124**	**3,267**	**2,500**	**855**	**855**	**855**
		5,688	1,015	769	609	518	474	429
	'91.354	**2,450**	**175**	**175**	**175**	**175**	**175**	**175**
		902	122	113	105	96	88	79
	'92.558	**96,497**	**7,890**	**7,887**	**7,925**	**6,110**	**6,105**	**6,105**
		36,577	4,868	4,466	4,064	3,708	3,396	3,072
	'93.373	**5,235**	**405**	**355**	**345**	**345**	**345**	**345**
		2,185	277	257	239	221	201	181
	'93.558	**7,700**	**550**	**550**	**550**	**550**	**550**	**550**
		2,836	383	356	329	302	275	247
	'94.643	**301,798**	**20,145**	**18,465**	**18,460**	**17,910**	**17,905**	**17,900**
		133,717	15,356	14,387	13,486	12,576	11,635	10,659
	X'95.002	**4,290**	**310**	**270**	**245**	**245**	**245**	**245**
		1,874	222	207	193	181	168	154
	'96.463	**289,540**	**20,500**	**20,035**	**16,715**	**16,690**	**16,285**	**15,985**
		129,584	14,097	13,164	12,313	11,528	10,718	9,909
	'97.246	**68,645**	**4,655**	**3,755**	**3,755**	**3,855**	**4,255**	**4,555**
		29,812	3,286	3,068	2,893	2,718	2,533	2,328
	X'97.002	**27,105**	**1,505**	**2,035**	**2,030**	**1,505**	**1,505**	**1,505**
		12,292	1,353	1,281	1,183	1,086	1,010	934
	'98.404	**37,215**	**1,970**	**1,970**	**1,940**	**1,940**	**1,940**	**1,940**
		19,551	1,923	1,825	1,727	1,630	1,532	1,433
	'99.240	**147,215**	**12,810**	**12,810**	**10,295**	**10,295**	**10,305**	**7,370**
		64,947	7,342	6,709	6,066	5,561	5,056	4,621
STATE MUNICIPAL ENERGY BUILDING BONDS								
	'83.323	**2,580**	**545**	**545**	**485**	**385**	**185**	**185**
		377	118	90	64	41	27	17
	'94.643	**2,600**	**395**	**395**	**395**	**395**	**395**	**395**
		460	124	104	85	65	45	22

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE

($ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
245	**245**	**245**	**245**	**245**	**245**	**245**	**170**	**20**	**20**	**5**	**5**	**0**	**0**
99	86	73	60	47	34	21	7	2	1	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	**15**	**15**	**15**	**15**	**15**	**15**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
6	5	4	3	2	2	1	0	0	0	0	0	0	0
2,005	**2,005**	**2,005**	**2,010**	**2,010**	**2,010**	**2,010**	**1,815**	**815**	**650**	**125**	**75**	**20**	**0**
904	801	696	590	482	373	263	152	80	40	8	3	1	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0	0	0
855	**855**	**855**	**855**	**855**	**855**	**855**	**857**	**400**	**110**	**110**	**105**	**20**	**20**
384	340	295	250	204	158	111	64	30	17	12	6	2	1
175	**175**	**175**	**175**	**175**	**175**	**175**	**175**	**0**	**0**	**0**	**0**	**0**	**0**
70	61	52	42	33	24	14	5	0	0	0	0	0	0
6,105	**6,345**	**6,335**	**6,335**	**6,335**	**6,335**	**6,335**	**5,825**	**2,100**	**1,790**	**505**	**55**	**55**	**20**
2,751	2,429	2,099	1,766	1,429	1,089	746	400	183	79	20	6	3	1
335	**335**	**335**	**335**	**335**	**335**	**335**	**335**	**335**	**50**	**10**	**10**	**5**	**5**
162	145	127	109	90	71	52	33	15	4	1	1	0	0
550	**550**	**550**	**550**	**550**	**550**	**550**	**550**	**0**	**0**	**0**	**0**	**0**	**0**
219	191	162	133	104	74	45	15	0	0	0	0	0	0
18,210	**18,000**	**17,900**	**17,895**	**17,900**	**17,895**	**17,895**	**17,895**	**17,893**	**15,235**	**6,860**	**4,860**	**1,925**	**650**
9,661	8,745	7,833	6,909	5,970	5,021	4,059	3,088	2,116	1,234	582	287	90	24
280	**280**	**270**	**270**	**270**	**270**	**270**	**270**	**270**	**270**	**5**	**5**	**0**	**0**
139	125	111	97	83	68	54	39	23	8	0	0	0	0
15,800	**15,805**	**15,375**	**15,375**	**15,375**	**15,375**	**14,925**	**15,025**	**15,025**	**15,025**	**13,230**	**9,705**	**5,555**	**1,735**
9,089	8,295	7,503	6,728	5,944	5,156	4,363	3,592	2,819	2,050	1,280	700	262	72
4,255	**4,255**	**3,755**	**3,755**	**3,755**	**3,755**	**3,355**	**3,355**	**3,355**	**3,355**	**3,355**	**3,355**	**155**	**0**
2,108	1,902	1,696	1,514	1,332	1,148	963	798	632	465	297	129	4	0
1,505	**1,505**	**1,505**	**1,505**	**1,505**	**1,505**	**1,505**	**1,255**	**1,255**	**1,255**	**1,255**	**1,255**	**105**	**105**
859	783	707	631	556	480	404	328	265	202	138	75	12	6
1,940	**1,940**	**1,940**	**1,940**	**1,940**	**1,940**	**1,940**	**1,940**	**1,940**	**1,940**	**1,940**	**1,940**	**1,290**	**945**
1,335	1,234	1,132	1,030	929	827	725	624	522	420	318	217	115	53
7,370	**7,370**	**7,370**	**7,370**	**5,385**	**5,385**	**5,385**	**5,385**	**5,385**	**5,385**	**5,385**	**5,385**	**5,385**	**5,385**
4,255	3,886	3,510	3,125	2,772	2,485	2,198	1,912	1,625	1,338	1,051	765	478	189
95	**95**	**30**	**30**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
10	6	2	1	0	0	0	0	0	0	0	0	0	0
95	**95**	**20**	**20**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
9	4	2	1	0	0	0	0	0	0	0	0	0	0

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/2000	2001	2002	2003	2004	2005	2006
GENERAL FUND (CONT)								
STATE MUNICIPAL ENERGY BUILDING BONDS (CONT)								
	'96.463	**3,070**	**385**	**385**	**385**	**385**	**385**	**385**
		588	135	118	100	82	64	46
REFUNDING BONDS								
	'16A.66	**616,191**	**68,002**	**70,192**	**76,557**	**68,712**	**63,647**	**49,142**
		156,690	29,457	26,090	22,537	18,837	15,505	12,562
REINVESTMENT IN MINNESOTA (RIM)								
	'87.400	**560**	**60**	**60**	**110**	**20**	**25**	**25**
		191	29	26	22	18	16	15
	'89.300	**570**	**245**	**75**	**30**	**15**	**15**	**15**
		128	26	16	13	11	11	10
	'90.610	**1,415**	**245**	**160**	**145**	**85**	**85**	**85**
		450	72	60	54	46	42	38
	'91.354	**10,940**	**1,275**	**1,205**	**840**	**645**	**640**	**640**
		4,038	557	488	434	396	362	327
RURAL FINANCE AUTHORITY (RFA)								
	'86.398	**34,025**	**2,400**	**0**	**3,625**	**5,000**	**0**	**14,000**
		9,911	2,005	1,856	1,856	1,503	1,380	942
	'96.463	**35,600**	**0**	**3,000**	**0**	**0**	**2,000**	**0**
		14,522	2,044	1,949	1,853	1,853	1,790	1,726
LANDFILL								
	'94.639	**31,970**	**1,950**	**1,845**	**1,840**	**1,840**	**1,845**	**1,835**
		14,992	1,633	1,536	1,445	1,353	1,257	1,156
POLLUTION CONTROL								
	'87.400	**5,155**	**1,640**	**655**	**310**	**210**	**210**	**210**
		1,439	245	174	147	134	123	111
	'89.300	**2,060**	**930**	**135**	**185**	**75**	**75**	**75**
		454	91	58	51	43	39	35
	'90.610	**6,720**	**1,815**	**1,525**	**275**	**275**	**275**	**275**
		1,736	333	229	176	162	148	134
	'92.558	**9,665**	**680**	**680**	**725**	**685**	**685**	**685**
		3,696	493	459	425	389	353	318
	'93.373	**5,415**	**515**	**330**	**330**	**330**	**330**	**330**
		2,344	285	260	244	227	209	190
	'93.558	**5,600**	**400**	**400**	**400**	**400**	**400**	**400**
		2,063	279	259	240	220	200	180
	'94.643	**30,150**	**2,210**	**1,805**	**1,805**	**1,800**	**1,800**	**1,800**
		13,166	1,535	1,429	1,340	1,251	1,156	1,057
	X'95.002	**540**	**30**	**30**	**30**	**30**	**30**	**30**
		234	25	24	22	21	19	18

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE

($ IN THOUSANDS)

INTEREST PAYMENTS - MEDIUM FACE

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
345	**345**	**60**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
28	12	2	1	0	0	0	0	0	0	0	0	0	0
48,247	**42,912**	**38,583**	**37,963**	**18,190**	**17,845**	**5,500**	**5,400**	**5,300**	**0**	**0**	**0**	**0**	**0**
10,102	7,754	5,602	3,613	2,167	1,260	673	400	133	0	0	0	0	0
30	**30**	**30**	**30**	**30**	**30**	**30**	**20**	**20**	**10**	**0**	**0**	**0**	**0**
14	12	10	9	7	6	4	2	1	0	0	0	0	0
20	**20**	**20**	**20**	**20**	**20**	**20**	**20**	**10**	**5**	**0**	**0**	**0**	**0**
9	8	7	6	5	4	2	1	1	0	0	0	0	0
85	**85**	**85**	**85**	**85**	**85**	**85**	**5**	**5**	**5**	**0**	**0**	**0**	**0**
33	29	24	20	15	10	6	1	1	0	0	0	0	0
625	**625**	**625**	**625**	**625**	**625**	**625**	**560**	**380**	**275**	**45**	**45**	**15**	**0**
293	261	228	195	162	128	94	59	33	15	4	2	0	0
9,000	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
369	0	0	0	0	0	0	0	0	0	0	0	0	0
5,000	**18,000**	**4,500**	**3,100**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1,726	1,206	277	99	0	0	0	0	0	0	0	0	0	0
1,805	**1,805**	**1,805**	**1,805**	**1,795**	**1,795**	**1,795**	**1,795**	**1,795**	**1,715**	**1,345**	**810**	**375**	**375**
1,056	962	870	778	684	590	495	400	305	213	132	76	37	16
210	**210**	**210**	**210**	**210**	**210**	**210**	**130**	**130**	**130**	**60**	**0**	**0**	**0**
99	88	77	66	55	44	32	21	14	7	2	0	0	0
75	**75**	**75**	**75**	**75**	**75**	**75**	**15**	**15**	**15**	**15**	**0**	**0**	**0**
31	27	23	19	15	11	7	3	2	1	0	0	0	0
280	**280**	**280**	**280**	**280**	**280**	**280**	**85**	**85**	**85**	**50**	**15**	**0**	**0**
119	104	90	75	60	45	30	14	10	5	2	0	0	0
685	**685**	**670**	**670**	**665**	**665**	**670**	**540**	**175**	**50**	**50**	**0**	**0**	**0**
281	246	210	174	138	102	65	29	10	4	1	0	0	0
325	**325**	**325**	**325**	**325**	**325**	**325**	**325**	**325**	**325**	**0**	**0**	**0**	**0**
170	154	137	120	103	85	67	49	30	12	0	0	0	0
400	**400**	**400**	**400**	**400**	**400**	**400**	**400**	**0**	**0**	**0**	**0**	**0**	**0**
159	139	118	97	75	54	32	11	0	0	0	0	0	0
1,820	**1,820**	**1,810**	**1,810**	**1,810**	**1,810**	**1,810**	**1,810**	**1,810**	**1,690**	**465**	**465**	**0**	**0**
956	866	774	682	588	492	395	297	197	103	36	13	0	0
30	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**0**	**0**
17	15	14	12	11	10	8	7	5	4	2	1	0	0

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/2000	2001	2002	2003	2004	2005	2006
GENERAL FUND (CONT)								
POLLUTION CONTROL (CONT)								
	'96.463	**21,915**	**1,215**	**1,215**	**1,215**	**1,215**	**1,215**	**1,215**
		9,816	1,040	984	927	871	814	755
	'97.246	**3,350**	**175**	**175**	**175**	**175**	**175**	**175**
		1,737	171	162	154	145	136	128
	'98.404	**1,100**	**55**	**55**	**55**	**55**	**55**	**55**
		568	54	52	49	46	44	41
	'99.240	**20,450**	**1,030**	**1,030**	**1,030**	**1,030**	**1,030**	**1,020**
		11,493	1,095	1,040	986	931	877	822
VARIOUS PURPOSE								
	'00.492	**21,430**	**1,130**	**1,130**	**1,065**	**1,065**	**1,065**	**1,065**
		12,363	1,181	1,119	1,057	998	940	881
SPECIAL STATE BUILDING								
	'90.610	**185**	**185**	**0**	**0**	**0**	**0**	**0**
		6	6	0	0	0	0	0
STATE TRANSPORTATION								
	'84.597	**6,200**	**700**	**700**	**700**	**700**	**700**	**700**
		1,608	338	298	257	217	176	136
	'87.400	**945**	**155**	**100**	**100**	**50**	**50**	**50**
		315	47	40	34	31	28	25
	'89.300	**785**	**285**	**60**	**60**	**40**	**35**	**35**
		205	36	25	22	20	18	16
	'90.610	**3,600**	**475**	**370**	**270**	**195**	**200**	**200**
		1,319	177	153	136	125	115	104
	'92.558	**9,480**	**780**	**780**	**765**	**515**	**515**	**510**
		3,968	472	432	392	359	333	307
	'93.373	**5,540**	**485**	**360**	**320**	**320**	**320**	**320**
		2,519	289	266	248	232	215	197
	'94.643	**33,260**	**1,920**	**1,820**	**1,820**	**1,815**	**1,815**	**1,825**
		15,965	1,678	1,585	1,495	1,406	1,314	1,219
	X'95.002	**2,980**	**235**	**185**	**175**	**175**	**170**	**170**
		1,273	145	133	124	116	107	99
	'96.463	**6,250**	**505**	**430**	**340**	**340**	**340**	**340**
		2,760	302	278	258	242	226	210
	'97.246	**2,805**	**180**	**165**	**155**	**155**	**155**	**145**
		1,364	139	130	122	115	107	100
	X'97.002	**1,330**	**70**	**70**	**70**	**70**	**70**	**70**
		616	60	58	55	52	49	46
	'98.404	**3,965**	**245**	**250**	**215**	**215**	**215**	**215**
		1,886	199	187	174	164	153	142

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1,215 695	**1,215** 636	**1,215** 577	**1,215** 519	**1,215** 459	**1,215** 399	**1,215** 339	**1,215** 278	**1,215** 217	**1,215** 156	**1,215** 95	**915** 42	**260** 12	**85** 3
175 119	**175** 110	**175** 101	**175** 92	**175** 83	**175** 74	**175** 64	**175** 55	**175** 46	**175** 37	**175** 28	**175** 19	**125** 10	**75** 4
55 39	**55** 36	**55** 33	**55** 30	**55** 27	**55** 25	**55** 22	**55** 19	**55** 16	**55** 13	**55** 10	**55** 7	**55** 4	**55** 1
1,020 768	**1,020** 714	**1,020** 660	**1,020** 604	**1,020** 549	**1,020** 494	**1,020** 438	**1,020** 383	**1,020** 327	**1,020** 272	**1,020** 216	**1,020** 161	**1,020** 106	**1,020** 49
1,065 823	**1,065** 764	**1,065** 706	**1,065** 647	**1,065** 588	**1,065** 530	**1,065** 471	**1,065** 413	**1,065** 354	**1,065** 296	**1,065** 237	**1,065** 178	**1,065** 120	**1,065** 60
0 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0
700 95	**700** 55	**300** 27	**300** 11	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0	**0** 0
50 23	**50** 20	**50** 17	**50** 15	**50** 12	**50** 9	**50** 7	**50** 4	**20** 2	**20** 1	**0** 0	**0** 0	**0** 0	**0** 0
30 14	**30** 12	**30** 11	**30** 9	**30** 8	**30** 6	**30** 4	**30** 3	**15** 1	**15** 1	**0** 0	**0** 0	**0** 0	**0** 0
195 94	**190** 84	**190** 74	**190** 65	**190** 55	**190** 45	**190** 35	**190** 25	**125** 16	**120** 10	**55** 5	**55** 2	**10** 0	**0** 0
520 280	**520** 254	**520** 228	**520** 201	**520** 174	**520** 147	**520** 119	**520** 92	**415** 67	**345** 47	**235** 32	**235** 20	**135** 10	**90** 4
320 179	**320** 163	**315** 146	**315** 130	**315** 113	**315** 96	**310** 79	**310** 62	**310** 45	**300** 28	**95** 15	**95** 10	**55** 5	**40** 2
1,875 1,124	**1,875** 1,030	**1,875** 935	**1,875** 840	**1,875** 743	**1,875** 646	**1,875** 548	**1,875** 448	**1,875** 348	**1,820** 251	**1,235** 168	**1,205** 105	**655** 56	**455** 26
165 90	**165** 82	**165** 74	**165** 66	**165** 58	**165** 50	**165** 42	**165** 33	**165** 25	**165** 16	**110** 8	**110** 3	**0** 0	**0** 0
330 193	**330** 178	**330** 161	**330** 145	**330** 128	**330** 112	**330** 95	**330** 79	**330** 62	**330** 45	**290** 29	**290** 14	**75** 2	**0** 0
145 93	**145** 86	**140** 79	**140** 72	**140** 64	**140** 57	**140** 50	**140** 43	**140** 35	**140** 28	**140** 21	**140** 14	**90** 7	**70** 3
70 44	**70** 40	**70** 37	**70** 33	**70** 30	**70** 26	**70** 23	**70** 19	**70** 16	**70** 12	**70** 9	**70** 5	**70** 2	**0** 0
215 132	**215** 121	**215** 110	**215** 99	**215** 88	**215** 77	**215** 67	**215** 56	**215** 45	**215** 34	**215** 23	**215** 13	**15** 2	**15** 1

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/2000	2001	2002	2003	2004	2005	2006
GENERAL FUND (CONT)								
STATE TRANSPORTATION (CONT)								
	'99.240	**18,300**	**915**	**915**	**915**	**915**	**915**	**915**
		10,276	977	929	881	833	784	736
WASTE MANAGEMENT								
	X'85.015	**5**	**5**	**0**	**0**	**0**	**0**	**0**
		0	0	0	0	0	0	0
	'87.400	**540**	**180**	**145**	**30**	**15**	**15**	**15**
		110	26	16	10	9	9	8
	'90.610	**2,080**	**325**	**325**	**170**	**90**	**90**	**90**
		714	104	85	71	64	59	54
	'92.558	**275**	**50**	**50**	**50**	**25**	**25**	**25**
		51	13	11	8	6	5	4
	'96.463	**2,660**	**200**	**135**	**135**	**135**	**135**	**135**
		1,287	129	120	114	108	101	95
EXCHANGE BONDS								
	'16A.66	**6,289**	**3,145**	**3,145**	**0**	**0**	**0**	**0**
		3	2	1	0	0	0	0
INFRASTRUCTURE DEVELOPMENT								
STATE BUILDING CAPITAL IMPROVEMENT								
	'90.610	**44,642**	**7,911**	**5,893**	**2,890**	**2,540**	**2,540**	**2,540**
		13,974	2,206	1,802	1,562	1,425	1,296	1,165
	'92.558	**28,938**	**2,065**	**2,063**	**2,060**	**1,830**	**1,830**	**1,830**
		11,986	1,513	1,408	1,303	1,200	1,096	989
	'94.643	**87,462**	**6,775**	**5,275**	**5,250**	**5,250**	**5,255**	**5,255**
		38,416	4,368	4,050	3,800	3,547	3,280	3,010
	'96.463	**96,335**	**5,985**	**5,305**	**5,245**	**5,245**	**5,240**	**5,240**
		45,428	4,646	4,376	4,134	3,896	3,653	3,410
	'98.404	**16,060**	**855**	**855**	**835**	**835**	**835**	**800**
		8,552	825	783	740	699	657	617
REFUNDING BONDS								
	'16A.66	**58,015**	**1,420**	**2,170**	**5,580**	**5,915**	**5,955**	**5,770**
		19,148	2,914	2,827	2,638	2,357	2,065	1,774
REINVESTMENT IN MINNESOTA (RIM)								
	'90.610	**410**	**45**	**45**	**45**	**25**	**25**	**25**
		134	20	18	16	14	13	11
POLLUTION CONTROL								
	'90.610	**2,140**	**255**	**255**	**255**	**125**	**125**	**125**
		678	106	92	79	69	63	56
VARIOUS PURPOSE								
	'00.492	**5,440**	**290**	**290**	**270**	**270**	**270**	**270**
		3,135	300	284	268	253	238	223

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
915	**915**	**915**	**915**	**915**	**915**	**915**	**915**	**915**	**915**	**915**	**915**	**915**	**915**
688	639	590	541	491	442	392	342	293	243	193	144	94	44
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	**15**	**15**	**15**	**20**	**20**	**20**	**20**	**0**	**0**	**0**	**0**	**0**	**0**
7	6	5	5	4	3	2	1	0	0	0	0	0	0
90	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**90**	**0**	**0**	**0**
49	44	39	35	30	25	21	16	11	7	2	0	0	0
25	**25**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
3	1	0	0	0	0	0	0	0	0	0	0	0	0
135	**135**	**135**	**135**	**135**	**135**	**135**	**135**	**135**	**135**	**135**	**135**	**95**	**70**
89	82	75	68	62	55	48	41	34	27	20	13	6	2
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,540	**2,540**	**2,540**	**2,540**	**2,540**	**2,540**	**2,540**	**2,078**	**325**	**145**	**0**	**0**	**0**	**0**
1,033	902	768	633	497	359	221	83	17	5	0	0	0	0
1,830	**1,835**	**1,835**	**1,835**	**1,835**	**1,835**	**1,835**	**1,835**	**1,835**	**750**	**0**	**0**	**0**	**0**
888	794	698	600	500	399	296	192	89	20	0	0	0	0
4,915	**4,915**	**4,910**	**4,910**	**4,905**	**4,905**	**4,905**	**4,905**	**4,907**	**4,235**	**2,740**	**2,240**	**890**	**120**
2,732	2,486	2,238	1,987	1,732	1,475	1,215	955	696	456	241	116	29	3
5,075	**5,075**	**5,065**	**5,065**	**5,060**	**5,060**	**5,060**	**5,060**	**5,060**	**5,060**	**4,450**	**4,450**	**3,150**	**1,385**
3,160	2,915	2,663	2,408	2,150	1,892	1,632	1,372	1,112	851	590	363	162	45
800	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**800**	**645**
577	536	494	451	409	366	324	281	238	196	153	111	68	29
5,760	**5,760**	**5,685**	**5,690**	**4,135**	**4,175**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1,481	1,184	885	586	328	110	0	0	0	0	0	0	0	0
25	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**0**	**0**	**0**	**0**	**0**	**0**
10	9	7	6	5	3	2	1	0	0	0	0	0	0
125	**125**	**125**	**125**	**125**	**125**	**125**	**125**	**0**	**0**	**0**	**0**	**0**	**0**
50	43	37	30	24	17	10	3	0	0	0	0	0	0
270	**270**	**270**	**270**	**270**	**270**	**270**	**270**	**270**	**270**	**270**	**270**	**270**	**270**
209	194	179	164	149	134	119	105	90	75	60	45	30	15

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE | INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/2000	2001	2002	2003	2004	2005	2006
CIGARETTE TAX REFUNDING BONDS								
	'16A.66	**7,005**	**2,335**	**2,335**	**2,335**	**0**	**0**	**0**
		562	311	188	63	0	0	0
SPORTS & HEALTH TAX								
	'16A.66	**11,415**	**1,565**	**1,625**	**1,630**	**1,275**	**1,280**	**1,260**
		2,474	583	500	413	335	265	194
GROUP TOTAL GENERAL FUND		**2,391,240**	**212,972**	**199,972**	**192,687**	**176,752**	**168,527**	**162,817**
		908,225	118,376	108,005	98,429	89,044	80,327	71,661
GAME & FISH								
	'16A.66	**99**	**18**	**13**	**13**	**13**	**13**	**13**
		19	5	4	3	3	2	1
EXCHANGE BONDS								
	'16A.66	**11**	**5**	**5**	**0**	**0**	**0**	**0**
		0	0	0	0	0	0	0
GROUP TOTAL GAME & FISH		**110**	**23**	**18**	**13**	**13**	**13**	**13**
		19	5	4	3	3	2	1
TRUNK HIGHWAY REFUNDING BONDS								
	'16A.66	**13,070**	**3,350**	**2,730**	**2,655**	**2,560**	**600**	**600**
		1,669	599	444	306	169	84	50
GROUP TOTAL TRUNK HIGHWAY		**13,070**	**3,350**	**2,730**	**2,655**	**2,560**	**600**	**600**
		1,669	599	444	306	169	84	50
MAX EFFORT SCHOOL LOAN								
	'16A.66	**35,010**	**1,305**	**1,645**	**2,725**	**3,770**	**3,680**	**3,545**
		11,055	1,713	1,641	1,533	1,375	1,195	1,019
SCHOOL LOANS								
	'88.718	**1,075**	**985**	**90**	**0**	**0**	**0**	**0**
		41	38	3	0	0	0	0
	'90.610	**2,595**	**1,165**	**1,165**	**265**	**0**	**0**	**0**
		183	124	51	8	0	0	0
	'91.265	**17,670**	**1,785**	**1,785**	**1,800**	**1,155**	**1,160**	**1,160**
		6,055	896	803	710	634	576	516
	'92.558	**4,945**	**585**	**585**	**585**	**290**	**290**	**290**
		1,571	244	213	182	159	145	130
	'93.373	**2,690**	**190**	**190**	**190**	**190**	**185**	**185**
		1,035	137	127	118	108	99	89
	'94.643	**2,390**	**145**	**145**	**150**	**150**	**150**	**150**
		1,036	124	116	109	102	93	84
	X'95.002	**19,545**	**1,190**	**1,190**	**1,185**	**1,185**	**1,185**	**1,185**
		8,550	1,001	941	882	823	759	690
GROUP TOTAL MAX EFFORT SCHOOL LOAN		**85,920**	**7,350**	**6,795**	**6,900**	**6,740**	**6,650**	**6,515**
		29,527	4,276	3,896	3,542	3,200	2,866	2,529

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0	0	0
1,260	**1,260**	**130**	**130**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
122	50	11	4	0	0	0	0	0	0	0	0	0	0
160,742	**159,442**	**138,458**	**136,393**	**109,475**	**109,165**	**91,795**	**89,670**	**80,420**	**68,890**	**50,220**	**42,575**	**24,655**	**15,615**
63,421	55,186	47,133	40,048	33,620	27,920	22,613	17,749	13,255	9,348	6,043	3,664	1,730	653
8	**3**	**3**	**3**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1	0	0	0	0	0	0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	**3**	**3**	**3**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1	0	0	0	0	0	0	0	0	0	0	0	0	0
575	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
17	0	0	0	0	0	0	0	0	0	0	0	0	0
575	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
17	0	0	0	0	0	0	0	0	0	0	0	0	0
3,525	**3,425**	**3,325**	**3,305**	**2,385**	**2,375**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
844	669	497	327	182	61	0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0	0	0	0	0	0	0
1,160	**1,160**	**1,160**	**1,160**	**1,160**	**1,160**	**1,160**	**655**	**50**	**0**	**0**	**0**	**0**	**0**
456	396	334	272	210	147	84	20	1	0	0	0	0	0
290	**290**	**290**	**290**	**290**	**290**	**290**	**290**	**0**	**0**	**0**	**0**	**0**	**0**
116	101	85	70	55	39	23	8	0	0	0	0	0	0
185	**185**	**185**	**185**	**185**	**190**	**190**	**190**	**65**	**0**	**0**	**0**	**0**	**0**
79	69	60	50	40	30	19	9	2	0	0	0	0	0
150	**150**	**150**	**150**	**150**	**150**	**150**	**150**	**150**	**150**	**0**	**0**	**0**	**0**
76	69	61	53	45	37	29	21	12	4	0	0	0	0
1,185	**1,180**	**1,185**	**1,185**	**1,180**	**1,180**	**1,175**	**1,175**	**1,175**	**1,175**	**630**	**0**	**0**	**0**
621	559	499	439	377	315	252	188	125	63	16	0	0	0
6,495	**6,390**	**6,295**	**6,275**	**5,350**	**5,345**	**2,965**	**2,460**	**1,440**	**1,325**	**630**	**0**	**0**	**0**
2,192	1,862	1,537	1,212	909	629	407	246	140	67	16	0	0	0

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

GROUP & FUND & TYPE	AUTHORIZATION YEAR-CHAPTER	AMOUNT OUTSTANDING 6/30/2000	2001	2002	2003	2004	2005	2006
STATE GUARANTEED BONDS								
GUARANTEED BOND CLASS								
	'91.350	**43,600**	**610**	**715**	**750**	**805**	**855**	**975**
		33,556	2,719	2,680	2,635	2,587	2,535	2,475
GROUP TOTAL STATE GUARANTEED BONDS		**43,600**	**610**	**715**	**750**	**805**	**855**	**975**
		33,556	2,719	2,680	2,635	2,587	2,535	2,475
TOTAL PRINCIPAL - LESS GUARANTEE		**2,490,340**	**223,695**	**209,515**	**202,255**	**186,065**	**175,790**	**169,945**
TOTAL INTEREST - LESS GUARANTEE		939,440	123,256	112,350	102,279	92,416	83,279	74,241
TOTAL DEBT SERVICE - LESS GUARANTEE (1)		3,429,780	346,951	321,865	304,534	278,481	259,069	244,186
TOTAL PRINCIPAL - ALL FUNDS		**2,533,940**	**224,305**	**210,230**	**203,005**	**186,870**	**176,645**	**170,920**
TOTAL INTEREST - ALL FUNDS		972,996	125,975	115,029	104,915	95,003	85,813	76,717
TOTAL DEBT SERVICE - ALL FUNDS (1)		3,506,936	350,280	325,259	307,920	281,873	262,458	247,637

The Total Debt Service - All Funds does not include:
$97,900,000 of bonds dated July 1, 1990; $95,900,000 of bonds dated August 1, 1991; $81,650,000 of bonds dated July 1, 1992;
$96,100,000 of bonds dated October 1, 1994;
For which funds are held in escrow, have been invested and will be sufficient to pay the principal of, and interest on, the bonds to their earliest call date.

STATE OF MINNESOTA

GENERAL OBLIGATION DEBT

SCHEDULED DEBT SERVICE FOR FISCAL YEARS 2001-2020

PRINCIPAL PAYMENTS - BOLD FACE

INTEREST PAYMENTS - MEDIUM FACE

($ IN THOUSANDS)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1,035	**1,105**	**1,180**	**1,260**	**1,350**	**1,430**	**1,515**	**1,605**	**28,410**	**0**	**0**	**0**	**0**	**0**
2,409	2,338	2,261	2,177	2,094	2,010	1,922	1,826	888	0	0	0	0	0
1,035	**1,105**	**1,180**	**1,260**	**1,350**	**1,430**	**1,515**	**1,605**	**28,410**	**0**	**0**	**0**	**0**	**0**
2,409	2,338	2,261	2,177	2,094	2,010	1,922	1,826	888	0	0	0	0	0
167,820	**165,835**	**144,755**	**142,670**	**114,825**	**114,510**	**94,760**	**92,130**	**81,860**	**70,215**	**50,850**	**42,575**	**24,655**	**15,615**
65,631	57,048	48,670	41,260	34,529	28,549	23,021	17,995	13,394	9,415	6,059	3,664	1,730	653
233,451	222,883	193,425	183,930	149,354	143,059	117,781	110,125	95,254	79,630	56,909	46,239	26,385	16,268
168,855	**166,940**	**145,935**	**143,930**	**116,175**	**115,940**	**96,275**	**93,735**	**110,270**	**70,215**	**50,850**	**42,575**	**24,655**	**15,615**
68,040	59,386	50,931	43,437	36,623	30,559	24,942	19,821	14,282	9,415	6,059	3,664	1,730	653
236,895	226,326	196,866	187,367	152,798	146,499	121,217	113,556	124,552	79,630	56,909	46,239	26,385	16,268

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 2000 valuation, was estimated by the Commissioner of Revenue to be $263,151,000,000. This value is based upon certified abstracts of assessment submitted by local assessors and on file with the Commissioner of Revenue. The values shown on the assessors' abstracts are required by law to be based upon the assessors' judgment of the probable price at which the property could be sold in an open market transaction between a willing buyer and seller, both knowledgeable of the current market, neither being compelled to buy or sell.

MARKET VALUE OF TAXABLE PROPERTY

1990-2000

($ in Thousands)

Year of Assessment	Real Property	Personal Property	Total Market Value	Percentage Increase from Prior Year
1990	143,606,465	2,783,576	146,390,041	5.83
1991	149,150,448	2,873,817	152,024,265	3.85
1992	153,992,637	2,968,756	156,961,393	3.25
1993	159,008,719	2,990,780	161,999,499	3.21
1994	166,739,642	3,104,512	169,844,154	4.84
1995	177,164,000	3,282,000	180,446,000	6.24
1996	189,112,000	3,440,000	192,552,000	6.71
1997	202,875,000	3,490,000	206,365,000	7.17
1998	219,034,000	3,641,000	222,675,000	7.90
1999	237,547,128	3,931,269	241,478,397	8.44
2000	259,076,000	4,075,000	263,151,000	8.97

EQUIPMENT FINANCING

The Commissioner of Finance is authorized by Minnesota Statutes, Section 16A.85, to establish a master lease equipment financing program. Pursuant to this authority the Commissioner has entered into master lease agreements providing for equipment financing and expects to continue this practice. As of June 1, 2000, principal in the amount of $23,740,982 was 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 of moneys appropriated from time to time for this purpose.

Various State agencies, with the Commissioner of Finance'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 June 1, 2000, principal in the amount of $22,233,544.70 was outstanding and unpaid 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.

Various State agencies, without the Commissioner's assistance, have also entered into additional equipment lease financing agreements from time to time for the purpose of financing the acquisition of equipment. As of June 30, 1999, principal in the amount of $733,154 was outstanding and unpaid under such leases, exclusive of those having an original principal amount of less than $250,000 and those relating to equipment not carried on the fixed asset accounts of the State, for which no figures are available. The State is obligated to make rental payments thereunder only to the extent of moneys appropriated from time to time for this purpose.

APPENDIX C

I. Project Description

Set forth below are the titles or names of the projects or types of projects eligible to be financed in whole or in part from the proceeds of the Bonds, and the total amount appropriated by the State Legislature for this purpose.

($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
1990, Chapter 610				
	Office of Environmental Assistance	Statewide	Capital Assistance Program	7,000
	Transportation	Statewide	Local Roads and Bridges	11,200
1994, Chapter 643				
	Administration	Statewide	Americans with Disabilities Act	11,500
	Administration	Statewide	CAPRA	10,150
	Administration	Capitol Complex	New Military Affairs Facility	100
	Administration	Capitol Complex	Security Lighting	400
	CAAPB	Capitol Complex	Capitol Bldg exterior restor./renov.	5,000
	Corrections	Moose Lake	Complete conversion	19,000
	Corrections	Lino Lakes	Inmate bed expansion	10,444
	Corrections	Faribault	Inmate bed expansion	10,000
	Corrections	Systemwide	Inmate bed expansion	2,000
	Corrections	Shakopee	Inmate bed expansion Predesign	80
	Corrections	Red Wing	Construct Juvenile Security Cottage	2,700
	Corrections	Systemwide	Regional Juvenile Centers	16,565
	Education	Statewide	School Building Accessibility Grants	4,000
	Education	Metropolitan	Magnet Schools — Deseg. Capital	20,000
	Education	Statewide	Library Accessibility	1,000
	Education	Statewide	Reorganized Districts Grants	778
	Education	Worthington	Lakeview School	2,070
	Historical Society	Statewide	Historic Site Preservation and Repair	1,775
	Historical Society	Statewide	I.S.T.E.A. Preservation Projects	950
	Historical Society	Statewide	County and Local Pres. Proj.	500
	Historical Society	St. Anthony Falls	Heritage Zone	1,000
	Historical Society	NW Fur Co.	Northwest Company Fur Post Design	310
	Historical Society	St. Croix Valley	Heritage Center Predesign	150
	Historical Society	Sibley House	Restoration	550
	Housing Finance	Statewide	Battered Women's Shelters	1,000
	Human Services	Anoka	Const. Res. Prgrn & Ancillary Serv Fac.	37,000
	Human Services	Metro Area	Pre-Discharge Prgm for people w/menta	1,500
	Human Services	St. Peter	Air Conditioning Tomlinson Hall	215
	Economic Security	Statewide	Early Childhood & Youth Interven.	2,000
	MN Technology	Coleraine	Coleraine Lab Fac. — Research Institute	400
	Natural Resources	Systemwide	St. Park betterment and rehab.	1,250
	Natural Resources	Systemwide	Well sealing & inven. on DNR lands	500
	Natural Resources	Systemwide	Forestry Air Tanker Facilities	368
	Natural Resources	Systemwide	State Park building rehabilitation	2,000
	Natural Resources	Systemwide	Undergrnd stor. tank remov. & replace	1,000
	Natural Resources	Systemwide	Flood Hazard Mitigation grants	2,600
	Natural Resources	Systemwide	Trail acq. devel. & better.	4,778
	Natural Resources	Systemwide	State Park acquisition	2,000
	Natural Resources	Systemwide	Local Recreation grants	1,400
	Natural Resources	Systemwide	Forestry recreation facility rehab.	500
	Natural Resources	Systemwide	RIM — Wild, SNA, & Prairie B dev/hab	2,000
	Natural Resources	Systemwide	Dam repair/reconstruction/removal	4,100
	Natural Resources	Systemwide	Forestry roads and bridges	300
	Natural Resources	Systemwide	Forestry land acquisition	250
	Natural Resources	Systemwide	State Park building development	1,000
	Natural Resources	Systemwide	Residential Env. Center Grants	11,500
	Natural Resources	Systemwide	International Wolf Center	750
	Natural Resources	Systemwide	Farmland Wildlife Research Facility	631

I. Project Description (continued)

($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Natural Resources	Systemwide	White Oak Fur Post	340
	State Universities	Systemwide	HEAPRA	8,900
	Technical College	Systemwide	HEAPRA	8,838
	Technical College	E. Grand Forks	Med. Labs Equip & Child Care Ctr	1,000
	Technical College	St. Cloud	Remodeling phase I	225
	Technical College	Dakota Cty.	Decision Driving Course Phase 2	600
	Technical College	Hutchinson	Campus Remodeling Design	380
	Technical College	Duluth	TC/CC — Joint Campus	10,800
	Technical College	Rochester	Project Design	1,200
	Trade & Econ. Dev.	Duluth	Duluth Port Authority	1,200
	BWSR	Systemwide	Area II Minnesota River Basin	800
	BWSR	Systemwide	RIM Conservation Easement Acq.	9,000
	Transportation	Statewide	Local Road & Bridge Replacement	9,900
1996, Chapter 463				
	Administration	Systemwide	CAPRA	12,000
	Administration	Capitol Complex	Electrical Utility Improvements	1,635
	Administration	Capitol Complex	Renovate Capitol Area Elevators	1,744
	Administration	Capitol Complex	Support Services Facility	2,000
	Administration	Capitol Complex	Revenue Bldg	1,950
	Administration	Capitol Complex	Korean War Vets Memorial	250
	Administration	Systemwide	ADA	9,000
	Agriculture	Systemwide	Agricultural Loan Program — RFA	41,000
	Amateur Sports Comm.	Blaine	National Sports Ctr Land Acquisition	400
	Amateur Sports Comm.	Mpls/St. Paul	Inner City Sports Centers	3,400
	Amateur Sports Comm.	Metro Area	Ski Jump	500
	CAAPB	Capitol Complex	Capitol Bldg Stabilization	6,200
	CAAPB	Capitol Complex	Capitol Bldg Cafeteria Renovation	1,200
	Center for Arts Education	Systemwide	Instructional Resources Facility	6,879
	Children, Families & Learning	Systemwide	Library Accessibility Grants	1,000
	Children, Families & Learning	Systemwide	School Bldg Access Grants	2,000
	Children, Families & Learning	Systemwide	Youth Initiative Grants	16,000
	Corrections	Systemwide	Asset Preservation	1,750
	Corrections	Rush City	New Prison	89,000
	Corrections	Brainerd	Inmate Bed Expansion	1,500
	Corrections	Lino Lakes	Segregation Unit Design	500
	Corrections	Systemwide	SE Treatment Ctr Pilot — 3rd	680
	Children Families	Systemwide	Head Start Grants	3,500
	Environmental Assistance	Systemwide	Solid Waste Mgmt Fac. Grants	3,000
	Finance	Systemwide	Bond Sale Expense	608
	Grant to Political Subdivision	Duluth	Lake Superior Center	10,000
	Grant to Political Subdivision	St. Paul	Science Museum Construction	30,000
	Grant to Political Subdivision	St. Cloud	Quarry Park — Stearns County	250
	Grant to Political Subdivision	Austin	Southeast Metro Public TV	975
	Grant to Political Subdivision	Worthington	Prairieland Expo Ctr	1,500
	Grant to Political Subdivision	Duluth	Family Practice Ctr Renovation	1,400
	Grant to Political Subdivision	Hennepin Cty	Lyn/Lake/Jungle Theatre	335
	Historical Society	Systemwide	County and Local Preservation Grants	750

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Historical Society	Systemwide	Asset Preservation	3,000
	Historical Society	Minneapolis	St. Anthony Falls Heritage Zone	1,000
	Housing Finance Agency	Systemwide	Transitional Housing Grants	2,500
	Human Services	Systemwide	Asset Preservation	1,000
	Human Services	Brainerd	BRTC HVAC Improvements	1,500
	Human Services	Anoka	AMRTC Predesign/Design	322
	Human Services	Cambridge	CRHSC — Design and Develop METO	3,400
	Human Services	Winona	WRTC — Residential/Program Space	2,500
	Military Affairs	Systemwide	Asset Preservation	500
	Military Affairs	Systemwide	Kitchen Renovation	400
	State Colleges & University	Systemwide	HEAPRA	16,000
	State Colleges & University	St. Cloud	St Cloud Library	29,500
	State Colleges & University	Mankato	SU — Hazardous Waste Facility	270
	State Colleges & University	Winona	SU — Construct Chiller Plant	2,200
	State Colleges & University	Anoka	ARCC — Energy Plant & Loading Dock	4,510
	State Colleges & University	Hutchinson	TC — HVAC Modifications	2,000
	State Colleges & University	Vermillion	CC — Code & Infrastructure	1,890
	State Colleges & University	Mankato	SU — Construct Chiller Plant	1,050
	State Colleges & University	Minneapolis	CC — Energy Plant Replacement	4,330
	State Colleges & University	Willmar	TC — HVAC Modifications	2,150
	State Colleges & University	Mesabi	CC — Code & Infrastructure	1,230
	State Colleges & University	Staples	TC — West Campus Classrooms	225
	State Colleges & University	Moorhead	SU — Storm Drainage System	1,800
	State Colleges & University	Moorhead	SU — Land Acquisition	1,400
	State Colleges & University	No. Hennepin	CC — Remodel & Construct LRC	3,846
	State Colleges & University	Anoka-Ramsey	CC — Addition & Remodel	10,430
	State Colleges & University	Fond du Lac	CC — Construct Student Housing	3,600
	Natural Resources	Systemwide	Asset Preservation	500
	Natural Resources	Systemwide	RIM, WMA, SNA and Prairie Bank Imp.	900
	Natural Resources	Systemwide	St. Louis River Land Acq.	2,200
	Natural Resources	Systemwide	Park & Rec Area Bldg Devel	1,450
	Natural Resources	Systemwide	Park & Rec Area Bldg Rehab	1,750
	Natural Resources	Systemwide	Park & Rec Better/Rehab	2,400
	Natural Resources	Systemwide	DNR — Well Inventory & Sealing	500
	Natural Resources	Systemwide	DNR — Trail Rehab	500
	Natural Resources	Systemwide	Dam Improvements	1,560
	Natural Resources	Systemwide	Flood Hazard Mitigation Grants	1,490
	Natural Resources	Systemwide	Metro Reg. Park Rehab, Acq & Dev	9,400
	Natural Resources	Systemwide	Office Facility Completion	1,800
	Natural Resources	Systemwide	Trail Acq. & Devel.	4,000
	Natural Resources	Systemwide	RIM Wildlife Land Acq.	3,500

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Natural Resources	Systemwide	Mesabi Trail Grant	500
	Natural Resources	Systemwide	McQuade Public Access	500
	Natural Resources	Systemwide	Blue Earth Trail	230
	Natural Resources	Systemwide	Mississippi River Grant	700
	Pollution Control	Red Wing	Combined Sewer Overflow	3,350
	Public Service	Statewide	Municipal Energy Loans	4,000
	Residential Academies	Faribault	Demolish Dow Hall	1,000
	Residential Academies	Faribault	New Exterior Lighting	556
	Residential Academies	Faribault	Asset Preservation	750
	Trade & Econ Dev-PFA	Systemwide	SRF Match	4,000
	Trade & Econ Dev-PFA	Systemwide	Waste Water Infrastructure Fund (WIF)	17,500
	Transportation	Systemwide	Local Bridge Rehab Grants	10,000
	Transportation	Systemwide	Metro Public Safety Radio	7,500
	Transportation	Systemwide	Port Auth E.D. Grants	3,000
	University of Minnesota	Minneapolis	School of Architecture	9,000
	University of Minnesota	Minneapolis	Archives Facility	38,500
	University of Minnesota	Crookston	Controlled Environ. Science	3,050
	University of Minnesota	Duluth	Library	1,430
	University of Minnesota	Systemwide	HEAPRA	12,000
	University of Minnesota	Minneapolis	Women's Ice/Tennis Facility	10,000
	University of Minnesota	Morris	Humanities and Fine Arts Repair	2,300
	University of Minnesota	Twin Cities	Hacker Hall Renovations	12,000
	Veterans Homes Board	Systemwide	Asset Preservation	500
	Veterans Homes Board	Silver Bay	Dementia Unit	240
	Water & Soil Resources	Systemwide	Area II MN River basin grant-in-aid	250
	Water & Soil Resources	Systemwide	RIM reserve and perm. wetland pres.	11,500
	Water & Soil Resources	Systemwide	Wetland Replacement for Public Road	3,000
SS, 1997, Chapter 2				
	Public Safety	Statewide	Public Disaster Assistance	30,000
	Natural Resources	Statewide	Flood Hazard Mitigation Grants	5,000
	Natural Resources	Statewide	Flood Proofing Grants	5,000
	Natural Resources	Statewide	Flood Protection	5,000
	Housing Finance	Statewide	Rental Housing Loans	2,000
	Trade & Econ Dev-PFA	Statewide	New Housing	5,000
	Trade & Econ Dev-PFA	Statewide	Repair and Replacement	4,000
1998, Chapter 404				
	Corrections Dept	Lino Lakes	MCF-LL — Admin. Segregation Unit	340
	Corrections Dept	Oak Park Heights	MCF-OPH — Seg., MH, and Hlth Care Units	3,000
	Corrections Dept	Shakopee	MCF-SHK — Bed Expansion	4,645
	Corrections Dept	St. Cloud	MCF-SCL — Intake Center	1,500
	Finance Dept	Minnesota	Bond Sale Expenses	100
	Human Services Dept	Cambridge	CRHSC — METO Construction	1,500
	Human Services Dept	Minnesota	SOCS — Respite Care Sites	1,200
	Human Services Dept	Moose Lake	MSPPTC — Construct 50-Bed Addition	8,000
	Human Services Dept	Willmar	WRTC — Remodel MTC Bldg. & Bldg. 14	3,000
	State Colleges & University	Bemidji	Bemidji/NW TC-Bemidji HS Acq & Brdgmn Hall Renov	1,000
	State Colleges & University	Brooklyn Park	North Hennepin CC — New Science Ctr	10,400
	State Colleges & University	Edina	Normandale CC — Design Science Bldg	240
	State Colleges & University	Hibbing	Hibbing CC&TC — Construct College center	16,000
	State Colleges & University	Inver Grove Heights	Inver Hills CC — Construct instructional building	11,000
	State Colleges & University	Mankato	Mankato SU — Renovate Student Athletics fac (Phase 1)	500
	State Colleges & University	Minneapolis	Minneapolis CC&TC — Consolidation remodeling	500

I. Project Description (continued)

($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	State Colleges & University	Pine City	Pine Technical College	1,700
	State Colleges & University	Rochester	Rochester Regional Recreation & Sports Center	200
	State Colleges & University	St. Cloud	St. Cloud TC — Addition and remodeling	1,000
	State Colleges & University	St. Paul	Metro SU — Library design	1,000
	State Colleges & University	St. Paul	St. Paul TC — Remodel selected college areas	10,000
	State Colleges & University	Systemwide	Ridgewater CC&TC — Addition and remodeling	7,600
	State Colleges & University	Systemwide	Riverland CC&TC — Program re-alignment/ relocation	1,000
	State Colleges & University	Systemwide	Systemwide — Land bank program	5,000
	State Colleges & University	Thief River Falls	Northland CC&TC — Connect student services — phase I	4,000
	State Colleges & University	Virginia	Laurentian CC&TC — Addition and remodeling	500
	State Colleges & University	White Bear Lake	Century CC&TC — Master plan and design development	800
	State Colleges & University	White Bear Lake	Century CC — Pedestrian Bridge	3,200
	State Colleges & University	Winona	Red Wing/Winona — Construct Truck Driving Facilities	1,500
	State Colleges & University	Winona	Winona SU — Remodel Maxwell Hall	200
	University of Minnesota	Crookston	Crookston — Facility Improvements	300
	University of Minnesota	Crookston	Crookston — Kiehle Bldg Renovation (Design)	180
	University of Minnesota	Duluth	Duluth — Library	5,300
	University of Minnesota	Minneapolis	North & South Mall — Digital & Utility Infrastruc	100
	University of Minnesota	Minneapolis	North & South Mall — Walter Digital Technol Ctr	1,400
	University of Minnesota	Morris	Morris — Science & Math Add/Rec Sports/Htg Plant	9,800
	University of Minnesota	St. Paul	St. Paul — Gortner/Snyder Biology Lab Renovations	100
	University of Minnesota	St. Paul	St. Paul — Peters Hall Renovation	50
	University of Minnesota	Systemwide	Ag Exp Stations — Facility Improvements	800
	University of Minnesota	Systemwide	Women's Athletics Fields and Facilities	300
	Zoological Garden	Apple Valley	Roadways and Pathways	1,750
	Transportation	Statewide	Local Roads and Bridges	
1999, Chapter 240				
	Children, Families & Learning	Edina	SW Metro Integration Magnet Grant	4,000
	Children, Families & Learning	Emetro	Art & Science Middle School Magnet Grant	1,300
	Natural Resources	Statewide	Flood Hazard Grants (State Share)	1,698
	Natural Resources	Statewide	Flood Hazard Grants (Local Share)	17,270
	Environmental Assistance	Perham	Solid Waste Recovery System Grant	3,000
	Public Facilities Authority	Statewide	Drinking Water State Matching Funds	2,200
	Public Facilities Authority	Statewide	Wastewater Infrastructure Grant	20,500
	Administration	Statewide	CAPRA	3,000
	Administration	Park Rapids	Infrastructure Improvement Grant	1,000
	Transportation	Brooklyn Park	Pedestrian Bridge Loan	440

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Transportation	Statewide	Light Rail Transit	60,000
	Corrections	Faribault	Storm & Sanitary Sewer Lines	1,785
	Finance	Statewide	Bond Sale Expense	152
	Trade & Economic Dev	St. Cloud	Community Center	5,500
	Public Facilities Authority	Statewide	Wastewater Infrastructure	14,000
	Public Facilities Authority	Hawley	Wastewater Infrastructure	1,300
	Public Facilities Authority	Statewide	State Match Drinking Water	1,500
	State Colleges & University	Mankato	Athletic Facility	10,500
	State Colleges & University	Rochester	Sports Complex	4,800
	University of Minnesota	Systemwide	Ag Experiment Stations	3,600
	University of Minnesota	Crookston	Facility Improvements	3,500
	University of Minnesota	Duluth	Academic Space	200
	University of Minnesota	Duluth	Library Construction	17,000
	University of Minnesota	Minneapolis	Folwell Hall Renovations	690
	University of Minnesota	St. Paul	Greenhouse Renovation	900
	University of Minnesota	St. Paul	Gortner and Snyder Halls	3,900
	University of Minnesota	Minneapolis	Utility Infrastructure	2,400
	University of Minnesota	Morris	Science/Heating Plant/Phy Ed	18,400
	University of Minnesota	St. Paul	Peters Hall	6,900
	University of Minnesota	Systemwide	Womens Athletic Fields and Facilities	2,700
	University of Minnesota	Minneapolis	Walter Digital Tech Center and Eng Library	52,200
	Trade & Economic Dev	Minneapolis	Convention Center	86,332
	Transportation	Statewide	Transitways Hiawatha Corridor	40,000
	Transportation	Statewide	Local Bridges	28,000
	Trade & Economic Dev	St. Paul	African-American Arts Center	2,250
	Trade & Economic Dev	Brooklyn Center	Earle Brown Heritage Center	2,500
	Trade & Economic Dev	St. Cloud	Paramount Arts Center	750
	Trade & Economic Dev	Worthington	Prairie Land Expo Center	3,000
	Historical Society	Pine City	Northwest Fur Post	1,500
	Historical Society	Minneapolis	St. Anthony Falls Heritage Ctr	4,000
	Historical Society	Waverly	Humphrey Museum	1,000
	Indian Affairs Council	Battle Point	Cultural and Education Center	1,700
	Trade & Economic Dev	Duluth	Convention Center	12,000
	Trade & Economic Dev	Rochester	Mayo Civic Center	2,800
	Trade & Economic Dev	Fergus Falls	Convention Center	1,500
	Trade & Economic Dev	Hutchinson	Civic Center	1,000
	Trade & Economic Dev	Minneapolis	Humboldt Avenue Greenway	7,000
	Trade & Economic Dev	Montevideo	Downtown Development	1,500
	Trade & Economic Dev	Statewide	Veterans Memorial Amphitheater	315
	Transportation	Statewide	Port Development Assistance	3,000
	Natural Resources	Statewide	Office Facility Consolidation	7,100
	Natural Resources	Statewide	State Park Building Development	5,000
	Natural Resources	Metropolitan	Park Acquisition and Betterment	9,000
	Natural Resources	Statewide	Trail Acquisition and Development	3,350
	Administration	St. Paul	Capitol Building	6,500
	Veterans Home Board	Minneapolis	Veterans Home	6,000
	Residential Academies	Faribault	Tate Hall Renovation	3,500
	Residential Academies	Faribault	Lysen Hall Expansion	4,413
	Veterans Home Board	Hastings	VHB Power Plant	5,000
	Finance	Statewide	Bond Sale Expense	400

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
2000, Chapter 479				
	Transportation	TH 23	Richmond to Cold Springs	17,400
	Transportation	TH 52	Right of Way	27,200
	Transportation	TH 212	CSAH 4 to Trunk Highway 41	10,100
	Transportation	TH 494	Wakota Bridge TH 61	76,000
2000, Chapter 492				
	Administration, Department of	Capitol Complex	Capitol Security Renovation	1,000
	Administration, Department of	Capitol Complex	717 Delaware Street (Health Building)	4,000
	Administration, Department of	Capitol Complex	Capitol Interior Predesign	300
	Administration, Department of	Capitol Complex	Property Acquisition	1,000
	Administration, Department of	Statewide	Statewide CAPRA	10,000
	Administration, Department of	Capitol Complex	Electrical Utility Infrastructure, Phase 4	2,500
	Agriculture, Department of	Statewide	Rural Finance Authority Loan Participation	20,000
	Amateur Sports Commission	Statewide	Statewide Facility Grant Program	810
	Amateur Sports Commission	Blaine	Northwest Sports Center	300
	Children, Families & Learning	Red Lake	Maximum Effort Loan	11,166
	Children, Families & Learning	Statewide	Multicultural Development Grants	2,511
	Children, Families & Learning	Cass Lake	Maximum Effort Loan	7,505
	Children, Families & Learning	Minneapolis	Minnesota Planetarium	1,000
	Children, Families & Learning	Statewide	Library Access Grants	1,000
	Children, Families & Learning	Caledonia	Maximum Effort Loan	14,134
	Children, Families & Learning	Metropolitan	Metropolitan Magnets	16,000
	Children, Families & Learning	Statewide	Early Childhood Learning Facility Grants	3,000
	Children, Families & Learning	LaPorte	Maximum Effort Loan	7,200
	Children, Families & Learning	Grand Meadow	School Facilities Grant	3,000
	Children, Families & Learning	Ulen-Hitterdahl	Maximum Effort Loan	4,025
	Corrections, Department of	Stillwater	MCF-STW — Conversion to Health Services	1,800
	Corrections, Department of	Lino Lakes	MCF-LL — H-Building Remodel, Phase III	3,400
	Corrections, Department of	Faribault	MCF-FRB — Sewer Repair	7,500
	Corrections, Department of	Red Wing	MCF-RW — Mental Health Support and Living Unit	800
	Corrections, Department of	Stillwater	MCF-STW — Wall, Towers, Catwalk, & Security	1,000
	Corrections, Department of	Oak Park Heights	MCF-OPH — 60-bed Admin. Control Unit	855

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Corrections, Department of	Bayport	Storm Sewer Project	2,680
	Finance, Department of	Statewide	Bond Sale Expenses	450
	Grants to Political Subdivisions	Lanesboro	Lanesboro Theater and Arts Center	1,000
	Grants to Political Subdivisions	St. Paul	Rooftop Perspectives, MN Children's Museum	500
	Health, Department of	St. Paul	Gillette Children's Hospital	7,000
	Human Services, Department of	Systemwide	Roof Repair/Replacement	1,971
	Human Services, Department of	St. Peter	SPRTC — Upgrade Shantz & Pextons Bldgs.	7,200
	Human Services, Department of	Systemwide	Asset Preservation	3,000
	MN State Colleges and Universities	Marshall	Library Renovation Design	800
	MN State Colleges and Universities	Bemidji	American Indian History Center	2,000
	MN State Colleges and Universities	Systemwide	Land Acquisitions	300
	MN State Colleges and Universities	St. Cloud	A&B Wing Remodel/Storage	7,992
	MN State Colleges and Universities	Winona	Science Building Design	1,600
	MN State Colleges and Universities	Thief River Falls	Phase II Learning Center	5,000
	MN State Colleges and Universities	Alexandria	Classroom Building	500
	MN State Colleges and Universities	Moorhead	Hagen Hall Sci. Add'n Design	1,600
	MN State Colleges and Universities	Mankato	Student Athletic Facility Renov.	6,907
	MN State Colleges and Universities	Minneapolis	General Education Renovation	11,000
	MN State Colleges and Universities	Edina	Science Building	11,400
	MN State Colleges and Universities	Moorhead	Land Acquisition & Relocate with BSU	5,000
	MN State Colleges and Universities	Moorhead	Construction/Renovation	1,258
	MN State Colleges and Universities	Systemwide	HEAPR	30,000
	MN State Colleges and Universities	Rochester	Horticulture Building	4,500
	MN State Colleges and Universities	Rochester	Site Development	1,400
	MN State Colleges and Universities	Cloquet	Fond Du Lac Instructional Building	4,500
	MN State Colleges and Universities	Park Rapids	Technology/Engineering Center	3,600
	MN State Colleges and Universities	Brooklyn Park	College Realignment	12,500
	MN State Colleges and Universities	St. Cloud	Riverview Renovation Design	3,864
	MN State Colleges and Universities	Minneapolis	Information Technology Center	11,700
	Military Affairs, Department of	Systemwide	Asset Preservation	1,500

I. Project Description (continued)

($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Military Affairs, Department of	Systemwide	Kitchen Renovation	1,000
	Military Affairs, Department of	Little Falls	Camp Ripley Museum	125
	Minnesota Historical Society	Statewide	Historic Sites Network — Asset Preservation	1,750
	Minnesota Historical Society	Pine City	North West Company Fur Post Development	500
	Minnesota Historical Society	Minneapolis	St. Anthony Falls Heritage Center Completion	3,000
	Minnesota Historical Society	Systemwide	County and Local Historic Preservation Grants	500
	Minnesota State Academies	Faribault	West Wing Noyes Hall Phase One	2,066
	Minnesota State Academies	Faribault	Asset Preservation	1,000
	Natural Resources, Department of	Systemwide	ADA Compliance	2,000
	Natural Resources, Department of	Two Harbors	Two Harbors Marina	1,000
	Natural Resources, Department of	St. Paul	Trails, Upper Landing, Raspberry Island	3,000
	Natural Resources, Department of	Systemwide	RIM — Critical Habitat Match	750
	Natural Resources, Department of	Systemwide	Forest Roads and Bridges	1,000
	Natural Resources, Department of	Metropolitan	Regional Parks Capital Improve. Prog.	5,000
	Natural Resources, Department of	Systemwide	Blazing Star State Trail Bridge	750
	Natural Resources, Department of	Systemwide	Prairie Bank Easements	1,000
	Natural Resources, Department of	Red Lake	Red River State Rec Area	1,000
	Natural Resources, Department of	Systemwide	RIM — Wildlife Dev/Habitat Improve	1,000
	Natural Resources, Department of	Systemwide	Trail Acq. Dev. — Paul Bunyan Trail	1,750
	Natural Resources, Department of	Metropolitan	Metro Regional Parks-Kaposia Park	600
	Natural Resources, Department of	Systemwide	Office Facilities Development — DNR	3,250
	Natural Resources, Department of	Systemwide	Greater MN Regional Parks	500
	Natural Resources, Department of	St. Paul	Como Park Education Resource Center	16,000
	Natural Resources, Department of	Minnetonka	Lake Minnetonka public access site acquisition	4,000
	Natural Resources, Department of	Systemwide	Shooting Star State Trail	500
	Natural Resources, Department of	Systemwide	Lewis & Clark Rural Water Project	610
	Natural Resources, Department of	Systemwide	State Park and Rec Area Acquisition	500
	Natural Resources, Department of	Systemwide	State Park & Rec Area Bldg Rehab	1,900
	Natural Resources, Department of	Systemwide	State Park & Rec Betterm’t Rehab	1,500

I. Project Description (continued)

($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Natural Resources, Department of	Systemwide	Flood Hazard Mitigation Grants	14,000
	Natural Resources, Department of	Systemwide	Metro Greenways and Natural Areas	1,500
	Natural Resources, Department of	Systemwide	SNA's and Prairie Bank	500
	Natural Resources, Department of	Moose Lake	Moose Lake State Park-Rock and Gem Museum	1,000
	Natural Resources, Department of	Lake County	Gitchi Gami Trail	400
	Natural Resources, Department of	Duluth	Lake Superior Safe Harbors	2,000
	Natural Resources, Department of	Systemwide	Dam Repair/Reconstruction/Removal	954
	Natural Resources, Department of	Systemwide	Statewide Asset Preservation	2,000
	Natural Resources, Department of	Systemwide	Regional Trail Grants	500
	Natural Resources, Department of	Beltrami County	Big Bog State Rec Area	2,017
	Office of Environmental Assistance	Statewide	Capital Assistance Program	2,200
	Perpich Center for Arts Education	Golden Valley	Delta Dormitory Upgrades	214
	Perpich Center for Arts Education	Golden Valley	Asset Preservation	500
	Perpich Center for Arts Education	Golden Valley	Air Condition Gaia Building	81
	Public Safety, Department of	Little Falls	Public Safety Training Facility	3,000
	Trade & Economic Development	Statewide	MPFA State Matching Fund	12,893
	Trade & Economic Development	Statewide	MPFA Wastewater Infrastructure Funding	12,010
	Trade & Economic Development	Statewide	Clean Water Partnership	2,000
	Trade & Economic Development	Minneapolis	Great Lakes Center	8,800
	Trade & Economic Development	Mora	Workforce Center	100
	University of Minnesota	Morris	Science & Math Building Renovation/Ph 2	8,000
	University of Minnesota	Minneapolis	West Bank — Art Building & Infrastructure	18,500
	University of Minnesota	Systemwide	HEAPR	9,000
	University of Minnesota	St. Paul	Plant Growth Facilities Replcmnt&Renov	5,963
	University of Minnesota	St. Paul	Microbial & Plant Genomics Building	10,000
	University of Minnesota	Systemwide	Research & Outreach Centers — Facility Improvements	1,150
	University of Minnesota	Minneapolis	East Bank — Molecular & Cellular Biology Building	35,000
	University of Minnesota	Duluth	Music Performance Laboratory	6,100
	University of Minnesota	Crookston	Kiehle Bldg Renovation & Addition	6,500
	Veterans Homes Board	Statewide	Asset Preservation	3,000
	Veterans Homes Board	Hastings	Building Preservation	7,000
	Veterans Homes Board	Minneapolis	Repair and Replacement	1,700
	Water & Soil Resources Board	Statewide	RIM Reserve — Habitat, Soil Cons, Water Quality	20,000
	Water & Soil Resources Board	Statewide	Local Gov't Roads Wetland Banking	2,300

I. Project Description (continued)
($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Water & Soil Resources Board	Statewide	RIM Reserve Reserve Programs (Non-CREP)	1,000
	Zoological Gardens	Apple Valley	Heating Supply Line/Chiller Replacement	1,000

Pursuant to a law enacted in 1991, in the Order authorizing the issuance of the Bonds the Commissioner of Finance has reserved the right for a specified period to reassign Bonds issued to legislative authorizations and purposes other than those listed in the section hereof entitled ''Authorization and Purpose'' and on page B-2 of Appendix B. (See Appendix B page B-3).

APPENDIX D

Cash Flow Information

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

> "General Fund" means 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 and 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 State's operating funds included in this definition are the Accounting General Fund, MN State Colleges/Universities Fund, General Projects Fund, Minnesota Resources Fund, State Government Miscellaneous Special Revenue Fund, Health Related Boards Fund, 911 Emergency Fund, Building Code Fund, Natural Resources Funds, Health Care Access Fund, Miscellaneous Special Revenue funds, Endowment School Fund, Game and Fish funds, Reinvest in Minnesota Critical Habitat Plates Fund, Medical Education & Research Expendable Trust Fund, Tobacco Use Prevention Expendable Trust Fund, MNSCU Enterprise Activities Fund, Lottery Cash Flow Fund, State Enterprise funds, and State Internal Service funds.

The cash flow projections are based on actual monthly cash flow observations for these funds beginning with July 1, 1997 through April 30, 2000. The patterns of cash flow observed during this period were used to form the bases for projecting future months.

Revenue, Expenditure and Fund balance information as of the end of the 2000 legislative session was used to compile the projected annual revenue and expenditure totals. The annual totals are distributed across future periods using patterns from historical cash flow observations. Discrete cash flow events are also taken into consideration.

The End of Session 2000 cash flow analysis for the State's Statutory General Fund indicates that the State will have a positive cash flow balance throughout the Current Biennium. Therefore, the State does not expect to do any short-term borrowing for cash flow purposes during the Current Biennium.

The State has not done any short-term borrowing since January 1985 and has no short-term debt outstanding.

STATUTORY GENERAL FUND
MONTHLY CASH FLOW ANALYSIS
Fiscal Year Ended June 30, 2000(1)(2)
(Thousands of Dollars)

	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Total
Beginning Cash Balance(2)	4,502,567	4,270,027	2,824,816	3,209,208	3,524,991	3,347,894	3,367,588	3,895,961	3,974,408	3,802,411	3,882,404	4,024,558	
Receipts:													
Individual Income Taxes	366,773	361,310	558,220	385,135	351,567	497,019	852,937	301,922	251,132	520,143	548,392	472,235	5,466,783
Sales and Use Taxes	126,170	(892,253)	296,356	324,916	287,729	286,265	364,224	266,113	262,511	309,912	296,696	470,215	2,398,852
Corporate Income Taxes	36,782	4,606	136,174	43,409	17,218	135,777	(2,911)	9,104	229,245	33,924	13,434	132,493	789,257
Motor Vehicle Taxes	47,217	49,510	51,178	42,488	39,867	40,145	35,310	34,262	49,126	47,044	48,458	55,467	540,072
Tobacco Product Taxes	3,902	21,612	15,308	16,872	14,599	16,212	15,844	12,894	13,682	14,806	12,795	27,417	185,944
Insurance Taxes	726	18,886	(63)	157	17,346	32,572	151	10,326	43,937	18,140	16,248	40,451	198,877
Other Excise Taxes	13,360	13,884	13,346	13,655	13,603	11,611	12,376	10,533	9,261	9,917	10,733	11,913	144,192
Investment Earnings	17,587	1,061	37,768	13,614	16,124	16,193	17,537	19,205	19,224	20,475	11,847	13,115	203,751
Inter-governmental Grants & Other	210,905	171,561	227,671	234,855	164,875	458,286	252,086	176,583	185,106	189,161	155,596	138,324	2,565,008
Subtotal - Receipts	823,421	(249,822)	1,335,958	1,075,101	922,929	1,494,080	1,547,554	840,943	1,063,224	1,163,521	1,114,199	1,361,631	12,492,737
Total Resources	5,325,988	4,020,205	4,160,773	4,284,308	4,447,920	4,841,974	4,915,142	4,736,904	5,037,631	4,965,933	4,996,603	5,386,188	
Expenditures:													
State Payroll	137,676	94,827	90,647	91,891	89,601	135,056	94,303	95,658	89,765	89,635	96,979	95,164	1,201,202
Agency Operations	84,014	90,370	76,439	76,562	72,696	71,295	65,534	56,854	59,827	53,020	73,706	83,023	863,340
Payment to Individuals	184,108	344,794	246,560	145,353	172,739	176,147	253,976	168,177	146,947	179,759	188,077	180,012	2,386,647
Aid to Counties	227,216	41,402	51,741	27,807	27,433	229,005	16,525	49,229	23,242	36,336	35,389	46,079	811,406
Aid to Cities and Towns	324,437	7,324	47,260	7,791	12,562	319,204	4,629	4,392	3,621	3,672	4,851	7,054	746,798
Aid to School Districts	63,514	329,733	245,198	161,619	295,099	246,525	434,344	221,032	723,320	505,509	382,383	929,915	4,538,190
Higher Education Institutions and Aids	168,983	211,311	139,581	173,897	85,485	170,718	100,661	137,952	156,775	142,786	135,479	134,148	1,757,776
Aid to Other Governments	26,053	7,453	5,564	32,636	5,417	18,314	4,166	3,060	5,337	31,447	10,712	5,541	155,701
Aid to Non-Gov't Organizations	36,934	26,053	19,311	17,383	25,037	17,529	14,806	20,850	10,812	16,471	25,154	15,912	246,253
Other & Net Transfers & Debt Service(4)	(196,974)	42,122	29,265	24,378	313,955	90,594	30,237	5,293	15,573	24,893	19,316	22,458	421,110
Total Expenditures:	1,055,961	1,95,390	951,565	759,317	1,100,026	1,474,386	1,019,181	762,496	1,235,220	1,083,529	972,045	1,519,306	13,128,422
Ending Cash Balance Without Borrowing:	4,270,027	2,824,816	3,209,208	3,524,991	3,347,894	3,367,588	3,895,961	3,974,408	3,802,411	3,882,404	4,024,558	3,866,883	
Minimum Statutory Cash Balance for the Month	4,188,104	2,815,555	2,811,084	3,168,375	3,318,473	3,298,958	3,333,760	3,765,601	3,802,411	3,762,272	3,681,388	3,455,972	

(1) Forecasts for Fiscal Years 2000 and 2001 are based on the end of 2000 Legislative Session.

(2) Totals may differ from detail due to rounding.

(3) Beginning Cash is unaudited and consists of the statutory fund as described on Appendix page D-1.

(4) Includes FY2000 Debt Service Transfers.

STATUTORY GENERAL FUND
MONTHLY CASH FLOW ANALYSIS
Fiscal Year Ended June 30, 2001[1][2]
(Thousands of Dollars)

	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Total
Beginning Cash Balance[2]	3,866,883	2,819,598	2,695,963	2,962,524	3,080,053	3,050,416	3,033,732	3,430,841	3,280,403	2,595,016	2,878,014	3,033,771	
Receipts:													
Individual Income Taxes	356,720	367,472	560,184	445,248	324,222	644,387	741,076	317,495	183,372	596,585	562,116	484,054	5,582,932
Sales and Use Taxes	(498,476)	381,517	316,951	358,183	279,722	328,662	399,388	279,804	262,198	319,094	309,479	490,474	3,226,995
Corporate Income Taxes	18,146	13,792	140,311	35,279	13,727	134,539	22,689	13,684	174,372	27,880	13,395	132,102	739,915
Motor Vehicle Taxes	50,388	44,776	46,770	46,722	32,343	43,462	33,930	31,507	42,707	50,075	48,128	55,090	525,900
Tobacco Product Taxes	1,019	20,907	10,316	17,092	15,499	14,595	14,565	13,631	13,077	15,001	12,742	27,303	175,746
Insurance Taxes	(15,461)	1,182	7,986	2,057	11,888	38,787	1,769	7,541	25,274	37,700	16,672	41,507	176,900
Other Excise Taxes	9,728	10,005	10,736	9,735	10,657	9,265	15,120	10,250	8,559	11,231	9,865	10,950	126,100
Investment Earnings	4,600	4,368	7,758	8,892	4,730	16,609	10,237	13,318	8,709	10,342	9,700	10,738	110,000
Inter-governmental Grants & Other	250,382	164,086	290,712	231,939	168,242	348,286	203,171	208,987	290,087	263,980	220,756	196,251	1,836,879
Subtotal - Receipts	177,046	1,008,105	1,391,722	1,155,146	861,030	1,578,592	1,441,946	896,216	1,008,355	1,331,887	1,202,854	1,448,469	13,501,367
Total Resources	4,043,929	3,827,703	4,087,686	4,117,670	3,941,082	4,629,007	4,475,677	4,327,056	4,288,759	3,926,904	4,080,868	4,482,240	
Expenditures:													
State Payroll	118,214	116,710	96,248	97,278	95,007	119,706	122,304	98,146	97,909	98,265	101,854	99,949	1,261,592
Agency Operations	79,009	75,833	77,677	71,715	72,337	79,600	67,567	67,593	81,116	64,653	77,042	86,648	900,791
Payment to Individuals	181,407	350,030	283,473	240,439	181,925	181,394	193,293	197,207	281,785	188,554	212,100	203,649	2,695,257
Aid to Counties	246,102	63,351	43,682	39,901	34,766	226,792	32,752	55,122	102,142	75,462	44,331	57,978	1,022,381
Aid to Cities and Towns	257,457	8,379	83,935	6,676	10,358	488,999	12,061	6,406	10,522	7,189	5,537	8,054	905,574
Aid to School Districts	34,033	282,284	357,870	408,901	50,380	175,834	438,865	407,532	917,604	409,344	412,939	1,004,251	4,899,837
Higher Education Institutions and Aids	160,858	169,204	139,553	109,912	115,087	202,770	132,744	175,385	143,605	131,223	133,717	137,738	1,751,796
Aid to Other Governments	27,426	12,527	6,673	18,530	18,887	28,145	2,909	1,921	2,879	30,409	11,550	5,945	167,802
Aid to Non-Gov't Organizations	38,112	20,229	20,275	17,798	19,128	31,356	17,049	27,754	18,632	22,326	28,678	18,111	279,448
Other & Net Transfers & Debt Service[4]	81,714	33,191	15,775	26,467	292,793	60,679	25,292	9,586	37,547	21,465	19,346	22,833	646,689
Total Expenditures:	1,224,332	1,131,739	1,125,162	1,037,617	890,667	1,595,276	1,044,837	1,046,653	1,693,742	1,048,890	1,047,097	1,645,156	14,531,167
Ending Cash Balance Without Borrowing:	2,819,598	2,695,963	2,962,524	3,080,053	3,050,416	3,033,732	3,430,841	3,280,403	2,595,016	2,878,014	3,033,771	2,837,083	
Minimum Statutory Cash Balance for the Month	2,698,386	2,564,416	2,542,478	2,812,738	2,987,626	2,927,274	2,942,263	3,158,201	2,579,584	2,682,627	2,775,085	2,535,604	

(1) Forecasts for Fiscal Years 2000 and 2001 are based on the end of 2000 Legislative Session.

(2) Totals may differ from detail due to rounding.

(3) Beginning Cash is unaudited and consists of the statutory fund as described on Appendix page D-1.

(4) Includes FY2001 Debt Service Transfers.

STATUTORY GENERAL FUND
MONTHLY CASH FLOW ANALYSIS
Comparison of Forecast to Actual
Ending Cash Balances
(Thousands of Dollars)

	Forecast Ending Balance	Actual Ending Balance	Variance
May 2000	$4,024,558	$4,379,173	$354,615
June 2000	3,866,883	4,306,484	439,601
July 2000	2,819,598	3,193,095	373,497
August 2000	2,695,963	3,091,338	395,375
September 2000	2,962,524	3,737,849	775,325

APPENDIX E

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 outstanding as of November 1, 2000, is set forth below.

Agency Indebtedness

Minnesota Housing Finance Agency (MHFA). The MHFA was established in 1971, and is governed by Chapter 462A of the Minnesota Statutes. The enabling legislation for the MHFA authorizes it to issue bonds and notes in amounts such that the principal amount outstanding at any instant of time (excluding the principal amount of any bonds or notes that have been refunded) is limited to an amount of $2.4 billion. The proceeds from the 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 production and rehabilitation of single and multi-family housing.

The MHFA's notes and bonds are general 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 for inclusion in the State budget, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds to its debt service reserve requirement. In the opinion of bond counsel and general counsel to the MHFA, the Legislature is legally authorized to appropriate the amount included in the Governor's proposed budget for debt service reserve fund, but is not legally obligated to appropriate such amount. Under Chapter 462A, if such a deficiency is certified, the MHFA is also required to certify to the Governor any anticipated deficiency in the revenues of the following fiscal year, estimated to be available for the payment of principal installments and interest due in that year, and the Governor is required to report such an anticipated deficiency to the Legislature.

The principal amount of bonds and notes of the MHFA which are outstanding at any time (excluding the principal amount of any bonds and notes advance refunded) is limited to $2,400,000,000. The following table lists the principal amounts of indebtedness, all of which are general obligations of the MHFA, which were outstanding as of November 1, 2000:

Minnesota Housing Finance Agency
Bonds Outstanding As Of: November 1, 2000

	Number of Series	Interest Rate	Maturity Due	Original Amount (in thousands)	Outstanding Amount 06/01/2000 (in thousands)
Housing Development	3	6.20% to 7.05%	2001-2027	$ 117,995	$ 67,970
Rental Housing	17	4.00% to 8.00%	2001-2030	365,980	270,345
Residential Housing Finance	2	4.75% to 7.12%	2001-2017	96,770	58,390
Single Family Mortgage	102	3.75% to 8.05%	2001-2033	2,005,575	1,579,250
	124			$2,586,320	$1,975,955

The payment of principal and interest on obligations of the Agency as shown above may be made, if necessary, from the MHFA's General Reserve Account.

University of Minnesota. The University of Minnesota 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 Board of Regents has sold and issued bonds to finance the construction of buildings and structures needed for the University. The amount of such bonds outstanding as of November 1, 2000 was $487,316,184. 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.

Minnesota Higher Education Services Office (MHESO). The MHESO was established and is organized and existing under Minnesota Statutes, Sections 136A.01 to 136A.236 and 136A.61 to 136A.88. The 1995 Legislature named MHESO as successor for all of the bonds of the Minnesota Higher Education Coordinating Board. The law authorizes the MHESO to issue revenue bonds and notes to finance guaranteed 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 $550,000,000. The loans are made and insured in accordance with HEW's Guaranteed Student Loan Program instituted pursuant to Part B of Title IV of the Higher Education Act of 1965 as amended. As of November 2000, MHESO had $129,700,000 of bonds outstanding payable from the Supplemental Educational Loan Fund II. These obligations are payable solely from loan repayments, loan insurance, loan and investment earnings, other money of the MHESO, and, if necessary, from proceeds of additional MHESO obligations.

Minnesota State Colleges and Universities Board (MSCUB). The MSCUB was established and is governed by Minnesota Statutes, Chapter 136F, which authorized the MSCUB to issue its revenue bonds as specified to finance the construction and improvement of dormitory, residence hall, student union, food service and other revenue producing buildings and related facilities located or to be located on the campuses of the State Universities comprising the Minnesota State Colleges and Universities. The 1994 Legislature named MSCUB as successor for all of the bonds of the Minnesota State University Board. As of November 1, 2000, the MSCUB had $28,055,000 bonds are payable solely from and secured by an irrevocable pledge of revenues to be derived from the operation of the buildings financed and from fees imposed upon students for student activities, student facilities or other sources.

Minnesota Higher Education Facilities Authority (MHEFA). The MHEFA was established by Minnesota Statutes, Section 136A.25 to 136A.42, passed in 1971. The law authorized the MHEFA to issue revenue bonds to finance the acquisition, construction, improvement and remodeling of college buildings and structures to be used solely for or to facilitate nonsectarian educational purposes, and to refinance facilities of this type. The amount of such bonds outstanding at any time may not exceed $500,000,000. As of November 1, 2000, the MHEFA had $442,382,770 principal amount of bonds outstanding. Each issue is payable solely from and secured by a first lien on the revenues of the project financed, reserve funds and a guarantee of the institution for which the project is financed.

Minnesota State Armory Building Commission (MSABC). The 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 anytime may not exceed $15,000,000. As of November 1, 2000, the MSABC had $4,655,000 principal amount of bonds outstanding. The 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 State Zoological Board. (MSZB). The State appropriated moneys to finance the acquisition and construction of a State zoological garden which is owned and operated by the MSZB. The MSZB is not specifically authorized by law to borrow money or issue obligations in evidence thereof. However, in 1977 the Legislature authorized the MSZB to acquire an automated, monorail transportation system for the garden by installment purchase contract, and the MSZB entered into such a contract for this purpose.

On April 1, 1980, the Minnesota State Zoological Board was unable to make the installment payment then due under the installment purchase contract. On December 30, 1985 the State and investors entered into closing documents through which the State acquired all investor rights to the monorail system for the sum of $1.5 million. The documents released the State from any and all investor claims against the State and MSZB regarding the monorail system.

Minnesota Rural Finance Authority. In 1986 the Legislature created the Minnesota Rural Finance Authority (RFA) 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 November 1, 2000, the RFA has no revenue bonds outstanding for these programs.

The Commissioner of Finance is authorized to issue up to $111 million in State general obligation bonds to finance certain programs of the RFA and has issued $88,100,000 of these bonds, including bonds of this issue, for this purpose.

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 November 1, 2000, the RFA had issued $26,402,000, of revenue bonds for these programs.

Minnesota Public Facilities Authority (MPFA). The MPFA was established in 1987 by Minnesota Statutes, Chapter 446A which authorized it to make loans to local government units for wastewater treatment projects. In 1994, Chapter 446A was amended to authorize the MPFA to also make loans for drinking water projects, and amended again in 1997 to authorize the MPFA to also make loans for transportation projects. As of November 1, 2000, the MPFA had outstanding bonds of: Water Pollution Control Revenue Bonds, $637,805,000, Drinking Water Revenue Bonds, $21,395,000, and Transportation Revenue Bonds, $17,080,000, for a total outstanding amount of $676,280,000. The MPFA's bonds are not a debt or liability of the state. The principal amount of MPFA bonds issued and outstanding at anytime may not exceed $850,000,000. For bonds issued before January 1, 1994, if a deficiency is certified, the MPFA is required to certify to the Governor any anticipated deficiency in the revenues of the following fiscal year, estimated to be available for the payment of principal installments and interest due in that year. The Governor is required to report such anticipated deficiencies to the Legislature. For bonds issued before January 1, 1994, in the opinion of bond counsel and general counsel to the MPFA, the Legislature is legally authorized to appropriate the amount included in the Governor's proposed budget to the debt service reserve fund, but is not legally obligated to appropriate such amount.

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 November 1, 2000, MAEDB will have outstanding $40,575,000 of pooled revenue bonds which 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 outstanding $603,955,906 of revenue bonds 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.

Office of the Commissioner of the Iron Range Resources & Rehabilitation (IRRRB). THE IRRRB was established by Minnesota Statutes, Chapter 298, to perform certain functions for the Northeastern portion of the State, including the promotion of economic development. The IRRRB is authorized to issue revenue bonds to accomplish the promotion of economic development. As of November 1, 2000 the IRRRB had $3,510,000 of bonds outstanding to finance the Giant's Ridge Recreation Area.

Minnesota Department of Finance. Minnesota Laws 1991, Chapter 350, authorized the State to issue revenue bonds secured by the State's full faith and credit in an amount up to $50,000,000 to finance the construction and equipping of an engine repair facility in Hibbing, and up to $125,000,000 to finance the construction and equipping of an aircraft maintenance facility in Duluth. By agreement dated December 21, 1994 with Northwest Airlines, Inc. (''NAI''), the intended lessee of both facilities, and certain other parties, it was agreed that the Hibbing facility would not be constructed and that the State would use its best efforts to issue revenue bonds secured by the State's full faith and credit for the Duluth facility. The State issued $47,670,000 of revenue bonds in May 1995, $41,050,000 of the revenue bonds will remain outstanding as of November 1, 2000, of which $23,630,000 were payable primarily from lease payments of NAI, and $17,420,000 were payable primarily from tax increment revenues derived from the Duluth facility and other revenues of the City of Duluth. In the event such revenues are insufficient the State will have the right to apply to the payment of such bonds, or to reimburse itself for making such payments from, certain state-aid payments otherwise payable to the City of Duluth. Of the $41,050,000 revenue bonds outstanding, $40,950,000 are secured by the State's full faith and credit and $100,000 secured by the full faith and credit of St. Louis County. The bonds are structured so that the initial bonds, together with expected later refundings, will provide financing over a 30 year amortization period. The 1997 Minnesota Legislature cancelled $48,765,000 of the bonding authorization for the Hibbing facility.

The Minnesota Supreme Court ruled in *Cambridge State Bank et al. v. James* litigation that the State must refund a portion of the Minnesota bank excise taxes paid by financial institutions for tax years 1979 through 1983. The 1995 Minnesota Legislature authorized the Commissioner of Finance to issue up to $400 million of State revenue bonds to pay the judgment and the related obligations. $200 million of the revenue bonds were sold in May 1996. As of November 1, 2000 there were $52,455,000 outstanding. The debt service on the revenue bonds is secured by and payable from three revenue sources: (1) 60% of the net proceeds of the State lottery that had been credited to the Accounting General Fund; (2) money received from the federal government or third party payors to pay or to reimburse the State for payment of certain medical expenses, including medicare and medicaid payments, insurance payments and payments from the individuals who received the services, that had been credited to the Accounting General Fund; and (3) non-dedicated departmental earnings that had been credited to the Accounting General Fund. All three sources of revenue are deposited in a special revenue fund, and amounts required to pay debt service are periodically transferred to a special debt service fund. The total amount of these revenues received in each fiscal year are forecast to be significantly greater than the amount needed to pay the estimated debt service on the revenue bonds. Revenues in excess of the annual debt service on the bonds are periodically transferred to the Accounting General Fund.

The 1999 Minnesota Legislature authorized, in Minnesota Statutes, Section 356.89, the issuance of up to $38 million of state revenue bonds to finance the acquisition, design, construction and equipping of a building and related facilities to be jointly occupied by the Minnesota State Retirement System, the Teachers Retirement Association and the Public Employees Retirement Association. The Commissioner of Finance sold $29,000,000 of the revenue bonds in June 2000. As of November 1, 2000, there were $29,000,000 of Minnesota State Retirement System bonds outstanding.

APPENDIX F
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 20th 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, Lt. Governor, Attorney General, State Auditor, State Treasurer, and Secretary of State are popularly elected to four year terms. There are 20 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 4 year terms. House members number 134 and serve 2 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.

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

Fiscal Administration

The Department of Finance was created in 1973 under the control and supervision of the Commissioner of Finance. The Commissioner 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. Included in the financial duties of the Commissioner 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 and certain revenue bonds, general obligation certificates of indebtedness, 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).

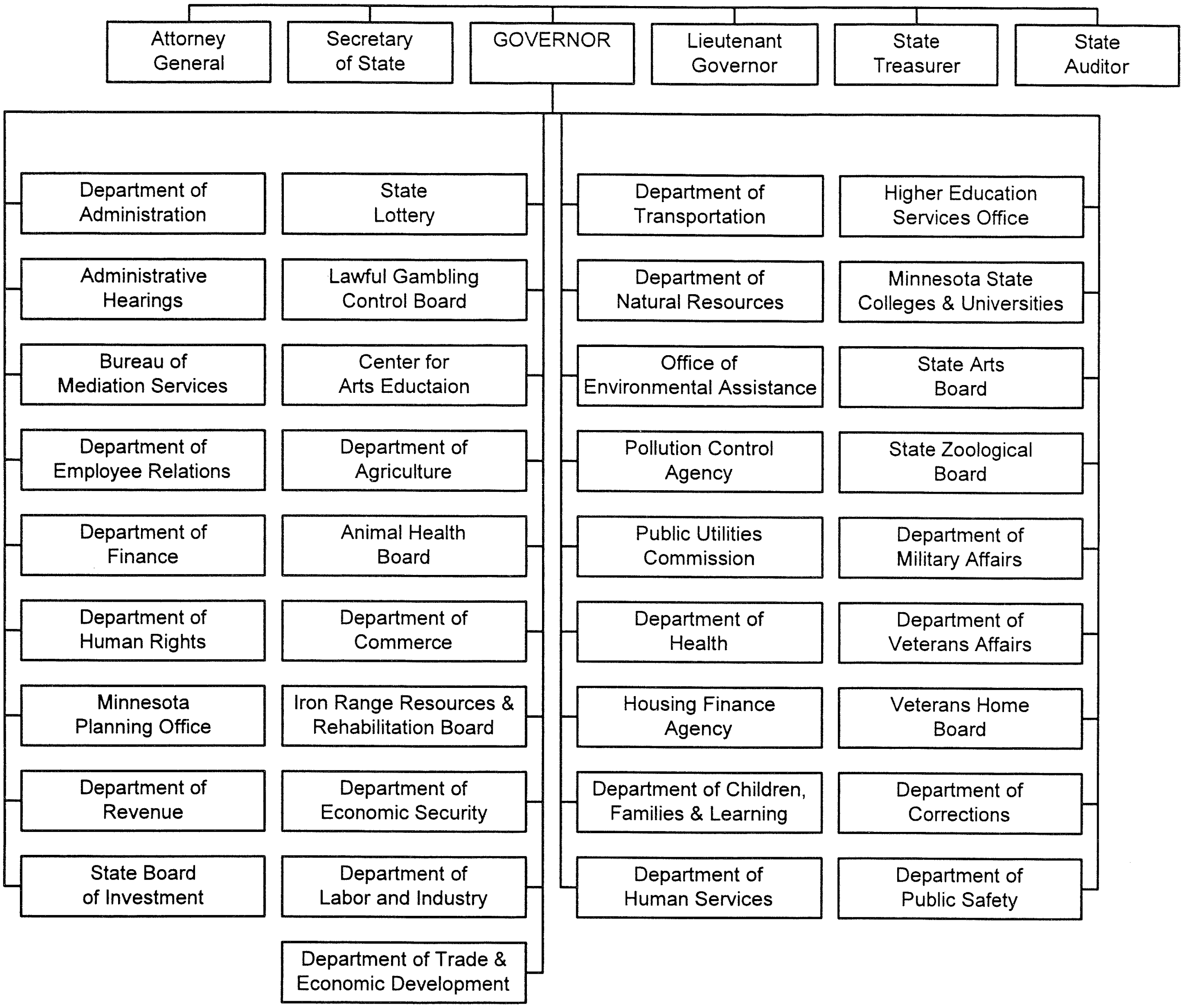
Preparation of revenue, expenditure and cash flow estimates.

Banking and cash management activities.

Accounting System

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

STATE ORGANIZATION CHART



State law requires the Commissioner of Finance 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 Finance to prepare a comprehensive financial report for each Fiscal Year of the State in conformance with generally accepted accounting principles by the December 31 following the end of the fiscal year. These reports are audited by the Legislative Auditor. The Legislative Auditor's opinion and the 1999 general purpose financial statements are presented in Appendix A, and general long term debt unaudited schedules are presented in Appendix B.

Investments

The State Board of Investment, comprised of five 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 regulations on types and terms of investments imposed by law on each grouping. The investments are grouped as follows:

Invested Treasurer's Cash — temporary investment of a pool of cash, not immediately needed, from funds other than funds dedicated by the 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.

Treasurer

The primary function of the Office of the State Treasurer is to receive and account for all moneys paid into the State Treasury until the same is properly disbursed or invested. The Treasurer's computerized system of bank accounts provides a daily cash position pursuant to which all moneys not then obligated are certified for investment and future use.

Minnesota voters approved a constitutional amendment in November 1998 that will eliminate the Office of the State Treasurer in January 2003. The Minnesota Legislature will determine to what office the Treasurer's responsibilities will be transferred.

Revenues and Budgeting

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

Audit Control Procedures

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

Auditor is independent of the executive branch and the departments, boards, commissions and other agencies thereof that it is responsible for auditing.

Status of Collective Bargaining

The State currently has 17 bargaining units for State employees. The Department of Employee Relations, Labor Relations Bureau, negotiates seven non-faculty labor contracts. Staff within the Minnesota State Colleges and Universities System bargain four faculty contracts. The Department of Employee Relations develops compensation plans for unrepresented employees. All contracts and compensation plans are subject to review and approval by the Legislature.

Contracts and compensation plans affecting all employees have been settled and approved for the Current Biennium.

Bargaining units; Employees Represented

Set forth is a table showing the exclusive representatives representing State employees and the number of employees represented by each.

INFORMATION ON STATE BARGAINING UNITS

UNIT Union or Association	Employees as of July 9, 2000
AFSCME (6 bargaining units)	19,818
MN Association of Professional Employees	10,277
Middle Management Association	2,826
MN Government Engineers Council	879
MN Nurses Association	839
MN Law Enforcement Association	736
State Residential Schools Education Association	166
MN Community College Faculty Association	1,564
State University Inter-Faculty Association	2,977
State University Administrative Faculty Association	460
United Technical College Educators	2,227
Total Represented Employees	42,769
Total State Employment	49,712
Percent of All Executive Branch Employees Unionized	86%

APPENDIX G

Minnesota Defined Benefit Retirement Plans

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 appropriation. Estimates of direct Accounting General Fund appropriations to these plans for the Previous Biennium and Current Biennium are shown in Table G-1. Additionally, Table G-2 presents summary data on the financial condition of the plans for the most recent Fiscal Year on which valuation data is available. Information provided in Table G-2 includes:

a. current assets held in trust for participants;
b. the accrued benefit liability;
c. the accrued liability funding ratio;
d. the number of plan members;
e. identification of the funds for which the State has custodial responsibility; and
f. identification of the funds for which the State may have a contingent liability.

Information concerning the specific benefit provisions of each plan is available upon request from the Commissioner of Finance.

Effective July 1, 1997, annual cost-of-living increases tied to national CPI are guaranteed up to 2.5%. Any benefit increase beyond that level is based on a rolling five-year average market value gain to retiree assets, less an assumed minimum 6% return.

Each plan's financing requirement is determined by a specific formula established in State law. No assurance can be provided that the formulas will not change in the future. A brief description of the existing formulas follows:

1. *Minnesota State Retirement System; State Teachers' Retirement Association; Public Employees' Retirement Association; and the Minneapolis, Duluth, and St. Paul Teachers' Retirement Associations.* For each of these funds the contribution is specified in statute as a fixed percentage of the plan member's salary.

2. *Adjustments for Pre-1973 Retirees in Various Funds.* Contributions for these adjustments are included in payroll deductions and employer contributions as part of the total fund liabilities with the exception of the *Minneapolis Employees Retirement Fund (MERF),* for which the State makes annual appropriation of $550,000. MERF is a closed fund, and if the State withdrew this aid, unfunded liabilities would simply appreciate by the same amount. This appropriation terminates after Fiscal Year 2001.

3. *State's share of amortizing unfunded liabilities of 44 local police or fire relief associations that are being phased out.* Current State law provides that the State's contribution for the next 12 years will remain at the level of the Fiscal Year 1992 appropriation, or less, as plans achieve full-funding, before the year 2010.

4. *Minneapolis Employees' Retirement Fund.* This fund is closed to new members. The annual Accounting General Fund obligation is specified in statute as: (a) the total annual level dollar contribution needed to amortize the entry-age normal unfunded liability by 2020 as estimated in the most recent valuation, less (b) 2.5% of covered payroll, and less (c) $3,900,000. The total cannot exceed $9,000,000 per year. Absent any change in existing law, this obligation is expected to diminish over time, approaching zero by the year 2005.

5. *Legislators' Retirement Plan.* This plan is terminally funded. When a plan member retires, Accounting General Fund appropriations adequate to cover the cost of benefits for his projected life are transferred to the plan account.

6. *Judges' Retirement Plan.* This plan is funded through employer/employee contributions as a fixed percentage of salary, as defined in statute.

7. *Constitutional Officers' Plan.* Accounting General Fund appropriations are transferred to this account on a current disbursements basis as retirement benefits are paid.

TABLE G-1

	Estimated Direct Accounting General Fund Appropriation		
	Previous Biennial Total	**Current Biennial Total**	**Next Biennium Total**
		($ in thousands)	
Constitutional Officers' Retirement	$ 353	$ 412	$ 412
Legislators' Retirement Plan	7,677	7,850	7,600
Judges' Retirement Plan[(1)]	0	4,621	4,072
Minneapolis Employees' Retirement Fund			
Amortization of Unfunded Liability[(2)]			
Adjustment for pre-1973 retirees[(3)]	19,728	9,658	8,000
Local Police or Fire Associations	18,372	15,801	15,807
Minneapolis Teachers' Retirement Assoc.[(4)]	35,890	29,629	30,908
St. Paul Teachers' Retirement Association[(4)]	7,654	5,654	5,654
Duluth Teachers' Retirement Association[(4)]	972	972	972
TOTAL	$90,646	$74,597	$73,425

(1) The Judges' Retirement Plan was converted to a pre-funded plan in the 1991 legislative session. Contributions for all active judges are now covered through payroll, not direct appropriation. An open Accounting General Fund appropriation continues for a small group of retirees and survivors whose benefits are still covered on a pay-as-you-go basis.

(2) Beginning in Fiscal Year 1992, the State capped all amortization aid to the Minneapolis Employees Retirement Fund at $10,455,000. Effective July 1, 1998, that cap was reduced to $9,000,000. Any requirements beyond the capped aid are the exclusive obligation of the employer units.

(3) The pre-1973 adjustment to the Minneapolis Employees Retirement Fund was also capped beginning in Fiscal Year 1992, at $550,000 annually, and terminates after Fiscal Year 2001.

(4) These plans are separate from the State Teachers' Retirement Association, and the State has no direct custodial relationship. Benefits, investment practices and contributions are, however, controlled by statute. The 1997 Legislature passed a major pension bill that included reallocations of current funding (no net new expenditure) which largely resolve ongoing actuarial deficiencies heretofore affecting the Minneapolis and St. Paul teacher retirement plans.

1999 Pension Legislation

(1) The 1999 legislature enacted a provision for eligible Teachers Retirement Association (TRA) members with out-of-state, maternity or military service to purchase service credit for non-covered TRA service time. The cost to purchase such service is primarily borne by the member, with employers permitted, but not required, to share in the cost of the service purchased.

(2) A local Correctional Employees Retirement Plan was established for public employees employed in county-administered jails or regional correctional facilities administered by multiple counties who spend at least 95% of their working time in direct contact with persons confined in those facilities. Contribution rates will increase for that group of employees to pay for increased benefits.

(3) 44 local police or fire relief associations that have consolidated with Public Employees Retirement Association (PERA) since 1987 were merged into PERA's Police & Fire Plan as of July 1, 1999. Consolidated fund active and retired members are allowed to elect Post Fund benefits.

(4) PERA's Police & Fire Plan contribution rates were reduced, and early retirement reduction factors were cut in half.

(5) The Minnesota State Retirement System (MSRS) Correctional and State Patrol Plans both had increases in the subsidization of early retirement and the Correctional Plan employer and employee contribution rates were increased.

2000 Pension Legislation

(1) The legislature adopted recommended actuarial changes from the last four-year experience study. (Every four years, the assumptions used to forecast funding requirements are tested against actual experience.)

(2) Penalties tied to postretirement earnings limitations were reduced and in some cases eliminated. This followed the pattern set on the national level for social security recipients.

TABLE G-2

Condition of Defined Benefit Pension Plans to Which Minnesota Provides Accounting General Fund Resources, July 1, 1999[1]
($ in Millions)

Plan	Current Assets	Accrued Benefit Liability	Funding Ratio	Members Active	Members Other
1. Funds For Which the State Has Custodial Responsibility					
State Teachers' Retirement Plan	$14,011	$13,260	105.7%	68,613	55,086
State Employees' Retirement Plan	5,969	5,464	109.2%	47,168	37,371
State Correctional Plan	335	307	109.1%	2,882	1,124
Highway Patrol Plan	473	406	116.4%	825	705
Judges' Plan	97	140	70.0%	282	250
Legislators' Plan[2]	33	66	50.4%	180	378
Constitutional Officers' Plan[2]	—	3	5.9%	6	17
Public Employees' Retirement Assoc.					
— General Plan	8,489	9,444	89.9%	137,528	71,227
— Police & Fire Plan	3,680	3,005	122.5%	9,477	5,822
— Local Gov't Correctional Plan[3]	0	0	N/A	2,280	0
2. Other Funds to Which the State Contributes					
Minneapolis Employees' Retirement Fund	1,328	1,434	92.6%	1,363	5,192
Local Police & Fire Relief Associations	709	787	90.1%	457	1,586
St. Paul Teachers' Ret. Fund Assoc.	704	939	75.0%	4,378	3,188
Minneapolis Teachers' Ret. Fund Assoc.	939	1,394	67.4%	5,308	5,488
Duluth Teachers' Ret. Fund Assoc.	218	221	99.2%	1,509	1,651

(1) The information provided in this table reflects the condition of all funds as of June 30, 1999 except for local police & fire relief association funds. Information for the latter is for calendar year 1998. Figures for local police and fire combine data on 5 separate funds. The number of these funds reporting separately declines as plans consolidate within the statewide PERA Police & Fire Consolidation Fund.

(2) The Legislators' and Constitutional Officers' defined benefit retirement plans are not pre-funded. Legislator retirements are funded on a terminal basis with assets accumulated only for retirees and survivors: Constitutional Officer retirements are financed on a pay-as-you-go basis from annual appropriations — there are no separate assets reserved for this plan.

(3) The Public Employees Local Government Correctional Service Retirement Plan 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 General Plan.

Effective July 1, 1997, these defined benefit plans are closed to new members. All newly elected officials and current members so choosing, will be covered under the Unclassified Employees defined contribution retirement program.

APPENDIX H

Selected Economic and Demographic Statistics

Population Trends In The State

Minnesota resident population grew from 4,085,000 in 1980 to 4,387,000 in 1990 or, at an average annual compound rate of .7 percent as shown in Table 1. In comparison, U.S. population grew at an annual compound rate of .9 percent during this period. Between 1990 and 1999, data in Table 1 indicate Minnesota population grew at annual compound rate of .9 percent as compared to 1.0 percent for the U.S. Minnesota population is currently forecast by the U.S. Department of Commerce to grow at an annual compound rate of .8 percent through 2010.

The Structure Of The State's Economy

Diversity and a significant natural resource base are two important characteristics of the State's economy.

When viewed in 1999 at a highly aggregative level of detail, the structure of the State's economy parallels the structure of the United States economy as a whole. As shown in Table 2 below, State employment in ten major sectors was distributed in approximately the same proportions as national employment. In all sectors, the share of total State employment was within two percentage points of national employment share.

Some unique characteristics of the State's economy are apparent in employment concentrations in industries that comprise the durable goods and non-durable goods manufacturing categories summarized in Tables 3 and 4. In the durable goods industries, the State's employment in 1999 was highly concentrated in the industrial machinery and instrument and miscellaneous categories. Of particular importance is the industrial machinery category in which 30.3 percent of the State's durable goods employment was concentrated in 1999, as compared to 19.3 percent for the United States as a whole. The emphasis is partly explained by the location in the State of Unisys, IBM, Seagate Technology, and other computer equipment manufacturers which are included in the industrial machinery classification. Concentration in the instruments and miscellaneous category is partly explained by the presence in the state of Medtronic and other manufacturers of cardiac pacemakers.

The importance of the State's rich resource base for overall employment is apparent in the employment mix in non-durable goods industries displayed in Table 4. In 1999, 29.5 percent of the State's non-durable goods employment was concentrated in food and kindred industries, and 16.6 percent in paper and allied industries. This compares to 22.7 percent and 9.0 percent, respectively, for comparable sectors in the national economy. Both of these rely heavily on renewable resources in the State. Over half of the State's acreage is devoted to agricultural purposes, and nearly one-third to forestry. Printing and publishing is also relatively more important in the State than in the U.S.

Mining is currently a less significant factor in the State economy than it once was. Mining employment, primarily in the iron ore or taconite industry, dropped from 17.3 thousand in 1979 to 7.4 thousand in 1999. It is not expected that mining employment will return to 1979 levels. However, Minnesota retains vast quantities of taconite as well as copper, nickel, cobalt, and peat which may be utilized in the future.

Employment Growth In The State

In the period 1980 to 1990, overall employment growth in Minnesota lagged behind national growth as shown in Table 5. However, manufacturing has been a strong sector, with Minnesota employment outperforming its U.S. counterpart in both the 1980-1990 and 1990-1999 periods.

In spite of a strong manufacturing sector, during the 1980 to 1990 period total employment in Minnesota increased 17.9 percent while increasing 20.1 percent nationally. Most of Minnesota's relatively slower growth is associated with declining agricultural employment and with the two recessions in the U.S. economy during the early 1980s which were more severe in Minnesota than nationwide. Minnesota non-farm employment growth generally kept pace with the nation in the period after the 1981-82 recession ended in late 1982. In the period 1990 through 1996, non-farm employment growth in Minnesota exceeded national growth. Since then, Minnesota and U.S. employment have expanded at about the same rate. Employment data indicate the recession which began in July 1990 was less severe in Minnesota than in the national economy, and that Minnesota's recovery was more rapid than the nation's. Between 1990 and 1999, Minnesota's non-farm employment grew 22.5 percent compared to 17.7 percent nationwide.

Performance Of The State's Economy

Since 1980, State per capita personal income has usually been within eight percentage points of national per capita personal income. As shown in Table 6, the State's per capita income, which is computed by dividing personal income by total resident population, has generally remained above the national average in spite of the early 1980s recessions and some difficult years in agriculture. In 1999, Minnesota per capita personal income was 107.9 percent of its U.S. counterpart.

Tables 7, 8, and 9 show the performance of the Minnesota economy relative to the eleven other states in the North Central Region. Measures used for comparison are total personal income, population, personal income per capita, and non-agricultural employment. In the level of personal income per capita, as shown in Table 7, Minnesota ranked second among the twelve states in both 1990 and 1999. During the period 1980 to 1990, Minnesota ranked first in growth of personal income and first during the period 1990 to 1999. Table 8 shows that Minnesota does not rank first in personal income growth among neighboring states every year. Over the period 1980 to 1990, Table 9 shows Minnesota non-agricultural employment grew 20.3 percent while the entire North Central Region grew 14.4 percent. During the 1990-1999 period, Minnesota non-farm employment increased 22.5 percent, while regional employment increased 16.5 percent.

Another measure of the vitality of the State's economy is its unemployment rate. Table 10 shows that during 1998 and 1999, the State's monthly unemployment rate was generally less than the national unemployment rate, averaging 2.8 percent in 1999, as compared to the national average of 4.2 percent.

TABLE 1
RESIDENT POPULATION
(Thousands of Persons)

Year	U.S.	Minnesota	Average Annual Compound % Change U.S.	Average Annual Compound % Change Minnesota
1970	203,800	3,815	1.3	1.1
1980	227,220	4,085	1.1	0.7
1990	249,440	4,387	1.1	1.1
1991	252,130	4,427	1.1	0.9
1992	254,990	4,472	1.1	1.0
1993	257,750	4,522	1.1	1.1
1994	260,290	4,566	1.0	1.0
1995	262,800	4,605	1.0	0.9
1996	265,230	4,648	0.9	0.9
1997	267,780	4,688	1.0	0.9
1998	270,250	4,726	0.9	0.8
1999	272,690	4,776	0.9	1.1

Source: Standard & Poor's DRI, @ Markets Data Bank

TABLE 2
EMPLOYMENT MIX IN UNITED STATES AND MINNESOTA FOR 1999
(Thousands of Jobs)

Category	Minnesota	% of Total	U.S.	% of Total
Manufacturing Durable	260.3	9.7	11,103	8.4
Manufacturing Non-Durable	179.2	6.7	7,401	5.6
Mining	7.4	0.3	535	0.4
Construction	112.1	4.2	6,403	4.8
Transportation and Public Utilities	130.5	4.9	6,826	5.2
Trade	619.3	23.2	29,712	22.5
Finance, Insurance and Real Estate	160.3	6.0	7,569	5.7
Services	765.8	28.7	39,027	29.6
Government	373.2	14.0	20,170	15.3
Agriculture	64.0	2.4	3,281	2.5
Total	2,672.1	100.0	132,027	100.0

Sources: U.S. Employment — Standard & Poor's DRI, U.S. Central Data Bank.

Minnesota Employment — Minnesota Department of Economic Security, unpublished data, March 2000. Minnesota services data includes Indian gaming.

Minnesota employment data benchmarked to March 1999 levels.

Industry detail determined according to the Standard Industrial Code of 1987.

U.S. employment data benchmarked to March 1999 levels.

Minnesota agricultural employment: Unpublished estimate from the Minnesota Department of Economic Security.

U.S. agricultural employment: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 2000.

Columns may not add due to rounding.

TABLE 3
EMPLOYMENT IN DURABLE GOODS INDUSTRIES IN UNITED STATES AND MINNESOTA FOR 1999
(Thousands of Jobs)

Durable Goods	Minnesota	% of Total	U.S.	% of Total
Furniture, Lumber and Wood	28.7	11.0	1,377	12.4
Stone, Clay, Glass	10.4	4.0	563	5.1
Primary Metals	8.1	3.1	700	6.3
Fabricated Metals	36.6	14.1	1,517	13.7
Industrial Machinery	78.8	30.3	2,141	19.3
Electronic Equipment	34.5	13.3	1,670	15.0
Transportation Equipment	15.1	5.8	1,884	17.0
Instruments and Miscellaneous	48.0	18.4	1,251	11.3
Total	260.2	100.0	11,103	100.0

Sources: U.S. Employment — Standard & Poor's DRI, U.S. Central Data Bank.

Minnesota Employment — Minnesota Department of Economic Security, unpublished data.

Minnesota employment data benchmarked to March 1999. U.S. data benchmarked to March 1999. Both Minnesota and U.S. industry detail determined according to the Standard Industrial Code of 1987.

Columns may not add due to rounding.

TABLE 4
EMPLOYMENT IN NON-DURABLE GOODS INDUSTRIES IN UNITED STATES AND MINNESOTA FOR 1999
(Thousands of Jobs)

Non-Durable Goods(1)	Minnesota	% of Total	U.S.	% of Total
Food and Kindred	52.9	29.5	1,677	22.7
Textiles and Apparel	5.7	3.2	1,253	16.9
Paper and Allied	29.8	16.6	668	9.0
Printing and Publishing	55.1	30.7	1,553	21.0
Chemical and Petroleum	14.1	7.9	1,168	15.8
Rubber and Leather	21.6	12.1	1,084	14.6
Total	179.2	100.0	7,403	100.0

Sources: U.S. Employment — Standard & Poor's DRI, U.S. Central Data Bank.

Minnesota Employment — Minnesota Department of Economic Security, unpublished data.

Minnesota data benchmarked to March 1999. U.S. data benchmarked to March 1999. Both Minnesota and U.S. industry detail determined according to the Standard Industrial Code of 1987.

(1) Excludes "Tobacco Products Manufacturing."

Columns may not add due to rounding.

TABLE 5
EMPLOYMENT MIX IN THE UNITED STATES AND MINNESOTA FOR 1980, 1990 AND 1999
(Thousands of Jobs)

	Minnesota					United States				
				% Change					% Change	
Category	**1980**	**1990**	**1999**	**1980-1990**	**1990-1999**	**1980**	**1990**	**1999**	**1980-1990**	**1990-1999**
Manufacturing Durable	225.7	231.5	260.3	2.6	12.4	12,159	11,109	11,103	(8.6)	(0.1)
Manufacturing Non-Durable(1)	145.5	169.3	179.2	16.4	5.8	8,058	7,919	7,401	(1.7)	(6.5)
Mining	15.6	8.1	7.4	(48.1)	(8.6)	1,027	709	535	(31.0)	(24.5)
Construction	76.5	79.5	112.1	3.9	41.0	4,346	5,119	6,403	17.8	25.1
Transportation and Public Utilities	99.1	109.5	130.5	10.5	19.2	5,146	5,777	6,826	12.3	18.2
Trade	442.8	519.5	619.3	17.3	19.2	20,310	25,774	29,712	26.9	15.3
Finance, Insurance and Real Estate	94.8	125.2	160.3	32.1	28.0	5,160	6,709	7,569	30.0	12.8
Services	369.7	549.2	765.8	48.6	39.4	17,890	27,934	39,027	56.1	39.7
Government	300.6	337.7	373.2	12.3	10.5	16,241	18,304	20,170	12.7	10.2
Agriculture	123.8	103.1	64.0	(16.7)	(37.9)	3,364	3,223	3,281	(4.2)	1.8
Total	1,894.1	2,232.6	2,672.1	17.9	19.7	93,701	112,577	132,027	20.1	17.3

Sources: Minnesota 1980, 1990 and 1999 — Minnesota Department of Economic Security, unpublished data.

U.S. 1980, 1990 and 1999, Standard & Poor's DRI, U.S. Central Data Bank.

Minnesota employment data benchmarked to March 1999 levels. Minnesota services data includes Indian gaming. U.S. employment benchmarked to March 1999. Both Minnesota and U.S. industry detail determined according to the Standard Industrial Code of 1987.

Minnesota agricultural employment: Unpublished estimate from Minnesota Department of Jobs and Training. U.S. Agricultural employment: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings January 2000.

U.S. and Minnesota agricultural employment data for 1999 not necessarily comparable with earlier years because of changes in methodology.

(1) Excludes tobacco products manufacturing.

TABLE 6
MINNESOTA AND UNITED STATES PER CAPITA PERSONAL INCOME

Year	Minnesota	U.S.	Minnesota as % of U.S.
1980	$10,320	$10,183	101.3
1990	20,013	19,584	102.2
1991	20,491	20,089	102.0
1992	21,696	21,082	102.9
1993	22,067	21,718	101.6
1994	23,467	22,581	103.9
1995	24,586	23,562	104.3
1996	26,265	24,651	106.5
1997	27,546	25,874	106.5
1998	29,505	27,322	108.0
1999	30,789	28,542	107.9

Source: Standard & Poor's DRI, @ Markets Data Bank.

TABLE 7
PERSONAL INCOME GROWTH AND RESIDENT POPULATION FOR TWELVE STATE NORTH CENTRAL REGION
1980-1990 and 1990-1999

State	1980 Personal Income (Millions)	1990 Personal Income (Millions)	1980-1990 Annual Compound Rate of Increase (%)	Regional Rank 1980-1990	1999 Personal Income (Millions)	1990-1999 Rate of Increase (%)	Regional Rank 1990-1999	1990 Population (Thousands)	1990 Per Capita Personal Income ($)	1990 Regional Rank	1999 Population (Thousands)	1999 Per Capita Personal Income ($)	1999 Regional Rank
Illinois	126,660	237,590	6.49	8	377,740	5.29	4	11,447	20,756	1	12,128	31,146	1
Ohio	109,120	204,110	6.46	9	305,640	4.59	11	10,862	18,792	4	11,257	27,151	5
Michigan	95,970	177,100	6.32	11	277,300	5.11	9	9,310	19,023	3	9,864	28,112	3
Indiana	51,880	97,910	6.56	7	155,370	5.26	5	5,555	17,625	9	5,943	26,143	9
Wisconsin	47,880	89,030	6.40	10	143,810	5.47	3	4,902	18,161	6	5,250	27,393	4
Missouri	46,220	91,000	7.01	3	144,240	5.25	6	5,126	17,753	8	5,468	26,378	8
Minnesota	42,160	87,790	7.61	1	147,050	5.90	1	4,387	20,013	2	4,776	30,789	2
Iowa	28,181	48,313	5.54	12	73,499	4.77	10	2,780	17,379	10	2,869	25,618	10
Kansas	23,781	45,104	6.61	6	71,194	5.20	7	2,481	18,180	5	2,654	26,825	7
Nebraska	14,578	28,591	6.97	4	45,065	5.19	8	1,581	18,084	7	1,666	27,050	6
South Dakota	5,625	11,312	7.24	2	18,361	5.53	2	697	16,230	11	733	25,049	11
North Dakota	5,297	10,121	6.69	5	14,773	4.29	12	637	15,889	12	634	23,301	12

Source: Standard & Poor's DRI, @ Markets data bank.

TABLE 8
GROWTH OF PERSONAL INCOME BY STATES IN NORTH CENTRAL REGION(1)
1998-1999

Rank	State	Percent Growth
1	South Dakota	5.58
2	MINNESOTA	5.46
3	Michigan	5.34
4	Kansas	5.04
5	Nebraska	4.93
6	Wisconsin	4.92
7	Indiana	4.44
8	Missouri	4.42
9	Illinois	4.41
10	Ohio	3.95
11	Iowa	3.40
12	North Dakota	1.74
	REGION	4.69

Source: Standard & Poor's DRI, @ Markets data bank.

(1) Refer to Table 7 for Personal Income figures.

TABLE 9
NON-AGRICULTURAL EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION
(Thousands of Jobs)

State	1980 Employment	1990 Employment	1999 Employment	% Increase 1980-1990	1990-1999
Illinois	4,850.3	5,288.3	5,955.1	9.0	12.6
Ohio	4,367.4	4,882.3	5,548.0	11.8	13.6
Michigan	3,442.8	3,969.6	4,528.4	15.3	14.1
Indiana	2,129.4	2,521.9	2,968.3	18.4	17.7
Wisconsin	1,938.1	2,291.5	2,776.9	18.2	21.2
Missouri	1,969.8	2,345.0	2,725.1	19.0	16.2
MINNESOTA	1,770.2	2,129.5	2,608.5	20.3	22.5
Iowa	1,109.2	1,226.3	1,466.7	10.5	19.6
Kansas	944.7	1,088.5	1,327.0	15.2	21.9
Nebraska	627.6	730.1	890.9	16.3	22.0
South Dakota	238.0	288.7	372.8	21.3	29.1
North Dakota	245.2	265.9	323.4	8.4	21.6
Region	23,632.7	27,027.6	31,491.1	14.4	16.5

Source: Standard & Poor's DRI, @ Markets data bank. Minnesota employment data from Minnesota Department of Economic Security.

TABLE 10
MINNESOTA AND U.S. UNEMPLOYMENT RATES FOR 1998, 1999 AND THE FIRST EIGHT MONTHS OF 2000 NOT SEASONALLY ADJUSTED

Month	Minnesota	U.S.
1998		
January	3.4%	5.2%
February	3.1%	5.0%
March	3.0%	5.0%
April	2.5%	4.1%
May	1.9%	4.2%
June	2.8%	4.7%
July	2.2%	4.7%
August	2.0%	4.5%
September	2.8%	4.4%
October	2.2%	4.2%
November	2.3%	4.1%
December	2.4%	4.0%
Annual Average	2.5%	4.5%

Month	Minnesota	U.S.
1999		
January	3.6%	4.8%
February	3.3%	4.7%
March	3.2%	4.4%
April	2.8%	4.1%
May	2.4%	4.0%
June	3.4%	4.5%
July	2.8%	4.5%
August	2.5%	4.2%
September	2.9%	4.1%
October	2.3%	3.8%
November	2.2%	3.8%
December	2.2%	3.7%
Annual Average	2.8%	4.2%

Month	Minnesota	U.S.
2000		
January	3.3%	4.5%
February	3.1%	4.4%
March	3.1%	4.3%
April	2.7%	3.7%
May	2.5%	3.9%
June	2.8%	4.2%
July	2.3%	4.2%
August	2.5%	4.1%

Source: Minnesota Department of Economic Security.

TABLE 11
MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500

Rank			Sales	Assets		Net Income	
99	**98**	**Company**	**$000**	**$000**	**Rank**	**$000**	**Rank**
32	30	Target	33,702,000	17,143,000	156	1,144,000	92
86	84	United Healthcare	19,562,000	10,273,000	231	568,000	180
99	86	Supervalu	17,420,500	4,265,900	363	191,300	337
110	103	Minnesota Mining & Mfg.. . . .	15,659,000	13,896,000	193	1,763,000	56
165	175	Northwest Airlines	10,276,000	10,584,000	228	300,000	278
169	195	Best Buy	10,077,900	2,512,500	437	224,400	324
204	171	St. Paul Cos..	8,641,000	38,873,000	80	834,000	125
212	215	U.S. Bancorp	8,435,400	81,530,000	47	1,506,500	65
267	NA	Cenex Harvest States.	6,434,500	2,787,700	422	NA	NA
279	272	General Mills.	6,246,100	4,140,700	368	534,500	187
381	533	Medtronic	4,134,100	4,870,300	348	468,400	205
383	372	Nash Finch	4,123,200	862,400	495	19,800	443
458	453	Hormel Foods.	3,357,800	1,685,600	468	163,400	358
500	507	ReliaStar Financial.	3,037,300	24,926,900	118	253,600	306

Source: *Fortune Magazine,* dated April 17, 2000.

APPENDIX I

Continuing Disclosure Undertaking

The Commissioner's Order authorizing the issuance of the Bonds will contain provisions enabling participating underwriters in the primary offering of the Bonds to comply with the requirements of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, paragraph (b)(5), in substantially the following form:

Section 3. *Official Statement; Continuing Disclosure.*

3.01. *Official Statement.* The Official Statement relating to the Bonds dated November 2000 (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 initial purchasers of the Bonds designated in Section 12 hereof (the "Initial Purchasers") are authorized and directed to distribute the Official Statement to all persons to whom the Bonds are reoffered.

3.02. *Continuing Disclosure.*

(a) *General Undertaking.* On behalf of the State the Commissioner covenants and agrees with the Registered Owners from time to time of the Bonds to comply with Rule 15c2-12, paragraph (b)(5); and, for this purpose, to provide to nationally recognized municipal securities information repositories and any Minnesota state information depository, annual financial information of the type included in the Official Statement and notice of the occurrence of certain specified events which materially affect the terms, payment, security, rating or tax status of the Bonds, as set forth in this Section. The State is the only "obligated person" in respect of the Bonds within the meaning of Rule 15c2-12. As used in this Section 3.02, "Registered Owner" means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Bond, any person or entity which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or is treated as the owner of the Bond for federal income tax purposes.

(b) *Information To Be Disclosed.* The Commissioner will provide, in the manner set forth in paragraph (c) hereof, either directly or indirectly through an agent designated by the Commissioner, the following information (the "Disclosure Information") at the following times:

(1) On or before December 31 of each year, commencing in 2000 (each a "Reporting Date"):

(A) The general purpose financial statements of the State for the Fiscal Year ending on the previous June 30, prepared by the Department of Finance 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 submitted to each of the repositories referred to under this paragraph (b) or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. 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 a Material Fact (as defined in paragraph (2) hereof), 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 paragraph (b)(1) or subsection (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.

(2) In a timely manner, notice of the occurrence of any of the following events and which is a Material Fact (as hereinafter defined):

(A) Principal and interest payment delinquencies;

(B) Non-payment related defaults;

(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 or events affecting the tax-exempt status of the security;

(G) Modifications to rights to security holders;

(H) Bond calls;

(I) Defeasances;

(J) Release, substitution, or sale of property securing repayment of the securities; and

(K) Rating changes.

As used herein, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a “Material Fact” is also an event that would be deemed “material” for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(3) 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 (1) of this paragraph (b) at the time specified thereunder;

(B) the amendment or supplementing of this Section 3.02 pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the State under subsection (d)(2);

(C) the termination of the obligations of the State under this Section 3.02 pursuant to subsection (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the information required under subparagraph (1) of this paragraph (b) are prepared; and

(E) any change in the fiscal year of the State.

(c) *Manner of Disclosure.* The Commissioner agrees to make available the information described in paragraph (b) to the following entities by telecopy, overnight delivery, mail or other means, as appropriate:

(1) the information described in subparagraph (1) of paragraph (b), to each then nationally recognized municipal securities information repository under Rule 15c2-12 and to any State information depository then designated or operated by the State of Minnesota as contemplated by Rule 15c2-12 (the "State Depository"), if any;

(2) the information described in subparagraphs (2) and (3) of paragraph (b), to the Municipal Securities Rulemaking Board and to the State Depository, if any; and

(3) the information described in paragraph (b), to any rating agency then maintaining a rating of the Bonds and, at the expense of any Registered Owner, to any Registered Owner who requests in writing such information at the time of transmission under subparagraphs (1) or (2) of this paragraph (c), as the case may be, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(d) *Term; Amendments; Interpretation.*

(1) The covenants of the State in this Section 3.02 shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the State under this Section 3.02 shall terminate and be without further effect as of any date on which the State delivers to the Registrar an opinion of bond counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the State to comply with the requirements of this Section 3.02 will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule 15c2-12 or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) 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 (3) of paragraph (c)) or the consent of the Registered Owners of any Bonds, by an order of the Commissioner accompanied by an opinion of bond counsel, who may rely on certificates of the State and others and the opinion may be subject to customary qualifications, to the effect that: (A) such amendment or supplement (i) 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 (ii) is required by, or better complies with, the provisions of paragraph (b)(5) of Rule 15c2 12; (B) this Section 3.02 as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of Rule 15c2-12 at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that Rule 15c2-12 is 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.

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.

(3) This Section 3.02 is entered into to comply with the continuing disclosure provisions of Rule 15c2-12 and should be construed so as to satisfy the requirements of Rule 15c2-12.

(e) *Failure to Comply; Remedies.* If the State fails to comply with any provision of this Section 3.02 any person aggrieved thereby, including the Registered Owner of any outstanding Bond, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section 3.02. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 3.02 constitute a default with respect to the Bonds or under any other provision of this Order.

(f) *Further Limitation of Liability of State.* If and to the extent the limitations of liability contained in subsection (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.

The Commissioner of Finance is not in default of any continuing disclosure obligation with respect to any outstanding general obligation bond of the State.

APPENDIX J
Definition of Ratings

Moody's Investors Service, Inc.:

Aaa Bonds which are rated "Aaa" are judged to be of the best quality. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Standard & Poor's Ratings Group:

AAA Debt rated "AAA" has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

Fitch Investors Service, L.P.:

AAA Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal which is unlikely to be affected by reasonably foreseeable events.

APPENDIX K
Form of Legal Opinion

The Honorable Pamela Wheelock
Commissioner of Finance
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $285,000,000 General Obligation State Bonds

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Finance of the State of Minnesota on behalf of the State, preliminary to and in issuance of $285,000,000 General Obligation State Bonds, consisting of $255,000,000 General Obligation State Various Purpose Bonds and $30,000,000 State General Obligation Trunk Highway Bonds dated November 1, 2000 (the Bonds). The Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, rules, regulations and judicial decisions now in effect, it is our opinion that:

1. The Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

2. Interest on the Bonds (a) is not includable in gross income for federal income tax purposes or in 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; (c) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and (d) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes.

The opinions expressed in paragraph 2 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes. Noncompliance by the State following the issuance of the Bonds with covenants made by the Commissioner of Finance in the Order authorizing the issuance of the Bonds relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for United States income tax purposes and in net taxable income for State of Minnesota income tax purposes, retroactive to the date of issuance of the Bonds. No provision has been made for an increase in the interest payable on the Bonds in the event that the interest payable thereon becomes includable in gross income for federal or State income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Bonds.

Dated: November , 2000.

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By ________________________

By ________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

FINANCIAL SECURITY ASSURANCE®

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (Business Day - Minnesota)

ISSUER:

BONDS:

Policy No.:

Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of Minnesota or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By: ______________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 559NY (MN 9/90)