PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 16, 2026

NEW ISSUE

RATINGS: Moody's: "Aa1"
S&P: "AA+"
(See "Ratings" herein.)

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

MINNESOTA HOUSING

$50,000,000*
MINNESOTA HOUSING FINANCE AGENCY
$10,895,000* State Appropriation Bonds (Housing Infrastructure), 2026 Series A (Non-AMT)
$39,105,000* State Appropriation Bonds (Housing Infrastructure), 2026 Series B (Non-AMT)

Dated Date: Date of Delivery **Due: As shown on inside front cover**

Tax Exemption Interest on the Series Bonds is excludable from gross income for federal income tax purposes or taxable net income of individuals, estates and trusts for Minnesota income tax purposes, provided interest on any 2026 Series B Bond is not excludable from gross income for federal income tax purposes of any holder of those Series Bonds who is a "substantial user" of a facility financed with the proceeds of those Series Bonds or a "related person" within the meaning of Section 147(a) of the Code. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations.")

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

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

Interest Payment Dates February 1 and August 1, commencing February 1, 2027*, and, for any Series Bonds to be redeemed, the redemption date.

Denominations $5,000 or any multiple thereof.

Closing/Settlement October 15, 2026* through the facilities of DTC in New York, New York.

Bond Counsel Kutak Rock LLP.

Underwriters' Counsel Dorsey & Whitney LLP.

Trustee Computershare Trust Company, National Association, in St. Paul, Minnesota.

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

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

RBC Capital Markets

Morgan Stanley **Northland Securities** **Piper Sandler & Co.** **Wells Fargo Securities**

The date of this Official Statement is __________, 2026.

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* Preliminary; subject to change.

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

2026 Series A Bonds (Non-AMT)

Due (August 1)	Principal Amount	Interest Rate	Price	Yield**	CUSIP***
2027	$1,280,000	%	%	%	
2028	1,345,000				
2029	1,415,000				
2030	1,485,000				
2031	1,565,000				
2032	1,640,000				
2033	1,725,000				
2034	440,000				

2026 Series B Bonds (Non-AMT)

Due (August 1)	Principal Amount	Interest Rate	Price	Yield**	CUSIP***
2034	$1,375,000	%	%	%	
2035	1,910,000				
2036	2,005,000				
2037	2,110,000				
2038	2,215,000				
2039	2,330,000				
2040	2,450,000				
2041	2,575,000				
2042	2,710,000				
2043	2,845,000				
2044	2,995,000				
2045	3,145,000				
2046	3,310,000				
2047	3,475,000				
2048	3,655,000				

* Preliminary; subject to change.

** Priced at the stated yield to the August 1, 2035 optional redemption date at par. (See "THE SERIES BONDS—Optional Redemption" herein).

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

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

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

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

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

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

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OFFICIAL STATEMENT
relating to
$50,000,000*
MINNESOTA HOUSING FINANCE AGENCY
STATE APPROPRIATION BONDS (HOUSING INFRASTRUCTURE)
2026 SERIES A AND 2026 SERIES B

This Official Statement (which includes the cover page, inside front cover and Appendices) provides certain information concerning the Minnesota Housing Finance Agency (the "Agency"), created by Minnesota Statutes, Chapter 462A, as amended (the "Act"), the State of Minnesota (the "State"), and the State Appropriation Bonds (Housing Infrastructure), 2026 Series A (the "Series 2026A Bonds"), and State Appropriation Bonds (Housing Infrastructure), 2026 Series B (the "Series 2026B Bonds;" and collectively with the Series 2026A Bonds, the "Series Bonds"), in connection with the offering and sale of the Series Bonds by the Agency and for the information of all who may become initial Owners of the Series Bonds.

The Agency is issuing the Series Bonds pursuant to the Act, an Indenture of Trust, dated as of August 1, 2013, as supplemented by a Fifteenth Supplemental Indenture of Trust, to be dated as of October 1, 2026 (as so supplemented, and as amended and supplemented from time to time in accordance with its terms, the "Indenture"), each between the Agency and Computershare Trust Company, National Association, as successor trustee (the "Trustee"). Pursuant to the Indenture, the Agency has issued 35 series of its State Appropriation Bonds (Housing Infrastructure), consisting of its State Appropriation Bonds (Housing Infrastructure), 2013 Series A and 2013 Series B (the "Series 2013AB Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2014 Series A and 2014 Series B (the "Series 2014AB Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2015 Series A, 2015 Series B and 2015 Series C (the "Series 2015ABC Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2016 Series A and 2016 Series B (the "Series 2016AB Bonds") and 2016 Series C (the "Series 2016C Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2017 Series A (the "Series 2017A Bonds"), its State Appropriation Bonds (Housing Infrastructure), 2018 Series A (the "Series 2018A Bonds"), 2018 Series B (the "Series 2018B Bonds"), 2018 Series C and 2018 Series D (the "Series 2018CD Bonds"), its State Appropriation Bonds (Housing Infrastructure) 2019 Series A and 2019 Series B (the "Series 2019AB Bonds"), and 2019 Series C and 2019 Series D (the "Series 2019CD Bonds"), its State Appropriation Bonds (Housing Infrastructure) 2020 Series A, 2020 Series B and 2020 Series C (the "Series 2020ABC Bonds") and 2020 Series D (the "Series 2020D Bonds"), its State Appropriation Bonds (Housing Infrastructure) 2021 Series A, 2021 Series B and 2021 Series C (the "Series 2021ABC Bonds") and 2021 Series D (the "Series 2021D Bonds"), its State Appropriation Bonds (Housing Infrastructure) 2022 Series A (the "Series 2022A Bonds") and 2022 Series B and 2022 Series C (the "Series 2022BC Bonds"), its State Appropriation Bonds (Housing Infrastructure) 2023 Series A and 2023 Series B (the "Series 2023AB Bonds"), its State Appropriation Bonds (Housing Infrastructure) 2024 Series A (the "Series 2024A Bonds"), and its State Appropriation Bonds (Housing Infrastructure) 2025 Series A and 2025 Series B (the "Series 2025AB Bonds", and collectively with the Series 2013AB Bonds, the Series 2014AB Bonds, the Series 2015ABC Bonds, the Series 2016AB Bonds, the Series 2016C Bonds, the Series 2017A Bonds, the Series 2018A Bonds, the Series 2018B Bonds, the Series 2018CD Bonds, the Series 2019AB Bonds, the Series 2019CD Bonds, the Series 2020ABC Bonds, the Series 2020D Bonds, the Series 2021ABC Bonds, the Series 2021D Bonds, the Series 2022A Bonds, the Series 2022BC Bonds, the Series 2023AB Bonds, and the Series 2024A Bonds, the "Prior Series Bonds") in the original aggregate principal amount of $561,090,000, of which $442,420,000 are outstanding. The Series Bonds, the Prior Series Bonds and any additional bonds (the "Additional Bonds") issued pursuant to the Indenture are equally and ratably secured thereunder and are herein called the "Bonds".

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

* Preliminary; subject to change.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State, established in 1971 pursuant to the Act. Sections 462A.37 and 462A.375 of the Act authorizes the Agency to issue its bonds to fund loans, or grants with respect to manufactured home parks and single family housing ("Housing Infrastructure Loans"), to pay for all or a portion of the costs of the construction, acquisition, adaptive reuse, and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families; all or a portion of the costs of the acquisition and rehabilitation of foreclosed or abandoned housing on property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed; that portion of the costs of acquisition of property that is attributable to the land to be leased by community land trusts to low- and moderate-income homebuyers; the costs of acquisition, improvement and infrastructure of manufactured home parks; all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing; all or a portion of the costs of the acquisition, rehabilitation and replacement or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit; acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing; all or a portion of the costs of construction, acquisition, adaptive reuse, and rehabilitation of permanent housing that is affordable to households with incomes at or below 50 percent of the area median income; all or a portion of the costs of construction, acquisition, rehabilitation, conversion, and development of cooperatively owned housing created under state law that is affordable to low- and moderate-income households; and all or a portion of the costs of the construction, acquisition, and rehabilitation of supportive housing for girls and women to provide them protection from and the means to escape exploitation and trafficking.

The Agency is issuing the Series Bonds to provide money to fund Housing Infrastructure Loans and to pay costs of issuance of the Series Bonds. (See "Estimated Sources and Uses of Funds.") For a description of the developments expected to be financed with proceeds of the Series Bonds, see "The Developments" herein. The Series Bonds are secured, on parity with the Prior Series Bonds and Additional Bonds, if any, hereafter issued under the Indenture, by a pledge made by the Agency under the Indenture of all amounts appropriated to the Agency by the State pursuant to Section 462A.37 of the Act (the "Housing Infrastructure State Appropriations"). Section 462A.37 of the Act provides that amounts necessary to pay principal of and premium, if any, and interest on housing infrastructure bonds issued pursuant to Section 462A.37 of the Act, and the fees, charges and expenses related thereto, are appropriated annually from the State general fund (the "General Fund") to the Commissioner of Management and Budget for transfer to the Agency. The amount appropriated with respect to the Series 2013AB Bonds and the Series 2014AB Bonds, collectively, will not exceed $2,200,000 annually for transfer to the Agency through July 15, 2035. The amount appropriated with respect to Series 2015ABC Bonds, the Series 2016AB Bonds, the Series 2017A Bonds and the Series 2018A Bonds, collectively, will not exceed $6,400,000 annually for transfer to the Agency through July 15, 2037. The amount appropriated with respect to the Series 2016C Bonds and the Series 2018B Bonds, collectively, will not exceed $800,000 annually for transfer to the Agency through July 15, 2038. The amount appropriated with respect to the Series 2018CD Bonds and the Series 2019AB Bonds, collectively, will not exceed $2,800,000 annually for transfer to the Agency through July 15, 2040. The amount appropriated with respect to the Series 2019CD Bonds, the Series 2020ABC Bonds and the Series 2021A Bonds, collectively, in an aggregate principal amount up to $80,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Bonds for transfer to the Agency annually beginning July 15, 2020, through July 15, 2041. The amount appropriated with respect to the Series 2020D Bonds and the Series 2021B Bonds, collectively, in an aggregate principal amount up to $60,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Bonds for transfer to the Agency annually beginning July 15, 2022, through July 15, 2043. The amount appropriated with respect to the Series 2021CD Bonds and the Series 2022A Bonds, collectively, in an aggregate principal amount up to $100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Bonds for transfer to the Agency annually beginning July 15, 2022, through July 15, 2043. The amount appropriated with respect to the Series 2022BC Bonds, the Series 2023AB Bonds, and the Series 2024A Bonds, collectively, in an aggregate principal amount up to $100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Bonds for transfer to the Agency annually beginning July 15, 2023, through July 15, 2044. The amount appropriated with respect to the Series 2025AB Bonds, collectively, in an aggregate principal amount up to $50,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Bonds for transfer to the Agency annually beginning July 15, 2026, through July 15, 2047. The amount appropriated with respect to the Series Bonds and any Additional Bonds, collectively, in an aggregate principal amount up to $50,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest, and the fees, charges, and expenses related to, those Bonds for transfer to the Agency annually beginning July 15, 2027, through July 15, 2048. Upon the issuance of the Series Bonds, there will be approximately $100,000,000 authorized but unissued debt supported by the Housing Infrastructure State Appropriations ($3,910,000 of previously authorized but unissued debt having been either canceled or not supported by the remaining portion of the appropriation limit), by an amendment to Section 462A.37 of the Act enacted in May 2026.

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

THE AGENCY

Purpose

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

Structure

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

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

John DeCramer, Chair — Term expires January 2028, Marshall, Minnesota – Magnetics Engineer

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

Melanie Benjamin, Member — Term expires January 2029, Onamia, Minnesota – Consultant

Eric Cooperstein, Member — Term expires January 2027, Edina, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2027, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2030, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expires January 2028, St. Paul, Minnesota – Program Director

Staff

The staff of the Agency presently consists of approximately 331 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

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

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

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

Ryan Baumtrog — Deputy Commissioner appointed effective March 2026. Prior to this role, he served for more than 11 years as Assistant Commissioner for Policy and Community Development at the Agency. In that capacity, Mr. Baumtrog led the development of Agency policy positions and directed policy and community development efforts at the local, state, and federal levels. He and his team advanced the State's housing budget and policy agenda, engaged on federal legislative and regulatory matters, and worked to ensure Agency programs effectively met the needs of people, communities, and stakeholders across Minnesota. Previously, Mr. Baumtrog served as Financial Planning Director at Minnesota Management & Budget (MMB), where he worked on the Governor's budget and state economic forecasts. Mr. Baumtrog holds a Master of Public Policy and Administration from the La Follette School of Public Affairs at the University of Wisconsin-Madison and a Bachelor of Arts in Political Science from the University of Wisconsin-Madison.

Maria Steele — Executive Finance Officer appointed effective February 2026. Prior to joining the Agency, Ms. Steele was Chief Financial Officer at the Teachers Retirement Association (TRA) from July 2021 to January 2026. Prior to TRA, she was the Judicial Accounting Manager II for the State of Minnesota from September 2012 through July 2021. She was an Accounting Manager at private organizations before working for the State of Minnesota. Ms. Steele has also held various other accounting positions of increasing responsibility for private organizations and nonprofits. Ms. Steele holds a Bachelor of Science degree with a major in Accounting from Cardinal Stritch University.

Matthew Dieveney — Executive Investment Officer, appointed effective November 2024. Mr. Dieveney was previously Secondary Marketing Director for the Agency since 2016. Prior to that position, he held various roles of increasing responsibility in the Single Family division and later the Finance division, since joining the Agency in 2008. Mr. Dieveney holds a Bachelor of Arts degree with a major in Finance from the University of

Minnesota-Duluth, and a Master of Business Administration degree from the University of Minnesota Carlson School of Management.

Jonathan Moler — General Counsel appointed effective February 2026. Prior to becoming General Counsel at the Agency, Mr. Moler served as Deputy General Counsel from February 2024 until December 2025. Prior to joining the Agency, Mr. Moler served as an Assistant Attorney General with the Office of the Minnesota Attorney General from 2014 until 2024. Mr. Moler holds a Juris Doctor from the University of Minnesota Law School and a Bachelor of Arts from Carleton College.

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

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102 and its general telephone number is (651) 296-7608. The Agency's website address is http://www.mnhousing.gov. No portion of the Agency's website is incorporated into this Official Statement.

Agency Continuity of Operations Plan

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

Cybersecurity

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

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology

Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

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

THE SERIES BONDS

General

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

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

The Series Bonds will bear interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2027*, and, for any Series Bonds then to be redeemed, on any redemption date, at the respective annual rates set forth on the inside front cover hereof until payment of the principal or redemption price of the Series Bonds. Interest on the Series Bonds is calculated on the basis of a 360-day year composed of twelve 30-day months and will be payable to the Owners of record in the bond registration books maintained by the Trustee as of the Record Date.

Optional Redemption

The Agency may redeem Series Bonds maturing on or after August 1, 2036, at its option, in whole or in part, on any date on or after August 1, 2035, from the stated maturities and in the principal amounts selected by the Agency, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

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

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* Preliminary; subject to change.

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

NATURE OF OBLIGATION AND SOURCE OF PAYMENT

General

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

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

The Indenture provides that, as received each year, all Housing Infrastructure State Appropriations paid by the State to the Agency will be remitted by the Agency to the Trustee for deposit into the Bond Fund held under the Indenture and that amounts in the Bond Fund are irrevocably pledged to and must be used for the payment of principal of and premium (if any) and interest on the Bonds, as and when principal, premium and interest become due and payable. The Trustee may also use moneys in the Bond Fund in excess of the amount necessary to pay the principal of and interest on Outstanding Bonds in the current Fiscal Year to pay fees, charges and expenses with respect to the Bonds, except as otherwise required under the Indenture upon occurrence of Event of Default and with respect to advances, counsel fees and other expenses reasonably made or incurred by the Trustee (see "Appendix A — Summary of Certain Provisions of the Indenture — Application of Revenues and Other Moneys After Event of Default" and "—Compensation of Trustee"). Upon written direction of the Agency, the Trustee may use moneys in the Bond Fund to purchase Bonds maturing or subject to redemption on a sinking fund payment date on either of the next two interest payment dates after that purchase, provided that the Bonds are delivered to the Trustee for cancellation upon purchase.

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

The Housing Infrastructure State Appropriations

Section 462A.37 of the Act provides that the Agency may issue up to $715,000,000 of housing infrastructure bonds in one or more series to which Housing Infrastructure State Appropriations may be pledged. To qualify as housing infrastructure bonds, the Bonds must be "qualified 501(c)(3) bonds" (within the meaning of Section 145(a) of the Internal Revenue Code of 1986, as amended (the "Code")), finance qualified residential rental projects within the meaning of Section 142(d) of the Code, finance the construction or rehabilitation of single-family houses that qualify for mortgage financing within the meaning of Section 143 of the Internal Revenue Code or not be "private activity bonds" (within the meaning of Section 141(a) of the Code). The Bonds may be issued for the purpose of making loans, or grants with respect to manufactured home parks and single family housing, on terms and conditions the Agency deems appropriate, to finance all or a portion of the costs of the construction, acquisition and rehabilitation of supportive housing for individuals and families who are without a permanent residence with a preference to be given for developments serving certain individuals and families; all or a portion of the costs of the acquisition and rehabilitation of property to be used for affordable rental housing and the construction of rental housing on that property where the existing structures will be demolished or removed; that portion of the costs of the acquisition of abandoned or foreclosed property that is attributable to the land to be leased by community land trusts to low and moderate income homebuyers; the costs of acquisition, improvement and infrastructure of manufactured home parks; all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing; all or a portion of the costs of the acquisition, rehabilitation and replacement or refinancing of federally assisted rental housing, including refunding outstanding bonds issued by the Agency or another governmental unit; and all or a portion of the costs of acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing; all or a portion of the costs of construction, acquisition, adaptive reuse, and rehabilitation of permanent housing that is affordable to households with incomes at or below 50 percent of the area median income; all or a portion of the costs of construction, acquisition, rehabilitation, conversion, and development of cooperatively owned housing created under state law that is affordable to low- and moderate-income households; all or a portion of the costs of the construction, acquisition, and rehabilitation of supportive housing for girls and women to provide them protection from and the means to escape exploitation and trafficking; and for other authorized purposes under the Act. For a description of the developments expected to be financed with proceeds of the Series Bonds, see "The Developments" herein.

Section 462A.37 of the Act requires the Agency to annually certify to the Commissioner of Management and Budget the actual amount of principal of and premium, if any, and interest on each series of Bonds issued pursuant to the Act payable in that year and the fees, charges and expenses related to the Bonds. The amount so certified with respect to the Series 2013AB Bonds and the Series 2014AB Bonds, collectively, may not exceed $2,200,000 annually for appropriation on July 15 of each year until July 15, 2035. The amount so certified with respect to the Series 2015ABC Bonds, the Series 2016AB Bonds, the Series 2017A Bonds and the Series 2018A Bonds, collectively, may not exceed $6,400,000 annually, for appropriation on July 15 of each year until July 15, 2037. The amount so certified with respect to the Series 2016C Bonds and the Series 2018B Bonds, collectively, may not exceed $800,000 annually for appropriation on July 15 of each year until July 15, 2038. The amount so certified with respect to the Series 2018CD Bonds and the Series 2019AB Bonds, collectively, may not exceed $2,800,000 annually for appropriation on July 15 of each year until July 15, 2040. The amount so certified with respect to the Series 2019CD Bonds, the Series 2020ABC Bonds and the Series 2021A Bonds, collectively, in an aggregate principal amount up to $80,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Bonds annually for appropriation on July 15 of each year beginning July 15, 2020 through July 15, 2041. The amount so certified with respect to the Series 2020D Bonds and the Series 2021B Bonds, collectively, in an aggregate principal amount up to $60,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Bonds annually for appropriation on July 15 of each year beginning July 15, 2022 through July 15, 2043. The amount so certified with respect to the Series 2021CD Bonds and the Series 2022A Bonds, collectively, in an aggregate principal amount up to $100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Bonds annually for appropriation on July 15 of each year beginning July 15, 2022 through July 15, 2043. The amount so certified with respect to the Series 2022BC Bonds, the Series 2023AB Bonds, and the Series 2024A Bonds, collectively, in an aggregate principal amount up to $100,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Bonds annually for appropriation on July 15 of each year beginning July 15, 2023 through July 15, 2044. The amount so certified with respect to the Series 2025AB Bonds, collectively, in an aggregate principal amount up to $50,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Bonds annually for appropriation on July 15 of each year beginning July 15, 2026 through July 15, 2047. The amount so certified with respect to the Series Bonds and any Additional Bonds, collectively, in an aggregate principal amount up to $50,000,000, will not exceed the amount payable in that fiscal year of principal, premium, if any, and interest on, and the fees, charges, and expenses related to, those Bonds annually for appropriation on July 15 of each year beginning July 15, 2027 through July 15, 2048. Appropriations will be made from the General Fund to fund transfers by the Commissioner of Management and Budget to the Agency to pay debt service on the Outstanding Bonds and related fees, charges and expenses. The amounts appropriated to the Agency pursuant to Section 462A.37 of the Act are the "Housing Infrastructure State Appropriations."

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

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

Certain Risks With Respect to Payment of Housing Infrastructure State Appropriations

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

Reduction or Repeal of Appropriation.

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

Appropriations Other Than Housing Infrastructure State Appropriations. Certain State appropriations (other than the Housing Infrastructure State Appropriations) for limited payment obligations of the State are not standing appropriations and, thus, require action by the Legislature on an annual or biennial basis. The State's obligation to make payments on these State or other obligations is not a general or moral obligation indebtedness of the State; rather the State is obligated to make payments only to the extent moneys are appropriated from time to time for that purpose. In the past, the Legislature has failed to make appropriations as necessary to pay in full debt service on State or other obligations, including in 1980 and 1981, when an appropriation to the Minnesota State Zoological Board (the "Zoo Board") of net revenues of a zoo ride facility were insufficient to allow the Zoo Board to make payments pursuant to an installment purchase agreement, which payments had been assigned to holders of certificates of participation in that agreement. In 1989, the Legislature declined to appropriate funds to St. Cloud State University as necessary to make certain payments under an energy services agreement, which payments had been assigned to an indenture trustee as security for the payment of principal of and interest on industrial development revenue bonds issued by the City of St. Cloud, Minnesota. On May 25, 2017, the Legislature adjourned the 2017 special legislative session having adopted legislation that included appropriations to the House and Senate for fiscal years 2018 and 2019. On May 30, 2017, the Governor line-item vetoed these appropriations, which had included the funds necessary for the Senate to make rental payments under a Lease-Purchase Agreement (the “Lease”), which payments had been assigned to the holders of certificates of participation in such Lease (the “Certificates”). The failure to make such an appropriation represented an event of nonappropriation under the Lease, but the Lease was never terminated, and the Certificates were not called for extraordinary mandatory redemption. Legislation adopted in the 2018 Regular Legislative Session, and signed into law by the Governor, appropriated funds to the House and Senate for fiscal years 2018 and 2019, thus restoring funding needed to make the rental payments under the Lease. As a result of this appropriation, there was no longer an event of nonappropriation under the Lease and the Lease remains in full force and effect. As previously stated, the limited payment obligations of the State described in this paragraph were not standing appropriations and, unlike the Series Bonds, required affirmative action by the Legislature on an annual or biennial basis for State payments to be made in respect of said obligations.

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

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

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

The executive branch has imposed unallotments in prior fiscal years, but not with respect to the payment of debt service. Over the past thirty years, the unallotment procedure has been used as follows: $195 million of unallotments in 1980; in 1981 local government aid payments were unallotted in November and December but were reallotted and paid by February 26, 1982; $109 million of unallotments in 1986; $281 million of unallotments in 2003; $271 million of unallotments in 2008; and $2.68 billion of unallotments in 2009. The 2009 unallotment was unique in that it resulted from the passage of appropriation bills for the fiscal biennium, but the then-Governor vetoed a tax bill that would have balanced the biennial budget by raising revenues and shifting payments. In litigation challenging the 2009 unallotments, the Minnesota Supreme Court concluded that unallotment could not be used to balance the budget for an entire biennium when balanced spending and revenue has not been agreed upon by the legislature and the Governor. The legislature and Governor subsequently agreed to a balanced budget for the biennium. While appropriations from the General Fund for payment of debt service have not previously been unallotted, the State cannot give any assurance that unallotment of the Housing Infrastructure State Appropriations will not be imposed in any future year.

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

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

Additional Bonds

In addition to the Series Bonds described herein, the Agency may in its discretion issue up to $100,000,000 in principal amount of Additional Bonds to provide funds to make additional Housing Infrastructure Loans and pay costs of issuance of such Additional Bonds and other purposes authorized by Section 462A.37 of the Act; additional amounts for further Additional Bonds may be approved by the legislature in the future. Any Additional Bonds are to be authorized by a resolution of the Agency and prescribed in a supplemental indenture (a "Supplemental Indenture") executed by the Agency and the Trustee and which, when so issued, authorized and prescribed, will be secured by the Indenture and the Trust Estate, consisting primarily of Housing Infrastructure State Appropriations, on a parity with the Bonds then Outstanding under the Indenture; provided that no Additional Bonds are to be issued under the Indenture or secured by the Trust Estate on a parity with the Outstanding Bonds unless there is delivered to the Trustee the following: (a) An Agency resolution authorizing the issuance of the Additional Bonds and the sale thereof to the purchaser or purchasers named therein; (b) an Agency order directing the authentication of a specified principal amount of Additional Bonds of a specified series and the delivery thereof to or upon the order of the purchaser or purchasers named therein upon payment of the purchase price set forth therein; (c) an Agency Certificate to the effect that the principal and interest required to be paid on the Outstanding Bonds, including the Additional Bonds to be issued, in the current and any future Fiscal Year, does not exceed the maximum amount of Housing Infrastructure State Appropriations authorized by the Act in any Fiscal Year; (d) an opinion of Bond Counsel (i) stating that all conditions precedent provided in the Indenture relating to the authentication and delivery of the Additional Bonds have been complied with, and (ii) stating that the Additional Bonds whose authentication and delivery are then applied for, when issued and executed by the Agency and authenticated and delivered by the Trustee, will be the valid and binding special, limited obligations of the Agency in accordance with their terms and entitled to the benefits of and secured by the lien of the Indenture, subject to customary qualifications and assumptions; (e) an executed counterpart of the Supplemental Indenture creating the Additional Bonds; and (f) written confirmation from each Rating Agency that issuance of the Additional Bonds will not impair the then existing rating on Outstanding Bonds.

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DEBT SERVICE REQUIREMENTS ON OUTSTANDING BONDS

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

Fiscal Year	Prior Series Bonds		Series Bonds		
Ending June 30	Principal	Interest	Principal*	Interest*	Total
2027	$19,565,000	$19,994,219	$ --	$ --	$39,559,219
2028	20,450,000	19,099,119	1,280,000	2,468,000	43,297,119
2029	21,355,000	18,193,444	1,345,000	2,402,375	43,295,819
2030	22,315,000	17,235,322	1,415,000	2,333,375	43,298,697
2031	23,345,000	16,203,550	1,485,000	2,260,875	43,294,425
2032	24,415,000	15,133,284	1,565,000	2,184,625	43,297,909
2033	25,560,000	14,001,125	1,640,000	2,104,500	43,305,625
2034	26,750,000	12,798,400	1,725,000	2,020,375	43,293,775
2035	28,025,000	11,533,225	1,815,000	1,931,875	43,305,100
2036	29,320,000	10,229,434	1,910,000	1,838,750	43,298,184
2037	28,580,000	8,948,431	2,005,000	1,740,875	41,274,306
2038	29,855,000	7,669,388	2,110,000	1,638,000	41,272,388
2039	24,655,000	6,478,809	2,215,000	1,529,875	34,878,684
2040	24,935,000	5,402,544	2,330,000	1,416,250	34,083,794
2041	26,035,000	4,299,419	2,450,000	1,296,750	34,081,169
2042	24,805,000	3,190,194	2,575,000	1,171,125	31,741,319
2043	20,210,000	2,202,294	2,710,000	1,039,000	26,161,294
2044	21,095,000	1,318,944	2,845,000	900,125	26,159,069
2045	10,440,000	657,303	2,995,000	754,125	14,846,428
2046	3,280,000	366,988	3,145,000	600,625	7,392,613
2047	3,425,000	224,506	3,310,000	439,250	7,398,756
2048	3,570,000	75,863	3,475,000	269,625	7,390,488
2049	--	--	3,655,000	91,375	3,746,375

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

STATE FINANCIAL INFORMATION

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

Basic financial statements for the State for the Fiscal Year ended June 30, 2025, as well as certain additional information concerning the State, are included in the Official Statement of the State of Minnesota dated September 9, 2026 prior to the publication of this Official Statement (the "September 9, 2026 State Official Statement") with respect to its $1,029,705,000 General Obligation State Bonds, which is attached hereto as Appendix E. The State most recently released certain revenue and expenditure forecasts prepared by the

* Preliminary; subject to change. Assumes the Series Bonds mature as described herein and bear interest at an average annual interest rate of 5.00%.

Department of Management and Budget in February 2026. Information concerning this forecast is included in the September 9, 2026 State Official Statement in Appendix B thereto under the caption “Biennium Budgets—February 2026 Forecast—Current Biennium.” The next official forecast of revenue and expenditures will be prepared in November 2026 and will be released in early December 2026.

The November 2026 forecast of revenue and expenditures will be available on the Minnesota Management and Budget website (www.mn.gov/mmb/) and on the Municipal Securities Rulemaking Board’s internet repository named “Electronic Municipal Market Access” (“EMMA”) filed with respect to the Series Bonds. Any amendment or supplement to the basic financial statements of the State, and any subsequent financial statements published by the State and made publicly available in a State official statement or revenue and expenditure forecast required by statute or an official quarterly economic update published by the State on the Minnesota Management and Budget website and also filed on EMMA with respect to the Series Bonds, to and including a date 25 days following the “end of the underwriting period” (as defined in Rule 15c2-12 of the Securities and Exchange Commission) applicable to the Series Bonds offered hereby, will be deemed to be incorporated by reference in this Official Statement from the date made publicly available. No other information on the Minnesota Management and Budget website or on EMMA is incorporated into this Official Statement. Any statement contained in any document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently publicly available document that also is, or is deemed to be, incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

THE DEVELOPMENTS

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

A Housing Infrastructure Loan is expected to finance a portion of the costs of the acquisition, construction and equipping of a multifamily housing development serving seniors to be known as West Transit Village Phase 1 in Rochester, Minnesota. The development will consist of a 75-unit residential rental housing development with support services. The development will be acquired and constructed by WTV1 LLLP, a Minnesota limited liability limited partnership, or an affiliate thereof or successor thereto, whose registered address is in Minneapolis, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the costs of the acquisition, construction and equipping of a multifamily housing development serving seniors to be known as Trails Edge Senior Apartments in Waconia, Minnesota. The development will consist of a 43-unit residential rental housing development with support services. The development will be acquired and constructed by CCCDA Trail’s Edge Senior, LP, a Minnesota limited partnership, or an affiliate thereof or successor thereto, whose registered address is in Chaska, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the costs of the acquisition, adaptive reuse, construction and equipping of a multifamily housing development serving seniors to be known as Hilltop Square Apartments in Eagle Bend, Minnesota. The development will consist of a 23-unit residential rental housing development with support services. The development will be acquired and converted by Hilltop Square Apartments of Eagle Bend LLLP, a Minnesota limited liability limited partnership, or an affiliate thereof or successor thereto, whose registered address is in St. Augusta, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the costs of the acquisition, construction and equipping of a multifamily housing development serving seniors to be known as Logan Avenue Flats Senior in Minneapolis, Minnesota. The development will consist of a 48-unit residential rental housing development with support services. The development will be acquired and constructed by 535 Logan Ave N LP, a Minnesota limited partnership, or an affiliate thereof or successor thereto, whose registered address is in Plymouth, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the costs of the acquisition, rehabilitation and equipping of a multifamily housing development to be known as Innsbruck Townhomes in Rochester, Minnesota. The development will consist of a 40-unit residential rental housing development with support services. The development will be acquired and rehabilitated by Innsbruck, LLLP, a Minnesota limited liability limited partnership, or an affiliate thereof or successor thereto, whose registered address is in St. Paul, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the costs of the acquisition, rehabilitation and equipping of a multifamily housing development to be known as White Earth Riverland (fka White Earth Homes VI) in Mahnomen, Minnesota. The development will consist of a 48-unit residential rental housing development. The development will be acquired and rehabilitated by White Earth Reservation Housing Authority, a Minnesota tribal entity, or an affiliate thereof or successor thereto, whose registered address is in Waubun, Minnesota.

Another Housing Infrastructure Loan is expected to finance a portion of the costs of the acquisition, construction and equipping of a multifamily housing development serving seniors to be known as Red Pine Estates in Bemidji, Minnesota. The development will consist of a 86-unit residential rental housing development with support services. The development will be acquired and constructed by Red Pine Estates II, LLLP, a Minnesota limited liability limited partnership, or an affiliate thereof or successor thereto, whose registered address is in Golden Valley, Minnesota.

Housing Infrastructure Loans may be made to finance a portion of the cost of infrastructure redevelopment in manufactured home parks in Minnesota.

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources:
Principal Amount of Series Bonds......................................
Net Original Issue Premium..
Total Sources of Funds

Uses:
Deposit to Program Fund for Housing Infrastructure Loans
Capitalized Interest ....
Costs of Issuance ....
Underwriters' Compensation ....
Total Uses of Funds

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

TAX EXEMPTION AND RELATED CONSIDERATIONS

General

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

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

Opinion of Bond Counsel

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered, with respect to the Series Bonds, on the date of issuance of the Series Bonds, assuming the accuracy of certain representations and continuing compliance by the Agency and, where applicable, the recipients of the Housing Infrastructure Loans with the Tax Covenants, under existing laws, regulations, rulings and judicial decisions, interest payable on the Series Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code, provided interest on any Series 2026B Bond is not excludable from gross income for federal income tax purposes of any holder of a Series 2026B Bond who is a "substantial user" of a facility financed with the proceeds of the Series 2026B Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax under the Code imposed on individuals; however, interest on the Series Bonds may affect the federal alternative minimum tax imposed on certain corporations.

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

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

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

Purchasers of the Series Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series

Bonds. The extent of these collateral tax consequences will depend upon that owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences.

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

Certain Ongoing Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series Bonds in order that interest on the Series Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with those requirements may cause interest on the Series Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which the noncompliance occurs or is discovered. The Agency will covenant that it shall do and perform all acts necessary or desirable to assure the exclusion of interest on the Series Bonds from gross income under Section 103 of the Code. The Agency will deliver a certificate with respect to ongoing federal tax requirements with the issuance of the Series Bonds which will contain provisions relating to compliance with the requirements of the Code. The Agency also has required or will require recipients of the Housing Infrastructure Loans to make certain covenants relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Agency or the owners of the Series Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series Bonds for federal income tax purposes.

Certain Considerations with Respect to the Series 2026A Bonds

Assuming compliance with the following covenants, the Series 2026A Bonds will not be treated as private activity bonds within the meaning of Section 141 of the Code.

(1) If either (a) or (b) below is true with respect to the Series 2026A Bonds:

(a) No more than 10 percent of the proceeds of the Series 2026A Bonds (net of costs of issuing the Series 2026A Bonds and any reserve funds established with proceeds of the Series 2026A Bonds) will be used for any private business use (as contemplated by Section 141(b)(1) of the Code). For this purpose, use of the proceeds by a Section 501(c)(3) entity is considered private business use.

(b) Payment of the principal of or interest on no more than 10 percent of the proceeds of the Series 2026A Bonds (net of costs of issuing the Series 2026A Bonds and any reserve fund established with the proceeds of the Series 2026A Bonds) is (under the terms of the Series 2026A Bonds or any underlying arrangement) directly or indirectly (i) secured by any interest in (A) property used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code) or (B) payments in respect of that property or (ii) to be derived from payments (whether or not to the Agency) in respect of property or borrowed money used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code). For this purpose, the loan of the proceeds to, or the use of the property by, a Section 501(c)(3) organization is considered property or borrower money used for a private business use.

(2) The proceeds of the Series 2026A Bonds, if any, that are to be used for any private business use (as contemplated by Section 141(b)(1) of the Code) that is not related to any government use, plus the proceeds of the Series 2026A Bonds, if any, that are to be used for any private business use (as contemplated by Section 141(b)(1) of the Code) that is related to any government use but disproportionate to the related government use that is financed by the proceeds of the Series 2026A Bonds, will not exceed five percent of the proceeds of the Series 2026A Bonds (net of costs of issuing the Series 2026A Bonds and any reasonably required reserve funds established with the proceeds of the Series 2026A Bonds).

(3) No portion of the proceeds of the Series 2026A Bonds will be used by the Agency with respect to any output facility within the meaning of Section 141(b)(4) of the Code unless, in the opinion of nationally recognized bond counsel, that use will not result in the inclusion in gross income of interest on the Series 2026A Bonds for federal income tax purposes.

(4) No more than the lesser of $5,000,000 or five percent of the net proceeds of the Series 2026A Bonds will be used (directly or indirectly) to make or finance loans to any person, other than persons that are governmental units.

A portion of the Housing Infrastructure Loans will substantively be grants, and a portion of the Housing Infrastructure Loans will be loans for tax purposes. To the extent that the Housing Infrastructure Loans are loans to 501(c)(3) organizations, those properties may be subject to low income occupancy requirements as well as restrictions on the level of rents charged. See the discussion below under "—Certain Considerations With Respect to the Series 2026B Bonds—Low Income Set-Aside Requirements under the Code."

Notwithstanding the foregoing, the Agency may make repayable loans to organizations of the type described in Section 501(c)(3) of the Code (the "Nonprofit Organizations"). To the extent that more than five percent of the net proceeds of the Series 2026A Bonds (or $5,000,000, whichever is less) are used to make repayable loans to Nonprofit Organizations, and not used in an unrelated trade or business of such Nonprofit Organizations (as defined in Section 513 of the Code), such Series 2026A Bonds will be classified for federal income tax purposes as qualified 501(c)(3) bonds within the meaning of Section 145 of the Code. If the Series 2026A Bonds are qualified 501(c)(3) bonds as described above, then, as a condition to the exclusion from gross income of interest on the Series 2026A Bonds for federal income tax purposes, all of the following must be satisfied:

(1) Either:

(a) No more than five percent of the proceeds of the Series 2026A Bonds (net of the costs of issuing the Series 2026A Bonds and any reserve fund that is funded with proceeds of the Series 2026A Bonds) will be used for any private business use (as contemplated by Section 141(b)(1) of the Code; or

(b) Payment of the principal of or interest on no more than five percent of the proceeds of the Series 2026A Bonds (net of the costs of issuing the Series 2026A Bonds and any reserve fund that is funded with proceeds of the Series 2026A Bonds) is (under the terms of the Series 2026A Bonds or any underlying arrangement) directly or indirectly (1) secured by any interest in (i) property used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code) or (ii) payments in respect of such property or (2) derived from payments (whether or not to the Agency) in respect of property or borrowed money used or to be used for a private business use (as contemplated by Section 141(b)(1) of the Code.

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

(2) No more than five percent of the proceeds of the Series 2026A Bonds (net of the costs of issuing the Series 2026A Bonds and any reserve fund that is funded with proceeds of the Series 2026A Bonds) are used to make loans to entities that are neither a state or local governmental entity nor a Nonprofit Organization.

No portion of the proceeds of the Series 2026A Bonds will be used by the Agency with respect to an output facility within the meaning of Section 141(b)(4) of the Code, unless, in the opinion of nationally recognized bond counsel, such use will not result in the inclusion in gross income of the interest on the Series 2026A Bonds for federal income tax purposes.

Certain Considerations with Respect to the Series 2026B Bonds

Low Income Set-Aside Requirements under the Code. The Series 2026B Bonds are "exempt facility bonds" that are subject to certain low income set-aside requirements of the Code. This section includes brief summaries of the low income set-aside requirements and certain other requirements for qualified residential rental projects under the Code.

The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide "qualified residential rental projects." The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation, or containing single room occupancy units, that are available to the general public (subject to preferences for homeless, disabled and similar classes of tenants that do not violate United States Department of Housing and Urban Development policies respecting non-discrimination and applicable Fair Housing requirements) and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20 percent of the completed units in a project to be financed with the proceeds of the Series 2026B Bonds be continuously occupied during the "qualified project period" by individuals and families whose annual adjusted income does not exceed 50 percent of the area median income (with adjustments for family size), or (ii) at least 40 percent of the completed units in a project to be financed with the proceeds of the Series 2026B Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60 percent of the area median income (with adjustments for family size). The Agency will make elections on the applicable low-income set-aside requirements with respect to each development expected to be financed with the proceeds of the Series 2026B Bonds. In addition, all of the units in a development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the "qualified project period" as the period beginning on the first day upon which 10 percent of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50 percent of the residential units in the project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A development generally will meet the continuing low income set aside requirement so long as a tenant's income does not increase to more than 140 percent of the applicable income limitation. Generally, upon an increase of a tenant's income over 140 percent of the applicable income limitation, the next available unit of comparable or smaller size in the applicable development must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable development, the next available unit of a comparable or smaller size in the same building as the tenant whose income has increased over 140 percent of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made by the operator of the development to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Expenditures for Rehabilitation. The Code requires that the owner of an existing development spend a minimum sum of money for rehabilitation expenditures with regard to the development. The minimum amount of rehabilitation expenditures that must be incurred is equal to 15 percent of the amount of Series 2026B Bond proceeds, if any, applied to pay for the cost of acquiring an existing building (including the building fixtures and equipment within, but not including the cost of land). That minimum amount of rehabilitation expenditures must be incurred no later than two years after the later of the date of issuance of those Series Bonds or the date that the building is acquired by the owner. The Code also requires that less than 25 percent of the net proceeds of the Series 2026B Bonds be used to acquire land.

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

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

Since the Series 2026B Bonds are "private activity bonds" and the Supreme Court's opinion left open the possibility of a challenge to Minnesota's differential treatment of the interest on private activity bonds issued in other states, the Agency cannot predict the outcome of any challenge. If Minnesota's treatment of those bonds were held to unlawfully discriminate against interstate commerce, the court making such a finding would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Series 2026B Bonds to become taxable by Minnesota and the market value of the Series 2026B Bonds to decline.

Bond Premium

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

Original Issue Discount

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

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

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

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

Backup Withholding

An owner of a Series Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series Bonds if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Changes in Federal Tax Law

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

PROSPECTIVE PURCHASERS OF THE SERIES BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES BONDS.

CONTINUING DISCLOSURE

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

These covenants have been made in order to assist the Underwriters in complying with the Rule (as defined in Appendix C hereto). Breach of the covenants will not constitute a default or an "Event of Default" under the Series Bonds or the Indenture. A broker or dealer is to consider a known breach of the covenants, however, before recommending the purchase or sale of the Series Bonds in the secondary market. Thus, a failure on the part of the

Agency or the State to observe the covenants may adversely affect the marketability and liquidity of the Series Bonds and their market price. During the prior five years, the Agency failed to file with EMMA within 10 business days of the occurrence of a May 22, 2023, downgrade of the short-term rating by S&P Global Ratings of the Agency's Residential Housing Finance Bonds, 2019 Series H. The Agency did not receive any notice from S&P of that downgrade, which was triggered by the downgrade by S&P of the liquidity provider for those bonds. Upon discovery of the downgrade on July 6, 2023, the Agency that same day posted notice with EMMA of both the downgrade and failure to file to CUSIP 60416SP61. Also, on June 29, 2023, and July 27, 2023, the Agency entered into derivative agreements with The Bank of New York Mellon in connection with the Agency's Residential Housing Finance Bonds, 2023 Series I, with an issuance date of July 26, 2023, and Residential Housing Finance Bonds, 2023 Series K, with an issuance date of August 24, 2023, respectively. On August 23, 2023, the day after the Agency discovered that it had failed to file event notices regarding each of these financial obligations within 10 business days of their respective incurrence, the Agency posted notice of both the incurrence of those financial obligations and its failure to file to all CUSIPS of its bonds for which it had an obligation to report these events. Where the Agency undertakes to provide annual financial information and operating data of the State, the Agency cannot provide annual financial information and operating data of the State until received from the State. For information on the State's covenants and agreements to comply with its continuing disclosure obligations, including its record of compliance with its continuing disclosure obligations, see the disclosure under the section heading "CONTINUING DISCLOSURE" in the September 9, 2026 State Official Statement included as Appendix E hereto.

LITIGATION

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

While at any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State's expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 18 to the State Financial Statements for Fiscal Year Ended June 30, 2025, set forth in Appendix F of the September 9, 2026 State Official Statement included as Appendix E hereto, and additional actions, if any, discussed in the section entitled "LITIGATION" in the September 9, 2026 State Official Statement, no pending actions are likely to have a material adverse effect in excess of $15 million on the State's expenditures or revenues during the current biennium.

CERTAIN LEGAL MATTERS

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

RATINGS

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

TRUSTEE

Computershare Trust Company, National Association (the "Trustee"), a national banking association, serves as successor Trustee under the Indenture to Wells Fargo Bank, National Association ("WFBNA"). The

Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA's corporate trust services to the Trustee in 2021, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Indenture.

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

MUNICIPAL ADVISOR

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

UNDERWRITING

RBC Capital Markets, LLC, Morgan Stanley & Co. LLC, Northland Securities, Inc., Piper Sandler & Co., and Wells Fargo Bank, National Association (collectively, the "Underwriters") will purchase from the Agency, and the Agency will sell to the Underwriters, all of the Series Bonds at an aggregate purchase price of $________ (which price reflects an underwriting discount of $_______ and net original issue premium of $________). The Underwriters may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

Each of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of Agency.

RBC Capital Markets, LLC ("RBCCM"), one of the underwriters of the Series Bonds, is a subsidiary of the Royal Bank of Canada. RBCCM serves as remarketing agent on separate Agency transactions. Royal Bank of Canada has provided standby bond purchase agreements for separate Agency transactions and revolving credit agreements to the Agency, and also serves as a swap counterparty for the Agency. RBCCM has entered into a distribution arrangement with its affiliate RBC Securities, Inc. (formerly known as City National Securities, Inc.) ("RBC Securities"). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of RBC Securities. As part of this arrangement, RBCCM may compensate RBC Securities for its selling efforts with respect to the Bonds.

Northland Securities, Inc. is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc. is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

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

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

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of WFC and its subsidiaries, including WFBNA, which conducts its municipal securities sales, trading and underwriting operations through the WFBNA Municipal Finance Group, a separately identifiable department of WFBNA, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

MISCELLANEOUS

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

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

MINNESOTA HOUSING FINANCE AGENCY

By ____________________________________
Commissioner

Dated: _________, 2026.

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Certain Defined Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Government Obligations;

(b) Obligations (i) that are backed by the full faith and credit of any state of the United States of America, (ii) of any agency of the United States of America, or (iii) of any public corporation sponsored by the United States of America, provided that, at the time of purchase, such obligations shall not adversely affect the Rating of the Bonds;

(c) Interest bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including the Trustee) provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or guaranteed by the State, the proceeds of which insurance are timely available, or (ii) such depository has combined capital and surplus of at least $75,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clause (a) or (b) of this definition, or a combination thereof, at such levels and valuation frequency as shall not adversely affect the Rating of the Bonds or (iii) the deposit of funds with such depository will not adversely affect the Rating of the Bonds;

(d) Repurchase agreements and reverse repurchase agreements with banks that are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (a) and (b) of this definition;

(e) Shares of (i) an investment company registered under the federal investment company act of 1940, whose shares are registered under the federal securities act of 1933, whose only investments are in securities described in clause (a), (b) or (d) above, or (ii) a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least $75,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, whose only investments are in securities described in clause (a), (b) or (d) above;

(f) Any investment contract with any provider as long as such investment contract does not adversely affect the Rating of the Bonds; and

(g) Any other investment that will not adversely affect the Rating of the Outstanding Bonds.

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

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

(i) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust for the Owners of such Bonds; *provided* that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Bonds which have been defeased within the meaning of the Indenture; and

(iv) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture;

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

Owner: With respect to any Bond, the Bondowner.

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

Program Fund: The Program Fund created under the Indenture.

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

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

Rebate Fund: The Rebate Fund created under the Indenture.

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

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

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

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

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

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

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

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

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

Program Fund

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

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

Bond Fund

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

Investment of Moneys in Program Fund and Bond Fund

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

Rebate Fund

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

Payment of Bonds

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

Covenant to Request Housing Infrastructure State Appropriations

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

Covenants Relating to Housing Infrastructure Loans

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

Tax Covenants with Respect to Series Bonds

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

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

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

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

Events of Default

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

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

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

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

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

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

Remedies

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

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

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

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

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

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

Application of Revenues and Other Moneys After Event of Default

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

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

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

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

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

Majority of Bondowners Control Proceedings

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

Individual Bondowner Action Restricted

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

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

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

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

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

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

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

Waiver and Non-Waiver of Event of Default

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

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

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

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

Notices of Defaults

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

Trustee May Rely Upon Certain Documents and Opinions

Except as otherwise specifically provided in the Indenture, the Trustee may rely and shall be protected in acting upon certain resolutions, certificates, statements, instruments, opinions, reports, notices, requests, consents, orders, bonds or other papers or documents and may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance with the opinion of such counsel. Before being required to take any remedial action, the Trustee may require an opinion of counsel reasonably acceptable to it, which opinion of counsel shall be made available to the other parties to the Indenture upon request, or a verified certificate of any such party, or both concerning proposed actions.

Compensation of Trustee

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

Resignation or Removal of Trustee

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

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

Appointment of Successor Trustee

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

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

Payment and Discharge of Indenture

If the Agency, its successors or assigns, shall

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

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

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

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

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

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

Bonds Deemed Not Outstanding After Deposits

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

Purposes for Which Supplemental Indentures May be Executed

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

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

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

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

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

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

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

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

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

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

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

Modification of Indenture with Consent of Bondowners

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

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

APPENDIX B

BOOK-ENTRY-ONLY SYSTEM

General

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

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

Discontinuation of Book-Entry System

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

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

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

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

Purpose

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

Definitions

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

(a) "*Annual Financial Information*" means the following financial information and operating data (to the extent not included in Audited Financial Statements): the information in Appendix B to the State of Minnesota Official Statement dated September 9, 2026 included as Appendix E to the Official Statement of the Agency relating to the Series Bonds, Appendix C to such State Official Statement and Appendix F to such State Official Statement.

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

(c) *"Annual Financial Information Disclosure Date"* means December 31 of each year, beginning December 31, 2026.

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

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

(f) "*Commission*" means the Securities and Exchange Commission.

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

(h) "*Financial Obligation*" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

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

1. Principal and interest payment delinquencies;

2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);

13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

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

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

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

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

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

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

Annual Financial Information Disclosure

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

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

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

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

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

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

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

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

Listed Events Disclosure

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

Consequences of Failure of the Agency to Provide Information

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

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondowner or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Series Bonds or the Indenture or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance. None of the agreements or obligations of the Agency or of the State shall be construed to constitute a waiver of the State's sovereign immunity or a waiver of any of the limitations contained in Minnesota Statutes, Section 3.736, except as provided under the laws of the State. Neither a default by the Agency under the Disclosure Undertaking nor a default by the State under the State Agreement shall constitute a default or an Event of Default under the Series Bonds or the Indenture.

Amendment; Waiver

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

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Agency or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondowners of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondowners of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

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

Additional Information

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

Beneficiaries

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

Recordkeeping

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

The State Agreement

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

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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

Minnesota Housing Finance Agency
St. Paul, Minnesota 55101

Re: Minnesota Housing Finance Agency
State Appropriation Bonds (Housing Infrastructure), 2026 Series A and 2026 Series B

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the "Agency") in connection with the authorization, issuance and delivery by the Agency of its State Appropriation Bonds (Housing Infrastructure), 2026 Series A, in the aggregate principal amount of $_________ (the "2026 Series A Bonds), and its State Appropriation Bonds (Housing Infrastructure), 2026 Series B, in the aggregate principal amount of $___________ (the "2026 Series B Bonds" and, together with the 2026 Series A Bonds, the "Series Bonds"). The Series Bonds are being issued in accordance with Minnesota Statutes, Chapter 462A, as amended (the "Act"), an Indenture of Trust, dated as of August 1, 2013, as heretofore and hereafter amended and supplemented (the "General Indenture"), by and between the Agency and Computershare Trust Company, National Association, as successor trustee (the "Trustee"), and a Fifteenth Supplemental Indenture of Trust, dated as of October 1, 2026 (the "Supplemental Indenture"), by and between the Agency and the Trustee. The General Indenture and the Supplemental Indenture are referred to herein, collectively, as the "Indenture."

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

The Series Bonds are being issued to make loans to certain recipients (the "Housing Infrastructure Loans") to pay for all or a portion of the costs of acquisition, construction, rehabilitation and equipping, as applicable, of related developments, including facilities related and subordinate thereto, with respect to abandoned or foreclosed properties or for supportive housing, all as defined in the Act, or to finance or refinance the costs of acquisition, rehabilitation and replacement of federally assisted rental housing, and other authorized purposes under the Act; provided, however, that a portion of the Housing Infrastructure Loans financed with proceeds of the 2026 Series A Bonds will represent "grants" for federal income tax purposes, and the balance of the Housing Infrastructure Loans made with proceeds of the 2026 Series A Bonds will represent loans to finance projects owned, directly or indirectly, by either Section 501(c)(3) organizations or state or local government entities.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency's Resolution No. MHFA 26-050, adopted August 27, 2026 (the "Bond Resolution"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the recipients of the Housing Infrastructure Loans with the covenants contained in the Indenture and the loan documentation relating to each development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution has been duly and validly adopted by the Agency; (3) the Indenture has been duly authorized and executed and is valid and binding upon the Agency in accordance with its terms, and creates the valid pledge and security interest it purports to create with respect to the Revenues, moneys, securities and other Funds held and to be set aside under the Indenture; (4) the Series Bonds are duly and lawfully authorized to be issued and are valid and binding special, limited obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Indenture, and are payable solely, and equally and ratably, from specified transfers expected to be made by the State of Minnesota (the "State") pursuant to legislation providing for the appropriation of such transfers from the general fund of the State to the Agency and moneys and securities held from time to time in the funds and accounts established and pledged thereto under the Indenture; and (5) the interest payable on the Series Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2026 Series B Bond is not excludable from gross income for federal income tax purposes of any holder of such bonds who is a "substantial user" of a development financed by such 2026 Series B Bonds or a "related person" thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code").

Interest on the Series Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended (the "Code"), with respect to individuals; however, interest on the Series Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations. Interest on the Series Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the Series Bonds. All owners of Series Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations, applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the Series Bonds.

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

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

Respectfully yours,

APPENDIX E

OFFICIAL STATEMENT OF THE STATE OF MINNESOTA

DATED SEPTEMBER 9, 2026

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NEW ISSUES – BOOK ENTRY ONLY

RATINGS: Fitch: AAA
Moody's: Aaa
Standard & Poor's: AAA
See "RATINGS" herein

In the opinion of Kutak Rock LLP, Bond Counsel, under existing federal and Minnesota laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2026A Bonds, Series 2026B Bonds and Series 2026D Bonds (collectively, the "Tax-Exempt Bonds") is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, interest on the Tax-Exempt Bonds may affect the federal alternative minimum tax imposed on certain corporations. The interest to be paid on the Series 2026C Bonds (the "Taxable Bonds") is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. For a discussion of tax matters see "TAX MATTERS" herein.

$1,029,705,000
STATE OF MINNESOTA
General Obligation State Bonds

consisting of:

$646,495,000 General Obligation State Various Purpose Bonds, Series 2026A

$256,285,000 General Obligation State Trunk Highway Bonds, Series 2026B

$5,705,000 General Obligation Taxable State Various Purpose Bonds, Series 2026C

$121,220,000 General Obligation State Various Purpose Refunding Bonds, Series 2026D

(collectively referred to as the "Bonds")

Dated: Date of Delivery **Due: as shown on inside cover**

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

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

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

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

The Bonds are offered by the State subject to the legal opinions of Kutak Rock LLP, Bond Counsel, and of the State Attorney General as to the validity of the Bonds, and of Kutak Rock LLP as to the tax exemption of the interest on the Bonds. Delivery will be made on or about September 22, 2026.

Dated: September 9, 2026

$1,029,705,000
State of Minnesota
General Obligation State Bonds

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

$646,495,000 General Obligation State Various Purpose Bonds, Series 2026A

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2027	$32,175,000	5.000%	2.600%	3E1
2028	32,175,000	5.000	2.710	3F8
2029	32,175,000	5.000	2.840	3G6
2030	32,175,000	5.000	2.950	3H4
2031	32,175,000	5.000	3.080	3J0
2032	32,175,000	5.000	3.220	3K7
2033	32,175,000	5.000	3.330	3L5
2034	32,175,000	5.000	3.470	3M3
2035	32,175,000	5.000	3.590	3N1
2036	35,175,000	5.000	3.670	3P6

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2037	$32,175,000	5.000%	3.780%*	3Q4
2038	32,175,000	5.000	3.890*	3R2
2039	32,175,000	5.000	4.020*	3S0
2040	32,175,000	5.000	4.140*	3T8
2041	32,175,000	5.000	4.220*	3U5
2042	32,175,000	5.000	4.290*	3V3
2043	32,175,000	5.000	4.350*	3W1
2044	32,175,000	5.000	4.410*	3X9
2045	32,175,000	5.000	4.450*	3Y7
2046	32,170,000	5.000	4.510*	3Z4

$256,285,000 General Obligation State Trunk Highway Bonds, Series 2026B

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2027	$12,815,000	5.000%	2.610%	4A8
2028	12,815,000	5.000	2.720	4B6
2029	12,815,000	5.000	2.850	4C4
2030	12,815,000	5.000	2.960	4D2
2031	12,815,000	5.000	3.080	4E0
2032	12,815,000	5.000	3.230	4F7
2033	12,815,000	5.000	3.340	4G5
2034	12,815,000	5.000	3.480	4H3
2035	12,815,000	5.000	3.580	4J9
2036	12,815,000	5.000	3.660	4K6

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2037	$12,815,000	5.000%	3.780%*	4L4
2038	12,815,000	5.000	3.910*	4M2
2039	12,815,000	5.000	4.040*	4N0
2040	12,815,000	5.000	4.140*	4P5
2041	12,815,000	5.000	4.240*	4Q3
2042	12,815,000	5.000	4.320*	4R1
2043	12,815,000	5.000	4.380*	4S9
2044	12,810,000	4.625	4.690	4T7
2045	12,810,000	4.625	4.690	4U4
2046	12,810,000	4.625	4.690	4V2

$5,705,000 General Obligation Taxable State Various Purpose Bonds, Series 2026C

$5,705,000 5.000% Serial Bond due August 1, 2036 Price: 101.002 Yield: 4.870% CUSIP No. 60412A4W0**

* Priced at the stated yield to the August 1, 2036 redemption date at a price of 100%. See “THE BONDS, Optional Redemption” herein.

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

$121,220,000 General Obligation State Various Purpose Refunding Bonds, Series 2026D

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2027	$12,315,000	5.000%	2.610%	4X8
2028	12,285,000	5.000	2.720	4Y6
2029	12,245,000	5.000	2.850	4Z3
2030	12,200,000	5.000	2.960	5A7
2031	12,155,000	5.000	3.080	5B5

Maturity (August 1)	Amount	Interest Rate	Price or Yield	Initial CUSIP** 60412A
2032	$12,110,000	5.000%	3.220%	5C3
2033	12,060,000	5.000	3.330	5D1
2034	12,010,000	5.000	3.470	5E9
2035	11,950,000	5.000	3.570	5F6
2036	11,890,000	5.000	3.660	5G4

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

STATE OF MINNESOTA OFFICIALS

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

COMMISSIONER OF MANAGEMENT AND BUDGET
Erin Campbell

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

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

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

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

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SUMMARY STATEMENT

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

Issuer:	State of Minnesota
Offering:	$646,495,000 General Obligation State Various Purpose Bonds, Series 2026A (the "Series 2026A Bonds") $256,285,000 General Obligation State Trunk Highway Bonds, Series 2026B (the "Series 2026B Bonds") $5,705,000 General Obligation Taxable State Various Purpose Bonds, Series 2026C (the "Series 2026C Bonds") $121,220,000 General Obligation State Various Purpose Refunding Bonds, Series 2026D (the "Series 2026D Bonds") *(collectively referred to as the "Bonds")*
Principal Amounts:	The principal amounts of each serial maturity of the Bonds are set forth on the inside cover pages.
Interest:	Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months, from the Dated Date of the Bonds, payable semiannually on each February 1 and August 1, commencing February 1, 2027.
Dated Date:	Date of Delivery, expected to be September 22, 2026.
Security:	General Obligations of the State of Minnesota to which its full faith, credit and taxing powers are pledged.
Book-Entry Bonds:	The Bonds will be issued in fully registered form without interest coupons in denominations of $5,000 and integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds.
Redemption:	The Series 2026A Bonds and the Series 2026B Bonds are subject to optional redemption by the State on and after August 1, 2036. The Series 2026C Bonds and the Series 2026D Bonds are not subject to optional redemption prior to their maturity date. See "Optional Redemption" herein for additional information.
Continuing Disclosure:	See "CONTINUING DISCLOSURE" herein. See also "APPENDIX G – CONTINUING DISCLOSURE UNDERTAKING".

Bond Ratings:	The Bonds described herein have been rated "AAA" by Fitch Ratings, "Aaa" by Moody's Investors Service Inc. and "AAA" by S&P Global Ratings.
Registrar/Paying Agent/ Escrow Agent:	U.S. Bank Trust Company, N.A.
Legal Opinions:	The Bonds are approved as to validity by the State Attorney General and Kutak Rock LLP, as Bond Counsel. Kutak Rock LLP will provide the Opinion regarding the tax exemption of interest on the Tax-Exempt Bonds.
Bonds Outstanding:	The total amount of State general obligation bonds outstanding on the date of issuance of the Bonds, including these issues, will be approximately $7.4 billion. The total amount of general obligation bonds authorized but unissued as of the date of issuance of the Bonds, will be approximately $2.5 billion. See "APPENDIX C – GENERAL OBLIGATION BONDS OUTSTANDING AS OF THE DATE OF ISSUE OF THE BONDS" and "GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED AS OF THE DATE OF ISSUE OF THE BONDS" on pages C-1 and C-2.
Additional Information:	Questions regarding this Official Statement should be directed to Jennifer Hassemer, Assistant Commissioner, Minnesota Management and Budget, jennifer.hassemer@state.mn.us, (651) 201-8079, Thomas Huestis, Public Resources Advisory Group, Inc., thuestis@pragadvisors.com, (212) 380-5293, or Christine Fay, Public Resources Advisory Group, Inc., cfay@pragadvisors.com (610) 565-5863. Questions regarding legal matters should be directed to David C. Murphy, Kutak Rock LLP, david.murphy@kutakrock.com, (612) 334-5003.

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STATE OF MINNESOTA
$1,029,705,000
General Obligation State Bonds
consisting of

$646,495,000 General Obligation State Various Purpose Bonds, Series 2026A

$256,285,000 General Obligation State Trunk Highway Bonds, Series 2026B

$5,705,000 General Obligation Taxable State Various Purpose Bonds, Series 2026C

$121,220,000 General Obligation State Various Purpose Refunding Bonds, Series 2026D

(collectively referred to as the "Bonds")

THE BONDS

General

This Official Statement, including the cover page and the Appendices (this "Official Statement"), has been prepared by the State of Minnesota Department of Management and Budget (the "Department" or "MMB") to furnish information relating to the $646,495,000 General Obligation State Various Purpose Bonds, Series 2026A (the "Series 2026A Bonds"), the $256,285,000 General Obligation State Trunk Highway Bonds, Series 2026B (the "Series 2026B Bonds"), the $5,705,000 General Obligation Taxable State Various Purpose Bonds, Series 2026C (the "Series 2026C Bonds") and the $121,220,000 General Obligation State Various Purpose Refunding Bonds, Series 2026D (the "Series 2026D Bonds") (collectively referred to as the "Bonds") of the State of Minnesota (the "State") to be dated the date of issuance, to prospective purchasers and actual purchasers of the Bonds. Prospective and actual purchasers should read this entire Official Statement.

Authorization and Purpose

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

The Series 2026A Bonds in the aggregate principal amount of $646,495,000 are being issued for the purpose of financing all or a portion of the cost of certain programs and capital projects, the types of which generally include educational facilities, parks, pollution control facilities, transportation, natural resources and agricultural enterprises.

The Series 2026B Bonds in the principal amount of $256,285,000 are being issued for the purpose of financing the cost of construction, improvement and maintenance of programs and projects of the State trunk highway system.

The Series 2026C Bonds in the principal amount of $5,705,000 are being issued for the purpose of developing the State's agricultural resources by financing the Rural Finance Authority's programs, and for certain transportation and natural resources programs and projects.

The Series 2026D Bonds in the principal amount of $121,220,000 are being issued for the purpose of refunding $130,690,000 in General Obligation State Various Purpose Bonds, Series 2016A (the "Various Purpose Refunded Bonds"). The proceeds to refund the Various Purpose Refunded Bonds will be placed in an irrevocable escrow fund and used, together with other available funds, to pay the principal of and interest on the Various Purpose Refunded Bonds to the date on which such bonds have been called for redemption and prepayment. The Various Purpose Refunded Bonds and the date on which they will be called for redemption are described in APPENDIX D.

Constitutional Provisions.

Article XI, Section 5 of the Minnesota Constitution authorizes public debt to be incurred for (a) the acquisition and betterment of public land, buildings and other improvements of a capital nature, or for appropriations or loans to State agencies or political subdivisions for this purpose, as the Legislature by a three-fifths vote of both the

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

Statutory Provisions.

The Series 2026A Bonds and the Series 2026C Bonds are authorized by Minnesota Statutes, Sections 16A.631 through 16A.675. The Series 2026B Bonds are authorized by Minnesota Statutes, Sections 167.50 through 167.52.

Minnesota Statutes, Section 16A.66, authorizes the issuance of general obligation State refunding bonds with the approval of the State's Executive Council. The issuance of the Series 2026D Bonds were approved by resolution of the State Executive Council on September 12, 2017.

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Session Law Provisions

Session laws authorizing the issuance of the Series 2026A Bonds and the amounts included in this issue are set forth below ("X" indicates Special Session Laws):[1]

Law Authorizing	Bonds This Issue[2]
Session 2012, Chapter 293	$ 7,000
Session 2014, Chapter 294	855,000
Session X2017, Chapter 8	1,025,000
Session 2018, Chapter 214	11,430,000
Session 2019, Chapter 2	735,000
Session X2020, Chapter 3	42,930,000
Session 2023, Chapter 32	3,000,000
Session 2023, Chapter 72	219,200,000
Session X2025, Chapter 15	228,215,000
Session 2026, Chapter 130	185,105,000
Total:	$ 692,502,000

Session laws authorizing the issuance of the Series 2026B Bonds and the amounts included in this issue are set forth below ("X" indicates Special Session Laws):[1]

Law Authorizing	Bonds This Issue
Session 2018, Chapter 214	$ 54,300,000
Session X2020, Chapter 3	39,033,000
Session X2021, Chapter 5	131,652,000
Session 2023, Chapter 68	15,700,000
Session 2024, Chapter 127	15,600,000
Total:	$ 256,285,000

Session laws authorizing the issuance of the Series 2026C Bonds and the amounts included in this issue are set forth below.

Law Authorizing	Bonds This Issue
Session 2013, Chapter 136	$ 500,000
Session 2019, Chapter 2	450,000
Session 2023, Chapter 32	4,755,000
Total:	$ 5,705,000

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

[2] Including net premium deposited into the Capital Projects Fund.

Bond Terms

The Bonds mature on the dates and in the principal amounts and bear interest at the annual rates shown on the inside front cover page hereof. Such interest is computed on the basis of a 360-day year and twelve 30-day months. Interest on the Bonds is payable to Bondholders as of the 15th day of the preceding month semiannually on each February 1 and August 1 to maturity or prior redemption, if any, commencing February 1, 2027. If principal or interest is due on a date on which commercial banks are not open for business in the States of Minnesota and New York, then payment will be made on the first day thereafter when such banks are open for business.

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

Optional Redemption

The Series 2026A Bonds and the Series 2026B Bonds maturing on or before August 1, 2036, will not be subject to redemption prior to their stated maturity dates. The Series 2026A Bonds and the Series 2026B Bonds maturing on or after August 1, 2037, will be subject to redemption and prepayment by the State at its option on August 1, 2036, and any business day thereafter, in whole or in part, in an order determined by the State and by lot within each maturity at a price of par plus accrued interest to the date specified for redemption.

The Series 2026C Bonds and the Series 2026D Bonds are not subject to redemption prior to their stated maturity date.

Notices of Redemption

So long as the Bonds are registered in the name of the nominee of DTC or another securities depository designated for this purpose, as indicated in the section hereof entitled "BOOK ENTRY SYSTEM," notice of any redemption of Bonds will be mailed only to such securities depository, which in turn is obligated to notify its participants who are obligated to notify the registered 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. Such notice shall state: (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 registrar and 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.

If, in the future, the Bonds are not in book entry form, notice of any redemption of Bonds will be published in financial newspapers circulated in the Minneapolis St. Paul metropolitan area and in the Borough of Manhattan, City and State of New York, not less than thirty days before the redemption date, stating: (i) the series, original date of issue, maturity dates, CUSIP numbers, and interest rates of the Bonds to be redeemed, (ii) if less than all Bonds of any maturity are to be redeemed, the registration numbers of those to be redeemed, (iii) the principal amount to be redeemed if less than the entire principal amount of any Bond, (iv) the redemption date and price and the name and address of the registrar and 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.

Any notice of redemption of Bonds to be redeemed may state that such notice is conditional and that if the conditions for redemption of such Bonds on the scheduled redemption date are not satisfied (including the availability of funds sufficient to redeem such Bonds), such Bonds will not be redeemed on such date and any Bonds tendered for payment on such date will be returned to the Beneficial Holder or registered owner thereof, as applicable.

Notice of redemption having been so given, the Bonds or portion of Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the registrar and 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.

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SECURITY[1]

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

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

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

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

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

formulas prescribing how the amounts deposited to the County State Aid Highway Fund are distributed to individual counties.

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

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

SOURCES AND USES OF FUNDS

Various Purpose Bonds

Sources:	Series 2026A Bonds	Series 2026C Bonds	Series 2026D Bonds	Total
Par Amount of Bonds	$646,495,000.00	$5,705,000.00	$121,220,000.00	$773,420,000.00
Net Premium on Bonds	46,431,749.80	57,164.10	9,631,094.05	56,120,007.95
Transfer from State Bond Fund	-	-	3,267,250.00	3,267,250.00
Total Sources	$692,926,749.80	$5,762,164.10	$134,118,344.05	$832,807,257.95
Uses:				
Capital Projects Fund	$692,052,000.00	$5,700,000.00	$ -	$697,752,000.00
Deposit to Escrow Account	-	-	131,748,778.19	131,748,778.19
Deposit to State Bond Fund	3,916.52	3,537.10	2,172,090.91	2,179,544.53
Underwriters' Discount	420,833.28	53,627.00	112,474.95	586,935.23
Cost of Issuance	450,000.00	5,000.00	85,000.00	540,000.00
Total Uses	$692,926,749.80	$5,762,164.10	$134,118,344.05	$832,807,257.95

Trunk Highway Bonds

Sources:	Series 2026B Bonds
Par Amount of Bonds	$256,285,000.00
Net Premium on Bonds	16,257,615.45
Total Sources	$272,542,615.45
Uses:	
Capital Projects Fund	$256,110,000.00
Deposit to State Bond Fund	16,155,096.84
Underwriters' Discount	102,518.61
Cost of Issuance	175,000.00
Total Uses	$272,542,615.45

FUTURE FINANCINGS

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

Pursuant to Minnesota Statutes, Section 462A.37, the Minnesota Housing Finance Agency ("MHFA") received a legislative authorization in 2025 to issue up to $50,000,000 of additional housing infrastructure bonds that are supported by a State General Fund appropriation. MHFA anticipates issuing the entire authorization in Fall of 2026.

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

BOOK ENTRY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TAX MATTERS

The Tax-Exempt Bonds

General. In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing federal and Minnesota laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants described below, the interest to be paid on the Series 2026A Bonds, the Series 2026B Bonds and the Series 2026D Bonds (collectively, the "Tax-Exempt Bonds") is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, interest on the Tax-Exempt Bonds may affect the federal alternative minimum tax imposed on certain corporations.

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

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

Discount Bonds. The Series 2026B Bonds having stated maturities in the years 2044 through 2046 (the "Discount Bonds") are being sold at a discount from the principal amount payable on the Discount Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under Section 1288 of the Code is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes to the same extent that stated interest on such Discount Bonds would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under Section 1288 is added to the tax basis of the owner in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity). Original issue discount is taxable under the Minnesota franchise tax on corporations and financial institutions.

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

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

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

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

Premium Bonds. The Series 2026B Bonds having stated maturities in the years 2027 through 2043 and all maturities of the 2026A Bonds and the 2026D Bonds (the "Premium Bonds") are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Premium Bonds must, from time to time, reduce their federal and Minnesota tax bases for the Premium Bonds for purposes of determining gain or loss on the sale, redemption or payment at maturity of such Premium Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire Premium Bonds might recognize taxable gain upon sale of such Premium Bonds, even if such Premium Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Purchasers of Premium Bonds should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling such Premium Bonds.

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

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

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

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

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

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

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

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

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

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

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

The Taxable Bonds

General. The interest on the Series 2026C Bonds (the "Taxable Bonds") is included in gross income for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Purchasers of the Taxable Bonds should consult their own tax advisors as to the federal, state or local tax consequences of purchasing, owning or selling the Taxable Bonds.

Original Issue Discount. If the Taxable Bonds are issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified *de minimis* amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. As a general rule, the owner of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days the owner owned the instrument. Owners of Taxable Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning such Taxable Bonds.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Taxable Bonds if the purchasers, upon issuance, fail to supply their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide a certified statement, under penalty of perjury, that they are not subject to backup withholding.

Bond Premium. An investor that acquires a Taxable Bond for a cost greater than its remaining stated redemption price at maturity and holds such instrument as a capital asset will be considered to have purchased such instrument at a premium. Such premium may generally be amortized under the constant yield method upon prior election permitted by Section 171(c) of the Code and, if so amortized, any call options of the State with respect to the Taxable Bonds are generally disregarded such that the instruments are amortized to their maturity date. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizing bond premium that reduces interest payments under Section 171 of the Code. Investors of any Taxable Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Changes in Federal and State Tax Law

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

LEGAL OPINIONS

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

FINANCIAL INFORMATION

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

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

LITIGATION

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

While at any given time, including the present, there are numerous civil actions pending against the State, that could, if determined adversely to the State, affect the State's expenditures, and, in some cases, its revenues, the State Attorney General is of the opinion that, except for the actions described in Note 18 to the State Financial Statements for Fiscal Year Ended June 30, 2025, included as APPENDIX F hereto, and additional actions, if any, discussed below, no pending actions are likely to have a material adverse effect in excess of $15 million on the State's expenditures or revenues during the Current Biennium.

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

AMRTC Appeal of Medicare Overpayments (Medicare Appeals Council). The Centers for Medicare and Medicaid issued claim denial notices to Minnesota Direct Care and Treatment (DCT) related to a number of Medicare claims for patients at Anoka Metro Regional Treatment Center. DCT appealed these denials to the Office of Medicare Hearings and Appeals, and the Administrative Law Judge ("ALJ") affirmed the denials. DCT has asked the Medicare Appeals Council to review the ALJ's decisions. An adverse decision in DCT's appeal could have a broad impact on other DCT Medicare claims, which could result in the State having to repay some amount that is estimated to be less than $55 million.

Davis et al. v. Minnesota Department of Human Services (DHS) (Ramsey County District Court). A putative class action was filed on February 2, 2026, alleging unauthorized access to the private data of over 300,000 potential class members. Plaintiffs are seeking unspecified damages. DHS moved to dismiss, and the motion remains under advisement with the court.

F&H Partnership, LLP v. Matt Varilek, Commissioner of the Department of Employment and Economic Development (Ramsey County District Court). This case is one of several related challenges to an omnibus bill passed in 2024, alleging that bill violates the Minnesota Constitution's single-subject clause. The Plaintiff in this case specifically challenges amendments to the Paid Family Medical Leave Program and seeks disgorgement of all taxes & penalties collected under the 2024 amendments to that program.

Abdikar Mohamed and Fowsiya Hassan v. Tim Walz, Minnesota Dept. of Human Services (DHS), et al. (U.S. District Court, District of Minnesota). The Department of Human Services (now Department of Children, Youth, and Families) temporarily suspended Child Care Assistance Program payments to Plaintiffs, pending the outcome of a fraud investigation into childcare centers owned by Plaintiffs. Plaintiffs are now suing the State in federal court. Allegations include damages for loss of the Plaintiffs' businesses, pain and suffering, and compensatory and special damages, totaling at least $46.8 million, plus punitive damages. The State largely prevailed in its motions to dismiss, though one claim remains against two individual state employees.

Microsoft Corporation and Subsidiaries v. Commissioner of Revenue (Minnesota Tax Court). Microsoft appealed the Commissioner's denial of a claim for refund of corporate franchise tax. Microsoft claimed a refund of the tax it paid in 2025 pursuant to a statute taxing global low-taxed income at the state level. Microsoft challenges the constitutionality of the applicable statute and seeks to use an alternative method to determine the amount of tax due. The refund sought is $32.5 million plus interest.

South Country Health Alliance et al. v. Minnesota Department of Human Services (DHS) et al. (Ramsey County District Court). On August 14, 2023, the Court of Appeals held that DHS did not comply with Minnesota law when it denied Plaintiffs the Medicaid contracts they sought. DHS and the other co-defendants appealed the decision to the Minnesota Supreme Court. Oral arguments were heard by the Minnesota Supreme Court on June 3, 2024. On August 29, 2025, the Supreme Court dismissed the appeal, holding that the petition for review was improvidently granted. The matter returned to the district court to determine the scope of injunctive relief. On June 29, 2026, this case was dismissed pursuant to a stipulation by the parties.

United States v. Minnesota Department of Education et al. (U.S. District Court, District of Minnesota). In March 2026, the United States sued the Minnesota Department of Education ("MDE") and the Minnesota State High School League (the "League") alleging that the League's transgender-inclusive sports policy violates Title IX of the Education Amendments of 1972. Among other things, the United States claims that MDE breached federal funding contracts that require it to comply with Title IX, and it seeks damages for the alleged contractual violations. The Complaint does not specify a damages amount. It broadly states that MDE currently receives $2.98 billion in federal funding, and that $679 million remains available for drawdown by MDE. MDE intends to move to dismiss the complaint in its entirety.

CONTINUING DISCLOSURE

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

The State determined that on two occasions it had failed to file in a timely manner a notice of the incurrence of a financial obligation under its school district credit enhancement program related to the State's general obligation bonds and bonds supported by State appropriations. On April 26, 2024 and January 7, 2026, respectively, the State posted on EMMA the appropriate notices.

The State determined that it had failed to file in a timely manner notices of defeasance of certain series of the State's 2014 and 2015 general obligation bond issues and 2014 certificates of participation. The general obligation bonds were called for redemption on November 6, 2025 and January 2, 2026, and the certificates were called for redemption on December 5, 2025. On January 7, 2026, the State posted on EMMA the appropriate notices.

MUNICIPAL ADVISOR

The State of Minnesota has retained Public Resources Advisory Group, Inc., New York, New York, as municipal advisor (the "Municipal Advisor") to the State in connection with the authorization and issuance of the Bonds. In preparing portions of the Official Statement, the Municipal Advisor has relied upon State officials and other sources which have access to relevant data, to provide accurate information for the Official Statement. The Municipal Advisor has not been engaged and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

The Commissioner acting on behalf of the State has sold the Series 2026A Bonds Bidding Group 1 at public sale to Wells Fargo Bank, N.A., as Series 2026A Bidding Group 1 Underwriter, for a price of $350,596,388.37, with the Series 2026A Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2026A Bonds Bidding Group 2 at public sale to J.P. Morgan Securities LLC, as Series 2026A Bidding Group 2 Underwriter, for a price of $341,909,528.15, with the Series 2026A Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2026B Bonds at public sale to J.P. Morgan Securities LLC, as Series 2026B Underwriter, for a price of $272,440,096.84, with the Series 2026B Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2026C Bonds at public sale to Robert W. Baird & Co., Inc., as Series 2026C Underwriter, for a price of $5,708,537.10, with the Series 2026C Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2026D Bonds at public sale to J.P. Morgan Securities LLC, as Series 2026D Underwriter, for a price of $130,738,619.10, with the Series 2026D Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

Wells Fargo Bank, N.A., J.P. Morgan Securities LLC, and Robert W. Baird & Co., Inc., collectively are referred to as the Underwriters, herein.

RATINGS

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

AUTHORIZATION OF OFFICIAL STATEMENT

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

/s/ Erin Campbell
Commissioner of Management and Budget
State of Minnesota

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APPENDIX A

STATE GOVERNMENT AND FISCAL ADMINISTRATION

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APPENDIX A

STATE GOVERNMENT AND FISCAL ADMINISTRATION

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STATE GOVERNMENT AND FISCAL ADMINISTRATION

State Government

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

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

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

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

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

Fiscal Administration

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

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

Accounting System

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

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

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

Financial Reporting

State law requires the Commissioner of Management and Budget to prepare an annual comprehensive financial report for each fiscal year of the State in conformance with generally accepted accounting principles by the December 31 following the end of the fiscal year. These reports are audited by the Legislative Auditor. The Legislative Auditor's opinion and the Fiscal Year 2025 basic financial statements are presented in APPENDIX F.

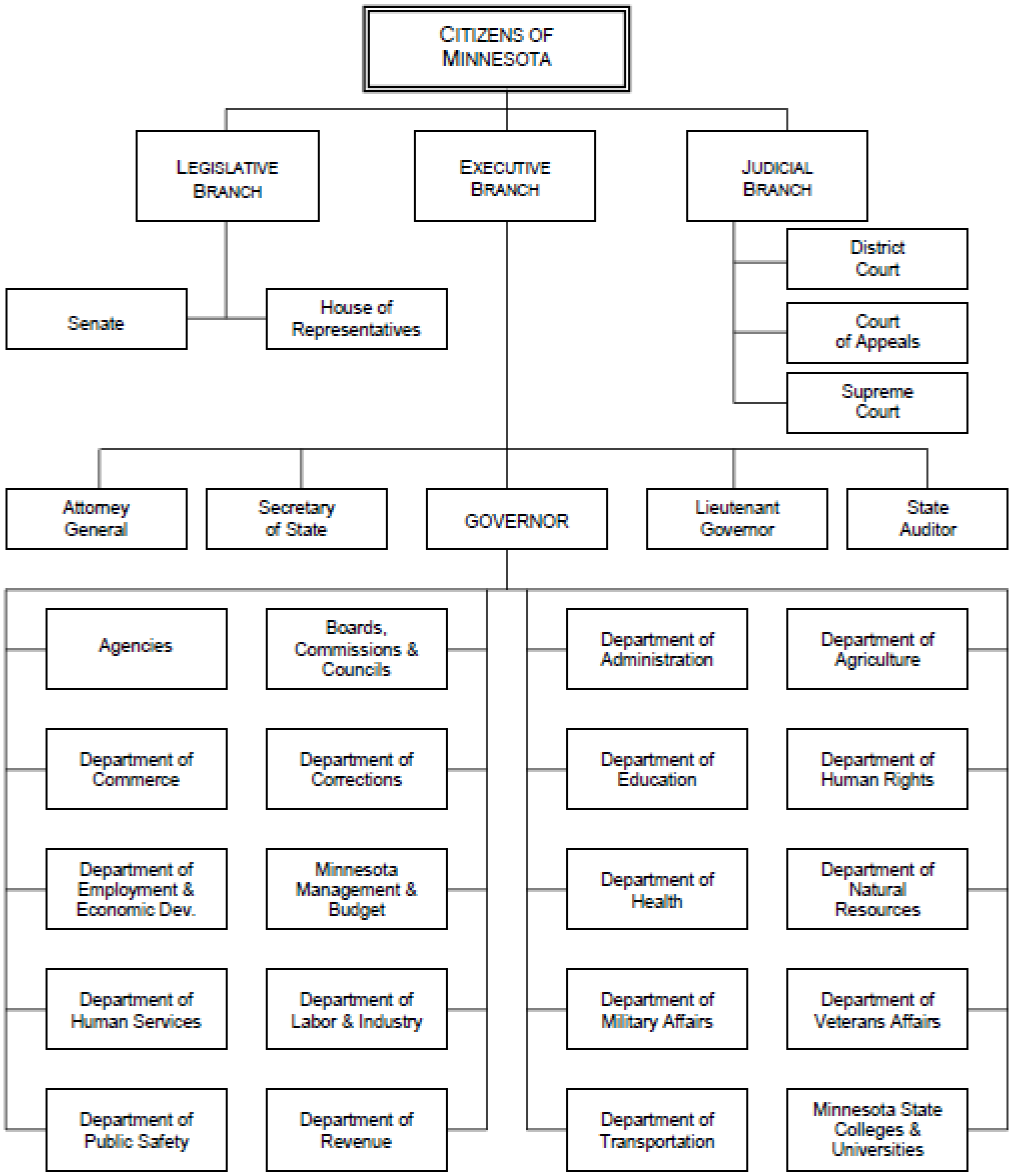
Investments

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

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

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

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



Revenues

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

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

Audit Control Procedures

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

Status of Collective Bargaining and Compensation Plans

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

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

INFORMATION ON EXECUTIVE BRANCH STATE BARGAINING UNITS

Unit	Employees as of July 2026
American Federation of State, County and Municipal Employees (AFSCME) (6 bargaining units)	16,781
Law Enforcement Labor Services (LELS) (3 bargaining units)	180
MN Association of Professional Employees (MAPE)	19,026
Middle Management Association (MMA)	3,893
MN Government Engineers Council (MGEC)	1,274
MN Nurses Association (MNA)	1,035
MN Law Enforcement Association (MLEA)	750
State Residential Schools Education Association (SRSEA)	157
State College Faculty Association (MSCF)	3,832
State University Interfaculty Organization (IFO)	2,572
State University Admin and Service Faculty (MSUAASF)	773
Total Represented Employees	50,273
Total State Employment	57,203
Percent of All Executive Branch Employees Unionized	88%

Previous Biennium labor contracts for all Executive Branch bargaining units expired on June 30, 2025. By statute, these contracts remain in effect until subsequent agreements are reached or contracts are cancelled when the right to strike matures. As of the date of this Official Statement, the State has implemented new agreements with all of the bargaining units for employees in the Executive Branch for the Current Biennium except for MLEA and LELS Units 17, 18 and 19. Negotiations have opened for successor agreements with MLEA and LELS Units 17, 18 and 19.

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

Unit	Employees as of June 2026
American Federation of State, County and Municipal Employees (AFSCME), Councils 5 & 65 (1 bargaining unit)	870
Teamsters Local 320 (2 bargaining units)	539
Total Represented Employees	1,409
Total Judicial Branch Employees	3,385
Percent of All Judicial Branch Employees Unionized	42%

Current Biennium labor contracts for the Judicial Branch expire on June 30, 2027. These contracts remain in effect until successor agreements are ratified, or contracts are canceled if the right to strike matures.

Cybersecurity

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

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

To provide advice and recommendations for improving the state of IT for Minnesotans, the Governor established a Blue-Ribbon Council on Information Technology ("IT Council") in February 2019 consisting of executive branch representatives, county IT leaders, union representation, IT experts from the private sector, and State legislators. The IT Council published two reports in June 2020 and February 2021, which contained recommendations for MNIT and state agencies on ways to improve technology service delivery, project and portfolio management, and cybersecurity risk reduction and mitigation. This model of private-sector expertise collaborating with State agency business leaders and MNIT was cemented as the permanent, statutory advisory body for State government technology services in the 2021 Legislative Session and was renamed the Technology Advisory Council ("TAC"). Cybersecurity remains a prominent focus of the IT Council, and one of four subcommittees is focused solely on developing additional cybersecurity recommendations, as well as continuing to assess progress against previous recommendations in the cybersecurity arena. The TAC published reports in January 2023, February 2024, January 2025, and February 2026 that continue to offer recommendations to modernize State agency operating models, transform how State government approaches cyber-projects, and prioritize ongoing funding for cybersecurity throughout the State.

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

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APPENDIX B

STATE FINANCES

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APPENDIX B

STATE FINANCES

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

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STATE FINANCES

FINANCIAL STATEMENTS

The basic financial statements for the State for the Fiscal Year ended June 30, 2025, are included herein as APPENDIX F. These financial statements provide financial information for the State's General Fund, as defined by generally accepted accounting principles, as set forth in the audited financial statements included in APPENDIX F and other major funds; for all other funds, such information is combined into non-major governmental and non-major enterprise funds, which includes the Debt Service Fund. These financial statements have been examined by the Legislative Auditor, independent auditor for the State to the extent indicated in the report included in APPENDIX F. The Legislative Auditor's report and the financial statements, including the Notes, should be read in their entirety. Such financial statements have been included in APPENDIX F in reliance upon the report of the Legislative Auditor. The revenues and expenditures presented consistent with Generally Accepted Accounting Principles for Fiscal Years 2023 through 2025 are summarized on page B-10.

Past Financial Reports

The State's Annual Comprehensive Financial Reports, including information by individual fund for Fiscal Year 2025 and prior years are available at https://mn.gov/mmb/accounting/reports/.

FINANCIAL INFORMATION

Budgeting Process

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

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

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

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

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

General Fund

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

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

Cash Flow Account

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

Budget Reserve Account

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

Control Procedures

Dollar Control: Expenditures in excess of legislative appropriations are prohibited by law. In order to prevent spending in excess of appropriations, MMB requires State agencies to identify their appropriations and establish them in the State's accounting system as the limit on spending. The accounting system will reject transactions that exceed these limits. This control procedure is designed to prevent agencies from spending from unauthorized sources of funds.

Allotment and Encumbrance Control: Before money can be disbursed pursuant to an appropriation, it must first be allotted (administratively allocated and approved for expenditure). Prior to each fiscal year, MMB allots the applicable State agency appropriations based on legislatively-enacted budgets. An allotment is a subdivision of an appropriation into smaller, detailed components used by agencies to budget expenditures by category of expenditure. The accounting system prevents allotments from exceeding appropriations.

Once allotments have been established, but before spending obligations can be incurred, for most purchases agencies must establish encumbrances against their allotments. Encumbrances are the accounting control device agencies use for reserving portions of their allotments for expenditures that will soon be incurred. The encumbrance process helps agencies keep track of their outstanding obligations, and the accounting system prevents agencies from encumbering more funding than has been allotted.

Executive Budget Officer Oversight: MMB assigns an Executive Budget Officer to each State agency for the purposes of approving agency accounting structures, appropriations, and allotments, and for monitoring overall agency revenues and expenditures.

Monthly Reports: MMB maintains a data warehouse which is used to produce reports on revenues and expenditures that agency staff and Executive Budget Officers use to monitor agency spending and receipts.

Balanced Budget

Minnesota's Constitution prohibits borrowing for operating purposes beyond the end of a biennium. Options for dealing with a projected deficit are provided for in statute. Borrowing for cash flow purposes within a biennium is allowed; however, revenues for the entire biennium plus any balances carried forward from the previous biennium must be greater than or equal to expenditures for the entire biennium.

If a forecast shows a shortfall for the General Fund for the then existing biennium, the Commissioner of Management and Budget (the "Commissioner") shall use funds and reduce the Budget Reserve Account as needed to balance revenues with expenditures. If there are not enough funds in the Budget Reserve Account to balance the General Fund in the Current Biennium, the Commissioner, with the consent of the Governor and after consulting with the Legislative Advisory Commission may also reduce outstanding appropriations, commonly referred to as "unalloting."

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

Federal Funding

The State receives a significant amount of funding from the federal government which supports a wide range of services across the State, including, but not limited to, infrastructure, social services, health care, education, public safety and other critical areas. These funds are received through federal financial assistance agreements or jointly financed State-federal programs, each with specified purposes and conditions. Federal revenue is currently estimated to account for approximately 36% of the State's total revenue.

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

Recent federal policies, priorities and executive actions have introduced uncertainties regarding timing, availability and compliance requirements for federal funds. Proposed federal regulatory changes by the Office of Management and Budget to Uniform Grants Guidance in the Code of Federal Regulation further reduces predictability and stability in federal grant management and compliance. Proposed federal changes may affect funding in the Current Biennium, Next Biennium or in the future.

On July 4, 2025, President Trump signed H.R. 1 ("H.R. 1"), a reconciliation law with significant provisions affecting tax, health care, nutrition and energy policy, among other areas. H.R. 1 will result in additional lost federal funding to health care providers, service partners, and program beneficiaries in the State. The State is not obligated to replace these federal dollars. However, it will create additional pressures on the State's health care and social service ecosystem, which drove almost $250 million in state investments in hospitals during the 2026 Legislative Session. The 2026 Legislature also passed provisions to conform with many of the Supplemental Nutrition Assistance Program ("SNAP") and Medicaid changes made in H.R. 1, while minimizing the impact on individuals. This includes implementing Medicaid work requirements for the adult expansion population at the minimum requirement of one month of qualifying activities. Additionally, the State reduced retroactive coverage to one month for adult expansion enrollees, and two months for all other enrollees. However, the State elected to maintain the pre-H.R. 1 standard of three months retroactive for all enrollees for one year before adopting the federal standard on January 1, 2028. The State also provided resources to replace lost SNAP administrative funding and invested in IT to reduce the SNAP error rate. While the State authorized compliance with H.R.1, there are still risks to federal funding as the State works to implement H.R. 1. Precise penalties for noncompliance are unknown; however, they could include the loss of some or all of the federal Medicaid funding for the populations impacted by these provisions. Additionally, H.R. 1 imposes penalties on states for SNAP benefit error rates. If the error rate exceeds 6 percent, the State will need to pay between 5 and 15 percent of SNAP benefit costs out of nonfederal funds.

The State continues to monitor and analyze potential risks to federally-supported State programs posed by executive action, federal legislation and policy, and other federal changes. Nearly $31.7 billion in federal funding supports state entitlement spending and a loss of these funds would increase costs for the State. Federal actions taken in 2025 and 2026 have threatened entitlements for childcare, economic assistance, nutrition and healthcare. Ongoing potential or threatened actions from the Centers for Medicare and Medicaid Services ("CMS") continue in response to concerns over fraud. The Minnesota Department of Human Services ("DHS") had deferrals (delays in reimbursement) of $259 million in Medicaid payments for the fourth quarter of calendar year 2025, $91.2 million in the first quarter of 2026, and $199 million in the second quarter of 2026. These amounts do not represent permanent disallowance or loss of federal funding. DHS has provided additional information to CMS and is awaiting a final determination. Should CMS ultimately disallow federal Medicaid payments, it would result in an increase in State General Fund obligations.

The State has challenged some of these actions in court, and final outcomes are still pending. At this time, it is not possible to predict the impact of current or future court decisions on the State's financial position. There can be no assurance that future federal regulatory or executive actions will not further impact the State's financial situation. At this time, it is not possible to predict the impact, in terms of timing or scope, of shifts in federal policies or the full impact on the State's financial resources.

CLIMATE CHANGE AND RESILIENCY

Minnesota is susceptible to significant seasonal weather shifts during the course of a calendar year, including weather events such as flooding, tornadoes, blizzards, wildfires, and drought. Extreme weather events are increasing in frequency and severity posing potential risks to the economy and financial condition of the State. The future fiscal impact of climate change is difficult to predict, although it could be significant. The State has taken various actions in recent years to mitigate the impacts of climate change.

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

The Subcabinet and Advisory Council launched a Climate Action Framework in 2022, which was updated in 2026, and is the State's plan to reduce climate pollution and prepare communities for the impacts of climate change. The framework includes broad goals in the following areas: clean transportation; climate-smart natural and working lands; resilient communities; clean energy; healthy lives and communities; a clean economy; and efficient and resilient buildings.

As part of Minnesota's Climate Action Framework, the State is working with local, tribal, and regional governments to assess climate vulnerability and build resiliency. Specifically, the State provides grants, information resources and technical expertise for infrastructure and vulnerability assessments, adaptation planning, and engineering design.

In July 2021, the Minnesota Pollution Control Agency ("MPCA") adopted the Clean Cars Minnesota rule, which applied the Low Emission Vehicle Standard and Zero Emission Standard to new cars sold in Minnesota through model year 2025. In June 2026, MPCA announced that the Clean Cars rule will be repealed based on obsolescence.

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

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

The 2024 Legislature passed legislation to appropriate an additional $12 million across various State agencies to plant climate adapted trees in communities and public land across the State and funded a study to identify the projected costs of climate change adaptation and resilience in Minnesota. That study concluded that investing in climate adaptation is far less costly than the costs of inaction and was submitted to the Legislature in March 2026 for future policy considerations.

REVENUE AND EXPENDITURE FORECASTING

General

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

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

Forecasting Risks

Risks are inherent in revenue and expenditure forecasts. Assumptions about U.S. economic activity and federal tax and expenditure policy underlie these forecasts. The forecast assumes that existing federal tax law and current federal budget authority and mandates will remain in place. Reductions in federal spending programs may affect State spending. Finally, even if economic and federal tax assumptions are correct, revenue forecasts are still subject to other economic and policy variables, as well as random external shocks, which can cause deviations between forecasts and actual revenues and expenditures.

Current Forecast Methods and Assumptions

The baseline U.S. economic forecast, which the Economic Analysis Unit and the State Economist use in preparing the State revenue and expenditure forecast, is provided by S&P Global Market Intelligence ("SPGMI"). SPGMI provides detailed monthly forecasts of U.S. national and regional economic indicators.

SPGMI's forecasts are reviewed by Minnesota's Council of Economic Advisors (the "Council"), a group of economists from the private sector, academia, and the Minneapolis Federal Reserve Bank. The Council provides an independent evaluation and critique of the SPGMI's forecasts. If the Council determines that the SPGMI forecast is significantly more optimistic than the current consensus, the Commissioner may base the State forecast on a less optimistic scenario of national economic growth.

Forecasts of individual income tax receipts are based on SPGMI forecasts of national production, employment, and corresponding wage and salary earnings, by industrial sector. The SPGMI forecasts are used as inputs in a model of Minnesota's economy developed and maintained by MMB, which produces state-specific forecasts of employment by major industry sector as well as wage and aggregate earnings. Non-wage income, itemized deductions and other adjustments to income are forecast using national data allocated to Minnesota. The forecasts of income, deductions and adjustments are used as inputs to a micro-simulation of the State's individual income tax liability. Calendar year liabilities are converted into fiscal year income tax revenues, with consideration given to the timing of withholding tax receipts, quarterly estimated payments, refunds and final payments.

Capital gains realizations have become an increasingly larger share of Minnesota's income tax base, causing greater volatility in income tax receipts. Minnesota capital gains realizations are forecast using an econometric model in which realizations depend on growth in household equity holdings, market interest rates, inflation expectations, and anticipated changes in federal capital gains tax rates. The model also uses a forecast of national capital gains realizations produced by the Congressional Budget Office (CBO). The model is designed to allow capital gains realizations to move gradually toward an equilibrium rate of realizations instead of adjusting instantaneously to a shock in model variables.

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

Sales tax receipts are estimated from a forecast of the Minnesota sales tax base. First, an historical U.S. sales tax base is constructed largely from national data for items that would be subject to tax if sold in Minnesota. To arrive at a Minnesota-specific sales tax base, the historical U.S. sales tax base is apportioned to Minnesota based on the State's shares of national income and employment. Estimated growth rates for the model base are applied to historical collections to generate the forward forecast. These model growth rates are calibrated using observed model performance.

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

The State's most recent Budget and Economic Forecast was prepared in February 2026. It was informed by the SPGMI's February 2026 baseline forecast, the scenario SPGMI considered most likely at the time of the forecast. See "BIENNIUM BUDGETS – February 2026 Forecast – Current Biennium" in this APPENDIX B for additional information. The forecast growth rates for real and nominal Gross Domestic Product ("GDP") are shown below. In their February 2026 outlook, SPGMI estimated that U.S. real GDP grew 2.2 percent in 2025, a 0.2 percentage point increase from their November 2025 baseline forecast. They forecast real GDP growth of 2.7 percent in 2026.

SPGMI FEBRUARY 2026
GROSS DOMESTIC PRODUCT (GDP)
BASELINE FORECAST[(1)]
(Chained Rates of Growth)

	Calendar Year 2025 Actual %	Calendar Year 2026 Forecast %	Calendar Year 2027 Forecast %	Calendar Year 2028 Forecast %	Calendar Year 2029 Forecast %
Real GDP Growth Rate	2.2	2.7	2.0	1.7	1.9
GDP Deflator (Inflation)	2.9	2.8	2.6	2.4	2.2
Nominal GDP Growth Rate	5.2	5.6	4.6	4.2	4.2

(1) Totals may not add due to rounding.

A report is published with each forecast and is available at https://mn.gov/mmb/forecast/, including the State's most recent February 2026 forecast. See "FINANCIAL INFORMATION" in this APPENDIX B. The November 2026 SPGMI Baseline will be used as the baseline for the next revenue and expenditure forecast.

July Revenue and Economic Update

Minnesota's net General Fund receipts for FY2026 are now estimated to total $33.526 billion, $248 million (0.7 percent) more than projected in the February 2026 Budget and Economic Forecast ("February 2026 Forecast"). Net income, net sales tax, and net other tax receipts were above the February 2026 Forecast, while net corporate tax receipts were below the February 2026 Forecast. General Fund revenues in the final quarter of FY 2026 were $430 million (4.4 percent) more than forecast in February.

Net individual income tax receipts are estimated to end the fiscal year $492 million (2.8 percent) more than forecast. Gross income tax receipts were $619 million above the February 2026 Forecast, while refunds were $127 million more than expected.

Income tax withholding payments were $61 million (0.5 percent) more than February 2026 Forecast. All positive variance reflects activity for tax year (TY) 2026.

Declarations exceeded the February 2026 Forecast by $71 million (2.7 percent). Of that variance, $48 million is due to higher estimated payments made in the months of April through June towards TY 2026 liability. The remainder of the variance ($23 million) is due to payments towards TY 2025 liability, consisting of estimated payments made in February and March, and extension payments made on or about April 15th. Extension payments are made by taxpayers who do not file a return on April 15 but estimate that they owe tax liability and make a payment to avoid penalty and interest. Typically, these taxpayers file their return on or before October 15.

Miscellaneous payments, consisting mostly of TY 2025 final payments, were $52 million (2.4 percent) more than the February 2026 Forecast. This consists of final payments with tax returns and all other individual income tax payments that are not declarations or withholding. It also includes estimated and final payments for fiduciary income tax. The individual income tax payments accounted for $42 million of the variance, all of which was related to TY 2025 or prior years. The remainder of the variance is attributable to fiduciary payments exceeding forecast by approximately $10 million. This variance is related to both TY 2025 and TY 2026.

Partnership and S Corporation gross receipts exceeded the February 2026 Forecast by $435 million (16.5 percent). These payments consist of pass-through entity (PTE) tax payments, non-resident composite payments, nonresident withholding payments, and minimum fee payments. Of this variance, approximately $15 million is related to TY 2025, and most of that is likely due to higher PTE tax payments. This is expected to result in higher PTE tax credits claimed by individual taxpayers who file for an income tax filing extension through October 15. This would imply higher refunds or lower final payments between now and the end of January 2027, when these returns are processed. The remaining $420 million in the variance relates to TY 2026 activity. Most of this variance is likely due to higher PTE tax payments. The February 2026 Forecast assumed the PTE tax would expire after TY 2025 under then-current law. The 2026 Legislature extended the PTE tax through TY 2027, likely causing pass-through entities to pay significantly higher PTE tax amounts in June than assumed in the February 2026 Forecast. This is anticipated to result in higher PTE tax credits claimed on individual income tax returns in spring 2027, leading to higher refunds or lower final payments in spring 2027.

Total refunds were $127 million (3.5 percent) above the February 2026 Forecast. Partnership and S Corporation entity refunds were $40 million above forecast, likely due to overpayment of the PTE tax for TY 2025. Individual, fiduciary, and other refunds were $86 million above forecast. There are a significant number of high-income returns that will be filed after the close; refunds on those returns may result in a larger refund variance in the first half of FY 2027.

Net corporate receipts for FY 2026 were $313 million (9.5 percent) less than the February 2026 Forecast. Gross corporate tax payments were $326 million below the February 2026 Forecast, while refunds were $13 million lower than expected. The February 2026 Forecast was prepared under current law and therefore assumed Minnesota would not conform to the federal business tax provisions in H.R. 1. Under that assumption, corporations that reduced their Minnesota estimated payments in response to lower expected federal tax liability were expected to make larger final payments when filing TY 2025 returns in the second quarter of calendar year 2026.

During the 2026 Legislative Session, Minnesota conformed to several revenue-raising federal business tax provisions but did not conform to most revenue-reducing provisions. See "GENERAL FUND REVENUE SOURCES" in this APPENDIX B. The State continues to expect some of the deferred liability to be paid in future filing periods.

Net general sales tax receipts are estimated to end FY 2026 $19 million (0.2 percent) more than the February 2026 Forecast. Gross sales tax payments were $23 million above the February 2026 Forecast, and refunds were $4 million higher than expected. Net sales tax receipts are estimated to end the fiscal year in line with the February 2026 Forecast. Steady performance in this category indicates that consumer spending has remained resilient despite weaker consumer sentiment. Some of the strength in sales tax collections reflects higher taxable sales values due to elevated inflation.

Other net revenues were $50 million (1.0 percent) more than the February 2026 Forecast. Estate taxes, investment income, and department earnings and Minnesota Sex Offender Program (MSOP) collections were the primary drivers of the higher-than-forecasted variance. Net healthcare surcharge taxes, deed and mortgage taxes, and fines and surcharges were lower than forecasted.

All FY 2026 results are preliminary and subject to change. The State's fiscal year that ended June 30, 2026, will officially close on August 14.

As of June 30, total FY 2026 revenue was $33.556 billion. Estimated accruals and pre-close adjustments add $29 million on a net basis. Revenues that will be received or recognized between the end of the fiscal year and the close add an estimated $146 million. Income, corporate, and sales tax refunds attributable to FY 2026, expected to be paid out before the close, subtract $176 million. A complete reporting of FY 2026 revenues will be part of the October Revenue and Economic Update.

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HISTORIC REVENUES AND EXPENDITURES

The following table sets forth the State's General Fund revenues and expenditures for the Fiscal Years ended June 30, 2023 through 2025, on an accrual basis. The revenues and expenditures shown include all revenues and expenditures for that fiscal year, including revenue received and expenditures made after June 30 of such fiscal year which are properly allocable to such fiscal years. The schedules of revenues and expenditures are presented for comparison purposes only and are not intended to reflect any increases or decreases in fund balance. Beginning balances or deficits are not included.

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STATE OF MINNESOTA
GENERAL FUND COMPARATIVE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(THOUSANDS OF DOLLARS)
UNAUDITED

	Fiscal Year Ended June 30 [1]		
	2023	2024	2025
Net Revenues:			
Individual Income Taxes [2]	$ 16,304,325	$ 16,633,430	$ 17,785,593
Corporate Income Taxes [3]	2,911,082	3,205,333	3,056,349
Sales Taxes [4]	7,538,069	7,593,195	7,475,214
Property Taxes	770,142	719,571	750,842
Motor Vehicle Taxes	424,120	451,195	441,408
Other Taxes [5]	3,296,489	3,259,996	3,520,418
Tobacco Settlement	179,497	165,053	152,891
Federal Revenues	50,557	61,090	84,413
Licenses and Fees	264,560	263,781	286,788
Departmental Services	179,776	188,191	200,560
Investment/Interest Income	1,033,719	1,398,513	1,108,205
Other Revenues [6]	513,816	623,389	616,180
Net Revenues	$ 33,466,152	$ 34,562,737	$ 35,478,861
Expenditures:			
Agricultural, Environmental and Energy Resources [7]	$ 386,802	$ 491,047	$ 624,479
Economic and Workforce Development [8]	404,235	1,173,272	853,759
General Education [9]	10,295,273	11,921,970	12,661,467
General Government [10]	1,016,072	2,339,791	1,287,599
Health and Human Services [11]	9,382,910	11,739,746	13,361,362
Higher Education [12]	985,891	1,146,680	1,196,290
Intergovernmental Aid [13]	2,504,788	2,752,507	2,951,642
Public Safety and Corrections [14]	865,633	1,048,915	1,181,789
Transportation [15]	613,082	638,509	701,411
Total Current Expenditures	$ 26,454,686	$ 33,252,437	$ 34,819,798
Capital Outlay	104,412	184,522	181,074
Debt Service	87,667	97,742	113,854
Total Expenditures	$ 26,646,765	$ 33,534,701	$ 35,114,726
Excess of Revenues over (under) Expenditures	$ 6,819,387	$ 1,028,036	$ 364,135
Other Financing Sources (Uses):			
Bond Issuance	$ -	$ 37,395	$ 48,010
Loan Issuance	16,312	31,896	-
Right-to-Use Issuance	23,496	34,745	46,090
Bond Issuance Premium	-	4,751	5,476
Transfers-In	237,088	234,810	354,327
Transfers-Out	(1,988,967)	(4,152,577)	(1,868,171)
Net Other Financing Sources (Uses)	$ (1,712,071)	$ (3,808,980)	$ (1,414,268)
Net Change in Fund Balances	$ 5,107,316	$ (2,780,944)	$ (1,050,133)

(1) For Fiscal Years 2023, 2024, and 2025 the schedule of revenues and expenditures includes all financial activity for the fiscal year, including revenue and expenditure accruals at June 30.
(2) During Fiscal Year 2025, Individual Income Taxes revenue increased as a result of wage increases.
(3) During Fiscal Year 2025, Corporate Income Taxes revenue decreased due to a decrease in corporate taxes on foreign income.
(4) During Fiscal Year 2025, Sales Taxes revenue decreased slightly due to one-time refunds issued for exempt data centers, which was partially offset by the increase due to a full year of sales taxes from the Twin Cities Metropolitan Area sales taxes which started during the prior year.
(5) During Fiscal Year 2025, Other Taxes revenue increased primarily due to increases in estate taxes, and taxes charged to medical providers, wholesale distributors, and hospitals.
(6) During Fiscal Year 2024, Other Revenues increased due to an increase in fees charged on child support received by parents receiving public assistance for child care and revenue from Workers' Compensation Assigned Risk Plan (component unit). In addition, during Fiscal Year 2024, revenue was received from local governments for the Lewis and Clark Regional Water System project.
(7) During Fiscal Year 2025, Agricultural, Environmental, and Energy Resources function spending increased due to one-time projects and grants to enhance parks in Minnesota, and one-time grants to communities for climate and resilience initiatives. During Fiscal Year 2024, Agricultural, Environmental and Energy Resources function spending increased due to program expansion and the rising health care costs for the reinsurance health care program.
(8) During Fiscal Year 2025, Economic and Workforce Development function spending decreased due to the one-time grants to the Housing Finance Agency (component unit) for housing projects in the prior year. This was partially offset by new one-time grants and aid to businesses to support community training and development in new or expanding industries and broadband for unserved or underserved communities, as well as increases in grants to the Minnesota Climate Innovation Finance Authority (component unit). During Fiscal Year 2024, Economic and Workforce Development function spending increased due to significant one-time grants to Housing Finance Agency (component unit) for housing projects, such as first-generation homebuyers down-payment assistance, housing infrastructure, community stabilization, and stable housing organization relief programs.
(9) During Fiscal Year 2025, General Education function spending increased primarily due to the two percent per pupil formula increase, which was slightly offset by a slight decrease in the number of pupils. During Fiscal Year 2024, General Education function spending increased due to increased funding for special education and the four percent per pupil formula increase.
(10) During Fiscal Year 2025, General Government function spending decreased primarily due to the one-time rebates of the surplus funds to individuals and funding a tax forfeiture lawsuit settlement against a county in Minnesota in the prior year as well as a decrease in one-time transfers to many of the pension plans. These decreases were slightly offset by an increase in staffing and technology spending for the trial courts in the current year. During Fiscal Year 2024, General Government function spending increased due to the state issuing $989 million in one-time rebates of surplus funds to individuals and also funded a tax forfeiture lawsuit settlement against a county in Minnesota.
(11) During Fiscal Year 2025, Health and Human Services function spending increased due to an increase in medical assistance due to a 20 percent increase in the average cost per participant and decrease in the federal participation rate, which also shifted some additional costs from the Federal Fund to the General Fund. Additionally, many types of health and human services grants increased, such as adult mental health, housing support, and basic sliding fee childcare assistance, as well as an increased focus on community awareness and health promotion of areas such as sex trafficking, stroke awareness, cancer prevention, suicide and crisis lifeline awareness, etc. During Fiscal Year 2024, Health and Human Services function spending increased due to the reduction of the federal participation rate for medical assistance for the first two quarters and the complete elimination for the last two quarters, which resulted in a shift of these costs from the Federal Fund back to the General Fund. Also during Fiscal Year 2024, Health and Human Services function spending increased as a result of a new child tax credit and the creation of "Great Start" tax force tasked to develop a plan to accomplish the goal for "all families to have access to affordable, high-quality early care and education".
(12) During Fiscal Year 2025, Higher Education function spending increased due to an increase in grants to the Office of Higher Education (component unit) for a financial aid program. During Fiscal Year 2024, Higher Education function spending increased due to additional grants to the Office of Higher Education and the University of Minnesota (component units) for student tuition grants and operating support.
(13) During Fiscal Year 2025, Intergovernmental Aid spending increased as a result of increases in grants to local governments and tribal nations, partially offset by a reduction in aid to local governments for public safety as these were one-time grants in the prior year. During Fiscal Year 2024, Intergovernmental Aid spending increased as a result of one-time aid to local governments for public safety and the one-time increases to the homestead credit refund and renters property tax refund programs.
(14) During Fiscal Year 2025, Public Safety and Corrections function spending increased due to an increase in staffing and/or space for correctional facilities, state patrol, and capital security as well as an increase in public safety and community grants. During Fiscal Year 2024, Public Safety and Corrections function spending increased as a result of additional operating support at both the State and county level for investments in public safety.
(15) During Fiscal Year 2025, Transportation function spending increased due to the increase in expenditures related to the state match for the federal Infrastructure Investment and Jobs Act, offset by a decrease in grants to the Metropolitan Council (component unit).

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BIENNIUM BUDGETS

The biennium that began on July 1, 2023, and ended on June 30, 2025, is referred to herein as the "Previous Biennium." The biennium that began on July 1, 2025, and will end on June 30, 2027, is referred to herein as the "Current Biennium." The biennium that will begin on July 1, 2027, and will end on June 30, 2029, is referred to herein as the "Next Biennium." An individual fiscal year is referred to herein as "FY" or "Fiscal Year."

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

February 2025 Forecast – Current Biennium

The November 2024 Forecast provided the first official forecast for the Current Biennium. The February 2025 Forecast provided updated estimates and projected an available balance of $616 million for the Current Biennium budget. Upward revisions in the spending forecast, partially offset by increases to revenue forecast, resulted in an available balance of $456 million for the Current Biennium, $160 million less than prior estimates.

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

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

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

2025 Legislative Sessions – Current Biennium

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

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

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

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

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

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

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

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

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

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

November 2025 Forecast – Current Biennium

With the November 2025 Forecast, the Minnesota budget and economic outlook was improved compared to estimates at the end of the 2025 Legislative Sessions. A larger closing balance in the Previous Biennium and an increased revenue forecast, partially offset by increases to estimated spending and an allocation to the Budget Reserve Account, resulted in a projected surplus of $2.465 billion for the Current Biennium, an improvement of $579 million.

Revenues: Total General Fund revenues for the Current Biennium were forecast to be $66.262 billion, $1.440 billion (2.2 percent) more than prior estimates. Total tax revenues for the biennium was estimated to be $63.191 billion, $1.188 billion (1.9 percent) above the prior forecast. The forecasts for individual income tax and other tax revenues were higher than previously estimated. These higher forecasts offset lower projections for corporate tax revenues, sales tax revenues, and statewide property tax revenues.

Expenditures: Total General Fund expenditures for the Current Biennium were projected to be $70.299 billion, $3.425 million (4.9 percent) higher than previously forecast. However, $1.859 billion of the spending increase were appropriations left unspent in the Previous Biennium. Across the two biennia, the impact of this carryforward has no net impact on the General Fund balance. Comparing spending in FY 2026-27 without the addition of these appropriations shows a spending increase in this forecast of $1.565 billion (2.3 percent) compared to prior estimates.

Reserves: Minnesota Statute 16A.152 directs MMB to calculate a recommended amount for the Budget Reserve Account and allocates funds to account if the November Forecast projects a surplus in the Current Biennium. The size of the account is determined by MMB to adequately compensate for the volatility of revenues generated by the state's general fund tax structure. In September 2025, the calculation recommended a budget reserve target of 5.2 percent of general fund nondedicated revenues. The recommended amount based on the projected revenues in November 2025 was $3.422 billion compared to $3.168 billion at the close of the Previous Biennium. As a result, $268 million was allocated from the projected surplus into the account. The Cash Flow Account balance of $350 million was unchanged from prior estimates.

February 2026 Forecast – Current Biennium

With the February 2026 Budget and Economic Forecast, the FY 2026-27 biennium was projected to end with a balance of $3.734 billion, an improvement of $1.269 billion.

Revenues: Total General Fund revenues for Current Biennium were forecast to be $67.464 billion, $1.201 billion (1.8 percent) more than in the prior forecast. Total tax revenues for the biennium was projected to be $64.302 billion, $1.111 billion (1.8 percent) above the prior forecast. The estimates for individual income tax, general sales tax, corporate franchise tax, and other tax revenues were all higher than in the November 2025 Forecast.

Expenditures: Spending in the FY 2026-27 biennium was estimated to be $70.231 billion, $68 million (0.1 percent) lower than prior estimates. E-12 education was forecast to be $111 million (0.4 percent) higher, due largely to higher estimates for special education costs. More than offsetting the increase in E-12 education was a lower HHS forecast, projected to be $162 million (0.6 percent) lower than November estimates.

Reserves: The Budget Reserve Account balance remained at $3.422 billion. The Cash Flow Account remained at $350 million.

2026 Legislative Session – Current Biennium

The 2026 Legislature enacted laws that had limited impacts on the State budget. At the end of the 2026 Legislative Session, General Fund revenue was expected to total $67.674 billion, $210 million (0.3 percent) higher than prior estimates while spending was expected to total $71.122 billion, $891 million (0.6 percent) higher than February 2026 Forecast estimates.

Revenues: Revenue changes, including transfers from other state funds made by the 2026 Legislature totaled an increase of $210 million compared to the February 2026 Forecast. Revenue changes included partial conformity to federal tax law changes in H.R. 1, with modifications, and the recognition of unused balances remaining from the *Tyler v. Hennepin* settlement account along with transfers from other State funds resulting in one-time revenue to the General Fund.

Expenditures: Spending changes enacted in the 2026 Legislative Session totaled $891 million (1.3 percent) in increased appropriations compared to the February 2026 Forecast. Major spending changes included: $125 million in one-time property tax refunds, $247 million in higher HHS appropriations to provide staffing and technology to implement SNAP and medical assistance changes required by H.R. 1 and to provide funds to offset the impact of H.R.1 on financially vulnerable hospitals through direct aid to Hennepin Health and a program for rural hospitals, $254 million in transfers to transportation funds to offset a one-time reduction in motor vehicle registration fees, and $50 million in funding for human services IT system modernization. Changes across all other areas of the State budget totaled $215 million for the Current Biennium.

Reserves: The Budget Reserve Account remained unchanged at $3.422 billion. The Cash Flow Account remained at $350 million. The 2026 Legislature enacted changes that are projected to have an impact on the Budget Reserve Account in the Next Biennium. See "BUDGET PLANNING ESTIMATES" in this APPENDIX B.

CURRENT BIENNIUM
GENERAL FUND – BUDGETARY BASIS
ESTIMATES OF REVENUE AND EXPENDITURES
END OF 2026 LEGISLATIVE SESSION
($'s in Thousands)[1]

	Enacted FY 2026	Enacted FY 2027	Biennial Total FY 2026-27
Actual & Estimated Resources			
Balance Forward From Prior Year	10,272,943	8,394,128	10,272,943
Current Resources:			
Tax Revenues	31,716,726	32,581,282	64,298,008
Non-Tax Revenues	1,561,263	1,187,914	2,749,177
Subtotal - Non-Dedicated Revenue	33,277,989	33,769,196	67,047,185
Dedicated Revenue	1,614	1,599	3,213
Transfers In	435,938	120,135	556,073
Prior Year Adjustments	34,016	33,471	67,487
Subtotal - Other Revenue	471,568	155,205	626,773
Subtotal-Current Resources	33,749,557	33,924,401	67,673,958
Total Resources Available	**44,022,500**	**42,318,529**	**77,946,901**
Actual & Estimated Spending			
E-12 Education	12,762,325	13,230,391	25,992,716
Higher Education	2,016,624	2,003,709	4,020,333
Property Tax Aids & Credits	2,352,851	2,595,204	4,948,055
Health & Human Services	12,871,256	13,021,946	25,893,202
Public Safety & Judiciary	1,892,506	1,777,184	3,669,690
Transportation	725,581	466,317	1,191,898
Environment & Energy	486,654	233,095	719,749
Jobs, Commerce, Ag and Housing	745,310	433,948	1,179,258
State Government & Veterans	1,103,386	1,000,628	2,104,014
Debt Service	550,289	634,206	1,184,495
Capital Projects & Grants	144,590	173,219	317,809
Estimated Cancellations	-23,000	-76,000	-99,000
Total Expenditures & Transfers	**35,628,372**	**35,493,847**	**71,122,219**
Balance Before Reserves	**8,394,128**	**6,824,682**	**6,824,682**
Cash Flow Account	350,000	350,000	350,000
Budget Reserve	3,421,764	3,421,764	3,421,764
Budgetary Balance	**4,622,364**	**3,052,918**	**3,052,918**

[1] Totals may not foot due to rounding.

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

CURRENT BIENNIUM
GENERAL FUND – BUDGETARY BASIS
ESTIMATES OF NONDEDICATED REVENUES
END OF 2026 LEGISLATIVE SESSION
($'s in Thousands)[(1)]

	Fiscal Year 2026	Fiscal Year 2027	Current Biennium
Non-Dedicated Revenues			
Individual Income Tax	17,350,648	17,769,951	35,120,599
Corporate Income Tax	3,302,421	3,358,678	6,661,099
Sales Tax	7,808,831	8,074,450	15,883,281
Cannabis Gross Receipts Tax	37,700	74,500	112,200
Statewide Property Tax	731,259	740,372	1,471,631
Estate Tax	332,400	308,400	640,800
Liquor, Wine & Beer Tax	111,550	113,830	225,380
Cigarette & Tobacco Products Tax	503,700	500,600	1,004,300
Taconite Occupation Tax	5,400	6,600	12,000
Mortgage Registry Tax	149,175	151,862	301,037
Deed Transfer Tax	165,372	186,671	352,043
Insurance Gross Earn & Fire Marshall	635,524	664,449	1,299,973
Other Gross Earnings	55	55	110
Lawful Gambling Taxes	196,700	200,800	397,500
Medical Assistance Surcharges	392,192	436,665	828,857
Other Tax Refunds	(6,201)	(6,601)	(12,802)
Investment Income	588,000	349,218	937,218
Lottery Revenue	80,620	76,681	157,301
Tobacco Settlements	149,187	140,836	290,023
Elective Pay	2,518	1,841	4,359
Tyler Settlement County Reimbursement	6,907	6,907	13,814
26, CH 121 - Tyler Settlement Balance Transfer	7,000	0	7,000
26, CH 100 - Tyler Settlement Balance Transfer	40,000	0	40,000
Departmental Earnings	243,482	267,395	510,877
DHS MSOP Collections	23,700	23,700	47,400
DHS SOS Collections	119,000	119,000	238,000
Fines & Surcharges	67,914	68,489	136,403
All Other Non-Dedicated Revenue	232,935	133,847	366,782
Transfer and Adjustments	471,568	155,205	626,773
Total Net Non-Dedicated Revenues	**33,749,557**	**33,924,401**	**67,673,958**

[(1)] Totals may not foot due to rounding.

HISTORICAL AND PROJECTED REVENUE AND EXPENDITURE GROWTH

The following tables display historical and projected General Fund revenue and expenditure growth by year for the General Fund. Information is provided by major revenue and expenditure categories based on end of 2026 Legislative Session.

HISTORICAL AND PROJECTED REVENUE GROWTH
GENERAL FUND END OF 2026 LEGISLATIVE SESSION
($'s in Millions)(1)

	Actual FY 2022	Actual FY 2023	Actual FY 2024	Actual FY 2025	Enacted FY 2026	Enacted FY 2027	Planning FY 2028	Planning FY 2029	Average Annual
Individual Income Tax	$ 16,873	$ 15,778	$ 14,873	$ 16,656	$ 17,351	$ 17,770	$ 18,314	$ 19,358	
$ change	2,640	(1,095)	(905)	1,783	695	419	544	1,044	
% change	**18.6%**	**-6.5%**	**-5.7%**	**12.0%**	**4.2%**	**2.4%**	**3.1%**	**5.7%**	**2.0%**
Sales Tax	$ 6,644	$ 7,446	$ 7,546	$ 7,436	$ 7,809	$ 8,074	$ 8,213	$ 8,355	
$ change	474	802	100	(110)	373	266	139	142	
% change	**7.7%**	**12.1%**	**1.3%**	**-1.5%**	**5.0%**	**3.4%**	**1.7%**	**1.7%**	**3.3%**
Corporate Tax	$ 2,823	$ 2,929	$ 3,171	$ 3,192	$ 3,302	$ 3,359	$ 3,369	$ 3,408	
$ change	564	106	242	21	110	56	11	39	
% change	**25.0%**	**3.8%**	**8.3%**	**0.7%**	**3.5%**	**1.7%**	**0.3%**	**1.2%**	**2.7%**
Statewide Property Tax	$ 774	$ 765	$ 718	$ 745	$ 731	$ 740	$ 741	$ 742	
$ change	(29)	(9)	(47)	27	(14)	9	1	1	
% change	**-3.6%**	**-1.2%**	**-6.2%**	**3.8%**	**-1.9%**	**1.2%**	**0.1%**	**0.1%**	**-0.6%**
Other Tax Revenue	$ 2,277	$ 2,221	$ 2,253	$ 2,336	$ 2,524	$ 2,638	$ 2,731	$ 2,842	
$ change	80	(56)	32	83	188	114	93	111	
% change	**3.6%**	**-2.5%**	**1.4%**	**3.7%**	**8.0%**	**4.5%**	**3.5%**	**4.1%**	**3.2%**
Total Tax Revenue	$ 29,390	$ 29,139	$ 28,562	$ 30,365	$ 31,717	$ 32,581	$ 33,368	$ 34,705	
$ change	3,730	(251)	(577)	1,803	1,352	865	787	1,337	
% change	**14.5%**	**-0.9%**	**-2.0%**	**6.3%**	**4.5%**	**2.7%**	**2.4%**	**4.0%**	**2.4%**
Non-Tax Revenues	$ 927	$ 1,346	$ 1,747	$ 1,616	$ 1,561	$ 1,188	$ 1,103	$ 1,042	
$ change	5	419	401	(131)	(55)	(373)	(85)	(61)	
% change	**0.5%**	**45.3%**	**29.8%**	**-7.5%**	**-3.4%**	**-23.9%**	**-7.1%**	**-5.5%**	**1.7%**
Transfers, All Other	$ 313	$ 162	$ 264	$ 489	$ 472	$ 155	$ 70	$ 64	
$ change	(434)	(151)	102	225	(17)	(316)	(85)	(6)	
% change	**-58.1%**	**-48.2%**	**62.7%**	**85.4%**	**-3.5%**	**-67.1%**	**-54.6%**	**-8.5%**	**-20.2%**
Total Revenue	$ 30,629	$ 30,647	$ 30,572	$ 32,470	$ 33,750	$ 33,924	$ 34,542	$ 35,812	
$ change	3,301	18	(75)	1,898	1,280	175	618	1,270	
% change	**12.1%**	**0.1%**	**-0.2%**	**6.2%**	**3.9%**	**0.5%**	**1.8%**	**3.7%**	**2.3%**

(1)Totals may not foot due to rounding.
*Transfers/All Other includes transfers into the General Fund available for general use, dedicated revenue and prior period accounting adjustments.

HISTORICAL AND PROJECTED SPENDING GROWTH
GENERAL FUND END OF 2026 LEGISLATIVE SESSION
($'s in Millions)[1]

	Actual FY 2022	Actual FY 2023	Actual FY 2024	Actual FY 2025	Enacted FY 2026	Enacted FY 2027	Planning FY 2028	Planning FY 2029	Average Annual
E-12 Education	$ 9,779	$ 10,204	$ 11,969	$ 12,596	$ 12,762	$ 13,230	$ 13,499	$ 13,940	
$ change	43	425	1,765	627	167	468	269	440	
% change	**0.4%**	**4.3%**	**17.3%**	**5.2%**	**1.3%**	**3.7%**	**2.0%**	**3.3%**	**5.2%**
Higher Education	$ 1,750	$ 1,768	$ 2,062	$ 2,128	$ 2,017	$ 2,004	$ 1,988	$ 1,988	
$ change	36	18	294	66	(112)	(13)	(15)	-	
% change	**2.1%**	**1.0%**	**16.6%**	**3.2%**	**-5.2%**	**-0.6%**	**-0.8%**	**0.0%**	**1.8%**
Prop. Tax Aids & Credits	$ 2,053	$ 2,569	$ 2,820	$ 2,746	$ 2,353	$ 2,595	$ 2,500	$ 2,543	
$ change	27	516	251	(75)	(393)	242	(95)	43	
% change	**1.3%**	**25.1%**	**9.8%**	**-2.6%**	**-14.3%**	**10.3%**	**-3.7%**	**1.7%**	**3.1%**
Health & Human Services	$ 6,923	$ 8,215	$ 9,934	$ 11,017	$ 12,871	$ 13,022	$ 13,251	$ 14,005	
$ change	312	1,292	1,719	1,083	1,854	151	229	754	
% change	**4.7%**	**18.7%**	**20.9%**	**10.9%**	**16.8%**	**1.2%**	**1.8%**	**5.7%**	**10.6%**
Public Safety & Judiciary	$ 1,292	$ 1,430	$ 1,681	$ 1,866	$ 1,893	$ 1,777	$ 1,758	$ 1,753	
$ change	(21)	138	251	185	27	(115)	(19)	(5)	
% change	**-1.6%**	**10.6%**	**17.5%**	**11.0%**	**1.4%**	**-6.1%**	**-1.1%**	**-0.3%**	**4.5%**
Debt Service	$ 592	$ 548	$ 508	$ 559	$ 550	$ 634	$ 674	$ 699	
$ change	77	(44)	(40)	51	(8)	84	40	25	
% change	**14.9%**	**-7.5%**	**-7.4%**	**10.1%**	**-1.5%**	**15.2%**	**6.3%**	**3.7%**	**2.4%**
All Other	$ 2,116	$ 2,509	$ 6,308	$ 3,092	$ 3,183	$ 2,231	$ 1,936	$ 1,870	
$ change	569	393	3,799	(3,216)	91	(951)	(295)	(66)	
% change	**36.8%**	**18.6%**	**151.4%**	**-51.0%**	**2.9%**	**-29.9%**	**-13.2%**	**-3.4%**	**-1.7%**
Total Spending	$ 24,505	$ 27,243	$ 35,282	$ 34,002	$ 35,628	$ 35,494	$ 35,607	$ 36,799	
$ change	1,042	2,738	8,039	(1,280)	1,626	(135)	113	1,192	
% change	**4.4%**	**11.2%**	**29.5%**	**-3.6%**	**4.8%**	**-0.4%**	**0.3%**	**3.3%**	**6.0%**

[1]Totals may not foot due to rounding.

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BUDGET PLANNING ESTIMATES

Planning estimates for the Next Biennium are based on the February 2026 Forecast adjusted for legislative action. The planning projections contain revenue and expenditure estimates for the Next Biennium based on the most recent information about the national and State economic outlook, caseloads, enrollments and cost projections as amended to reflect legislative enactment of the budget for the Current Biennium. The longer-term estimates for the Next Biennium carry a higher degree of uncertainty and a larger range of potential error.

The February 2026 Forecast projected that biennial spending growth would exceed biennial revenue growth into the Next Biennium budget planning horizon. Revenue growth was expected to average 1.9 percent annually, while spending growth was expected to average 2.2 percent annually. Spending growth exceeding revenue growth resulted in a projected structural deficit in the Next Biennium of $2.318 billion before the addition of discretionary inflation and $3.357 billion with discretionary inflation added to spending estimates for the Next Biennium.

Action taken during the 2026 Legislative Session impacted both revenue and spending in the Next Biennium. For revenues, legislative action resulted in $347 million more revenue than projected in the February 2026 Forecast. Including the impacts of discretionary inflation, base level spending increased $97 million compared to the February 2026 Forecast. With legislative changes included, the projected structural deficit in the Next Biennium is $2.052 billion before the addition of discretionary inflation and $3.108 billion with discretionary inflation added to spending estimates for the Next Biennium.

General Fund revenues, including the impact of legislative changes, in the Next Biennium are estimated to be $70.354 billion, $3.533 billion (4.0 percent) higher than estimates for the Current Biennium. Projected base level spending, including the impact of legislative changes, in the Next Biennium is now estimated to be $73.462 billion, $2.339 billion (3.3 percent) higher than estimates for the Current Biennium. Spending projections include increases incorporated in current law to education aids, health care, and local aid/property tax relief programs based on enrollment, caseload and current law formula provisions. In addition, spending estimates include an aggregate discretionary inflationary adjustment of $1.056 billion intended to represent the added cost of maintaining current service levels for programs that do not have inflationary growth built into their statutory funding formula. Inflation estimates, like base level spending estimates, are not yet appropriated for the Next Biennium; the 2027 Legislature will set legal appropriation levels for the Next Biennium.

The 2026 Legislature enacted law to create a new hospital stabilization reserve in the General Fund for payments to Hennepin Health, the largest safety net hospital in the state. Payments will only be made to Hennepin Health if the Minnesota Department of Health certifies the hospital as being in a state of financial distress. The reserve will be funded with up to $500 million from the Budget Reserve Account beginning in the Next Biennium. After accounting for future transfers to the hospital stabilization reserve, the Budget Reserve Account balance in the Next Biennium is projected to be $2.922 billion. Amounts transferred into the hospital stabilization reserve will continue to be available for the purposes in the statute governing the Budget Reserve Account prior to any payment to Hennepin Health. See also “FINANCIAL INFORMATION – Budget Reserve Account” in this APPENDIX B. The $350 million balance of the Cash Flow Account is unchanged from the Current Biennium.

Revenue, spending and reserve estimates for the Next Biennium will be updated in the November 2026 Forecast.

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GENERAL FUND REVENUE SOURCES

Tax Sources

The State's principal sources of non-dedicated revenues are taxes of various types. A description of the major taxes is set forth below.

Income Tax: The income tax rate schedules for 2027 consist of four income brackets having tax rates of 5.35 percent, 6.80 percent, 7.85 percent, and 9.85 percent, as shown below. The tax brackets are indexed annually for inflation, as measured by the national chained consumer price index. The starting point for computing tax liability is federal adjusted gross income (FAGI), per the Internal Revenue Code as of 1986, as amended through May 1, 2023. In computing taxable income, Minnesota allows a similar standard deduction to the IRS. Itemized deductions are similar to federal itemized deductions, with some exceptions. For very high-income taxpayers, the standard and itemized deductions phase out. Minnesota allows for dependent exemptions (not taxpayer and spouse exemptions) that match the federal amount prior to 2018. Minnesota requires numerous other additions, exemptions, and subtractions to FAGI to arrive at taxable income. There is a subtraction for social security benefits included in FAGI. The subtraction phases out for higher-income taxpayers and was increased in the 2023 Legislative Session to 100 percent of taxable benefits for many taxpayers. The phase-out thresholds are indexed annually for inflation. The 2023 Legislature also created a similar subtraction for public pension payments. Two-earner couples are entitled to a non-refundable credit against tax liability to offset the additional tax liability that results from the "married joint" filing status as opposed to the "single" filing status. The maximum credit per return to offset this "marriage penalty" is $1,801.30. The State tax code contains a refundable child credit of $1,750 per child under 18 and a working family credit of 4 percent on earned income up to $9,220. The working family credit is increased for taxpayers with qualifying children aged 18 or older. The child credit and the working family credit phase out jointly at incomes of $31,950 ($37,910 for Married Filing Jointly). The phase-out thresholds are indexed annually for inflation beginning in tax year 2024. The child credit amount will be indexed annually for inflation beginning in tax year 2026. Beginning in tax year 2025, eligible taxpayers will have the opportunity to opt into advance payments of the child credit and will be eligible for a minimum credit if they qualified in the previous year. A refundable $1,500 per child education credit targeted at low-income parents and families is part of the code. A refundable dependent care credit for low- and moderate-income parents' childcare expenses is part of the code. An alternative minimum tax is imposed on Minnesota alternative minimum taxable income, or AMTI (which is similar to federal alternative minimum taxable income), at a flat rate of 6.75 percent on AMTI in excess of an exemption amount, to the extent the minimum tax exceeds the regular tax. Beginning in tax year 2024, a 1 percent tax is imposed on net investment income in excess of one million dollars. The 2026 omnibus tax bill partially conformed the State's tax code to the Internal Revenue Code as of May 1, 2026 with modifications in response to changes enacted in H.R. 1. Changes enacted in 2026 include: a one-percent floor on deduction of charitable contributions, increased dollar limitation for Section 179 expensing, full expensing of domestic research and experimental expenditures, modification of limit on business interest, and enhancement of employer-provided childcare credit, among other smaller changes.

The State has a Pass-Through Entity tax, which allows PTEs (primarily S Corporations and Partnerships) to pay a flat rate of 9.85 percent tax on their entity income. This has the effect of reducing the income of the partners and shareholders for federal tax purposes, effectively getting around the Federal limitation on deducting state and local taxes. On their state individual income tax return, partners and shareholders of the PTEs are allowed a refundable credit for the PTE tax. Hence, the tax is expected to be revenue neutral for the State. PTE credits should result in equivalent income tax refunds; however, if individual taxpayers with PTE credits have other outstanding balances, their refunds may be reduced accordingly. The PTE is classified as part of the individual income tax in the State's accounting system. In 2026, the PTE tax, which had been set to expire after tax year 2025, was revived and extended through tax year 2027 as part of Minnesota's federal conformity legislation, with the extension scored as revenue neutral. Absent further legislative action, the PTE tax is scheduled to sunset again after tax year 2027.

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SINGLE FILER

Taxable Income	Tax
on the first $33,310	5.35%
on all over $33,310, but not over $109,430	6.80%
on all over $109,430, but not over $203,150	7.85%
on all over $203,150	9.85%

MARRIED FILING JOINTLY

Taxable Income	Tax
on the first $48,700	5.35%
on all over $48,700, but not over $193,480	6.80%
on all over $193,480, but not over $337,930	7.85%
on all over $337,930	9.85%

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

HEAD OF HOUSEHOLD

Taxable Income	Tax
on the first $41,010	5.35%
on all over $41,010, but not over $164,800	6.80%
on all over $164,800, but not over $270,060	7.85%
on all over $270,060	9.85%

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

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

In the 2026 Legislative Session, there were no significant changes to the State sales tax affecting the State's General Fund. However, in the 2023 Legislative Session, the Legislature imposed two sales taxes on the seven-county metropolitan area that are in addition to the State General Fund sales tax and are collected with it. One is a 0.25 percent sales tax to fund affordable housing programs in the metro area, and the other is a 0.75 percent sales tax to support transportation in the metro area.

Statewide Property Tax: A State general property tax is levied on commercial and industrial property, public utility property, unmined iron ore property, and seasonal recreational property, including cabins. There are separate rates for commercial-industrial property and residential-recreational property. Electric generation attached machinery and property located at the Minneapolis-St. Paul International Airport and the St. Paul Airport are exempt from this tax. Effective beginning with taxes payable in 2023, the first $150,000 of commercial-industrial property is exempt. The taxes are levied at a uniform rate across the State. For taxes payable in 2025, the commercial-industrial rate is 28.875 percent, and the residential-recreational rate is 10.010 percent. The levy amount used to determine the commercial-industrial rate is $716.99 million, and the levy amount used to determine the residential-recreational rate is $41.69 million.

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

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

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

A fee is imposed as a part of the franchise tax liability. The fee is in addition to the regular and alternative minimum tax. The amount of the fee is based on the sum of Minnesota property, payroll and sales. The 2013 Legislature adjusted the fee schedule and indexed the dollar amounts for inflation, based on the consumer price index. The chained consumer price index is used beginning in 2020. The fee schedule for tax year 2026 is shown below:

Fee Basis	Amount of Fee
Less than $1,280,000	$0
$1,280,000 to $2,559,999	$260
$2,560,000 to $12,829,999	$770
$12,830,000 to $25,639,99	$2,560
$25,640,000 to $51,279,999	$5,140
$51,280,000 or more	$12,830

The 2023 Legislature made significant changes to the Minnesota Corporate Franchise Tax. A tax is imposed on foreign income designated as Global Intangible Low-taxed Income; the amount included in taxable income will be eligible for a deduction for dividends received. The dividend received deduction was reduced from 80 to 50 percent for dividends received where the receiving corporation owns 20 percent of the stock of the sending corporation. The dividend received deduction is lowered from 70 to 40 percent where the receiving corporation owns less than 20 percent of the stock of the sending corporation. The percentage of prior years' net operating losses that could be deducted from current year income was reduced from 80 to 70 percent of current year income. The 2024 Legislature delayed the effective date for this reduced limit from tax year 2023 to tax year 2024. The 2026 omnibus tax bill made certain changes impacting the corporate franchise tax to partially conform, with modifications, to federal tax changes enacted in H.R. 1, including: changes to bonus depreciation for qualifying property, increased dollar limitation for Section 179 expensing, modification of limit on business interest, a one-percent floor on deduction of charitable contributions, and enhancement of employer-provided childcare credit, among other smaller changes.

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

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

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

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

Cigarette and Tobacco Products Tax: The cigarette excise tax is 15.2 cents per cigarette, equaling $3.04 per pack of 20 cigarettes. In 2017, the Legislature repealed the provision that applied an annual inflationary adjustment. In addition, a pack is subject to a tax in lieu of sales tax, which in 2026 is 4.2 cents per cigarette, equaling 84.0 cents per pack of 20 cigarettes. The in-lieu sales tax rate is determined annually based on 6.5 percent of the estimated average weighted retail price. The tax on tobacco products is 95 percent of the wholesale price. An electronic cigarette, or e-cigarette, is a device that simulates smoking tobacco. Electronic cigarettes (“e-cigarettes”) and e-juice (fluid in cartridges used with e-cigarettes) are considered tobacco products and are subject to the tobacco tax.

Estate Tax: The tax base is the federal gross estate less various exemptions and deductions, multiplied by the percentage of the decedent’s total property that has a Minnesota situs. Estate tax rates range from 13 percent to 16 percent for decedents dying in 2018 and thereafter. There is a general state subtraction or exclusion amount equal to $3.0 million for deaths in 2020 and after.

Mortgage Tax: A tax of 23 cents is imposed on each $100 dollars of debt secured by real property. 97 percent of the proceeds go to the State’s General Fund and 3 percent to the county in which the property is located.

Deed Tax: A tax of 0.33 percent or $1.65 for increments less than $3,000 of consideration is imposed on the transfer of real estate by any deed, instrument, or writing. 97 percent of the proceeds go to the State’s General Fund and 3 percent to the county in which the property is located.

Gambling Tax: A 6 percent tax is imposed on the takeout in excess of $12 million of pari-mutuel horse races at licensed tracks. The takeout is 17 percent of straight pools and 23 percent for multiple pools.

The Stadium Legislation imposed a tax on net gambling receipts -- gross receipts less prizes paid (see table below). The Stadium Legislation authorized two types of electronic charitable gambling: electronic linked bingo and electronic pull tabs.

The current gambling tax structure is as follows**:**

Net Receipts Tax on Existing Bingo, Raffles, Paddlewheels	8.5%
Net Receipts Tax on All Pull-tabs, All Tip boards Except Sports Tip boards, and Electronic Linked Bingo (taxed on an organization basis)	
Not over $87,500	8.0%
Over $87,500, but not over $122,500	17.0%
Over $122,500, but not over $157,500	25.0%
Over $157,500	33.5%
Sports-themed Tip boards	exempt

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

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

Cannabis Tax: Retail sales of cannabis are subject to State and local sales taxes. The 2023 Legislative Session legalized the use, possession, or transport of adult-use cannabis, cannabis products, and cannabis accessories by individuals 21 years or older. Starting in July 2025, the gross receipts tax on the retail sales of cannabis and cannabis products increased from 10 percent to 15 percent. The tax is also imposed on low-potency, hemp-derived edible cannabinoid products. Also starting in July 2025, the legislation dedicated 100 percent of revenues from the gross receipts tax to the General Fund. Prior to this law change, 20 percent of revenues from the gross receipts tax were transferred to the established Local Government Cannabis Aid Account in the Special Revenue Fund, with the remaining 80 percent of revenues from the gross receipts tax is deposited in the General Fund.

Other Sources

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

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

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

Tobacco Settlement

On May 8, 1998, the State of Minnesota settled a lawsuit initiated against several tobacco companies. The settlement agreement as amended as of June 1, 2001, (the "Minnesota Agreement"), between the Attorney General of the State and the then-existing four largest United States cigarette manufacturers, Philip Morris, Reynolds Tobacco, Lorillard and B & W (collectively, the "Settling Defendants")[1], requires the Settling Defendants to make annual payments to the State. The payments are to be made at the beginning of the calendar year and are scheduled into perpetuity. These amounts are adjusted based on volume of tobacco products sold and the consumer price index as indicated in the settlement documents. Payments made pursuant to the Minnesota Agreement are made to an account designated in writing by the State, which is an account within the General Fund of the State Treasury. The increased use of e-cigarettes may have an impact on tobacco revenues.

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

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

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

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

The Settling Defendants have made all of the Initial Payments and have made Annual Payments from 1998 through 2026 and certain other amounts pursuant to the Minnesota Agreement totaling approximately $5.899 billion to date. However, the Annual Payment amounts are the subject of current litigation, where the State has filed a motion seeking recovery of past underpayment and an adjustment of the payment formula. The Settling Defendants continue to make Annual Payments at the lower rate while litigation continues.

	Unadjusted Minnesota Agreement Applicable Base Payment	**State's Actual Receipts[1]**
FY2017 Annual Payment	204,000,000	168,226,161
FY2018 Annual Payment	204,000,000	166,931,236
FY2019 Annual Payment	204,000,000	162,765,479
FY2020 Annual Payment	204,000,000	152,282,216
FY2021 Annual Payment	204,000,000	254,190,406[2]
FY2022 Annual Payment	204,000,000	192,965,398
FY2023 Annual Payment	204,000,000	179,497,118
FY2024 Annual Payment	204,000,000	166,052,635
FY2025 Annual Payment	204,000,000	152,890,856
FY2026 Annual Payment	**204,000,000**	**143,209,834**

(1) As reported by the State and to the best of the State's knowledge, amounts reflect the State's actual receipts, including applicable adjustments.

(2) Includes $81,569,642.90 for the R.J. Reynolds settlement for unpaid obligations from 2015-2020.

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CASH FLOW INFORMATION

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

> "…all cash and investments from time to time received and held in the treasury, except proceeds of State bonds and amounts received and held in special or dedicated funds created by the constitution, or by or pursuant to federal laws or regulations, or by bond or trust instruments, pension contracts, or other agreements of the State or its agencies with private persons, entered into under State law."

The General Fund, special revenue funds, internal service funds, enterprise funds and capital projects funds make up the Statutory General Fund. Cash contained in the Statutory General Fund is available for State cash flow purposes.

Major special revenue funds included in the Statutory General Fund include the Petro Tank Release, the State Airports, the Game and Fish, the Workforce Development, the Tobacco Use Prevention, the Workers Compensation, the Environmental Waste and the Northeast Minnesota Economic Development funds.

Internal service funds, enterprise funds and capital project funds included in the Statutory General Fund include Minnesota State, General Projects, Risk Management, Lottery Cash Flow and State Operated Services Funds.

The estimated vs. actual revenues and expenditures are monitored to ensure adequate cash flow. There are more than 80 funds within the Statutory General Fund. MMB manages short-term intra-fund borrowing within the Statutory General Fund, balancing the cash needs of various programs with actual daily receipts and disbursements.

The State may, subject to certain limitations, issue certificates in anticipation of the collection of taxes levied for and other revenue appropriated to the Statutory General Fund for expenditure during the biennium. Minnesota Statutes, Section 16A.671, authorizes the Commissioner to sell certificates of indebtedness in the following manners:

- advertising for competitive bids;
- negotiating contracts with banks in or out of State to establish lines of credit;
- negotiating contracts with firms of underwriters that will purchase or act as agents in the placement of certificates of indebtedness;
- entering into contracts with banks in or out of State to authenticate, issue, pay principal and interest on, cancel, and otherwise deal as fiscal agents of the State with certificates of indebtedness issued as outlined above; and
- selling certificates of indebtedness to the State Board of Investment without advertising for bids.

The tables on the following pages show the projections of monthly Statutory General Fund cash flows for FY 2026 and FY 2027 based on the end of 2026 Legislative Session. The table for FY 2026 represents actual Statutory General Fund cash flow balances through June 30, 2026. The table for FY 2027 represents projected Statutory General Fund cash flow balance for that fiscal year. The monthly projected cash flow analyses have been formatted to include transfers in and transfers out to more accurately reflect State operations. The payment of debt service is included in transfers out for each fiscal year. Please note that monthly cash flow projections are subject to a high level of variability.

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

STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS
END OF 2026 LEGISLATIVE SESSION
ACTUALS FOR FISCAL YEAR ENDED JUNE 30, 2026
($'s in Thousands)

	Jul-25 Act	Aug-25 Act	Sep-25 Act	Oct-25 Act	Nov-25 Act	Dec-25 Act	Jan-26 Act	Feb-26 Act	Mar-26 Act	Apr-26 Act	May-26 Act	Jun-26 Act
Beginning Cash Balance	19,316,873	18,551,765	16,667,448	17,382,534	17,663,076	16,551,501	16,940,728	18,482,104	17,678,493	16,492,992	17,971,440	16,932,249
Individual Income Tax	1,166,459	1,041,160	1,906,472	1,286,610	855,137	1,777,763	2,472,315	524,912	1,008,254	2,882,364	968,026	1,996,807
Corporate Tax	86,355	41,606	489,887	68,128	84,404	526,893	85,115	12,036	463,414	484,611	73,724	564,450
Sales Tax	660,756	738,497	691,803	729,164	649,889	628,979	755,510	552,332	488,666	652,201	677,003	735,732
Property Tax	31,369	0	762	147,084	142,374	18,759	3,725	126	1,558	0	193,346	209,607
Tobacco Tax	4,069	51,823	64,288	39,575	51,177	51,500	73,794	32,295	32,989	36,235	41,147	64,302
Insurance Tax	15,661	27,209	138,899	12,738	7,717	141,559	3,692	50,657	216,475	8,335	7,552	161,565
Excise Tax	277,367	164,013	165,498	261,256	183,629	169,443	295,528	171,494	181,662	299,490	187,953	219,833
Investment Earnings	93,906	19,041	154,863	73,200	83,670	73,275	69,692	68,810	58,711	67,494	52,764	124,065
Interagency Grants	20,370	20,552	31,866	29,944	18,751	23,055	26,866	44,119	2,374	15,973	27,109	17,481
Other Revenue	433,784	549,320	699,587	441,608	446,158	576,750	816,235	430,540	450,364	403,750	382,658	515,328
Total Revenue	2,790,097	2,653,219	4,343,925	3,089,308	2,522,905	3,987,976	4,602,470	1,887,321	2,904,467	4,850,451	2,611,283	4,609,171
Transfer In	4,806,826	1,680,719	288,355	352,090	18,385	173,961	102,209	202,198	273,204	193,902	215,194	757,774
Total Sources	7,596,923	4,333,938	4,632,280	3,441,398	2,541,290	4,161,937	4,704,679	2,089,519	3,177,671	5,044,352	2,826,477	5,366,945
Compensation	456,192	442,727	454,997	654,921	458,833	464,274	458,043	473,289	477,113	488,535	674,580	475,650
Agency Operations	411,793	514,289	338,223	311,354	246,972	298,220	278,877	326,325	319,063	270,247	267,098	322,348
Aid to Schools	249,629	1,716,926	1,241,922	739,933	375,687	1,010,616	1,253,393	612,088	2,101,043	1,448,183	1,271,861	647,669
Aid to Cities & Towns	334,009	108,359	152,188	47,161	56,899	403,685	30,124	21,637	11,686	31,282	20,712	39,776
Aid to Counties	274,565	139,008	84,972	68,483	24,657	267,770	27,934	38,605	32,930	39,184	47,590	28,544
Aid to Higher Ed	101,457	117,459	167,766	113,547	78,076	80,723	188,380	115,501	113,277	80,417	88,653	89,777
Aid to Non-Gov't	248,430	61,383	57,237	50,673	50,584	62,236	43,126	51,811	49,420	63,651	50,289	52,965
Aid to Other Gov't	64,474	13,132	43,444	24,017	15,486	29,791	14,323	25,699	16,976	15,104	14,719	25,570
DHS Payments to Individuals	1,136,203	899,965	744,229	817,183	1,510,811	755,494	625,159	890,597	832,015	813,645	1,100,768	508,887
Children, Youth and Families Aid	101,037	46,311	43,057	53,287	38,892	68,850	58,718	91,972	87,565	83,377	58,391	96,950
Other Aid to Individuals	10,199	427,194	267,496	43,618	17,167	11,913	6,860	10,902	13,005	10,732	3,223	7,292
Other Expenditures	12,466	37,896	15,079	15,839	14,670	13,570	15,075	19,955	20,506	16,698	24,335	25,160
Total Expenditures	3,400,454	4,524,648	3,610,611	2,940,017	2,888,733	3,467,143	3,000,010	2,678,382	4,074,600	3,361,053	3,622,219	2,320,587
Transfer Out	4,961,578	1,693,607	306,583	220,839	213,843	305,567	163,292	214,750	288,573	204,851	243,448	722,269
Transfer Out Debt Service	0	0	0	0	550,289	0	0	0	0	0	0	0
Total Uses	8,362,032	6,218,255	3,917,194	3,160,856	3,652,865	3,772,710	3,163,302	2,893,132	4,363,173	3,565,904	3,865,667	3,042,856
Sources Less Uses	(765,109)	(1,884,317)	715,086	280,542	(1,111,574)	389,227	1,541,378	(803,612)	(1,185,502)	1,478,448	(1,039,191)	2,324,089
High Point	19,041,178	18,048,525	18,676,205	18,179,966	18,270,293	17,719,266	19,202,806	18,699,564	17,768,915	18,823,092	17,864,194	19,530,338
Low Point	17,919,751	16,667,447	16,673,890	17,046,158	16,551,501	16,277,106	16,976,790	17,134,325	15,689,453	15,744,550	16,592,218	17,185,546
Ending Cash Balance	18,551,764	16,667,447	17,382,534	17,663,076	16,551,502	16,940,728	18,482,105	17,678,492	16,492,991	17,971,440	16,932,250	19,256,337

STATUTORY GENERAL FUND MONTHLY CASH FLOW ANALYSIS
END OF 2026 LEGISLATIVE SESSION
ESTIMATES FOR FISCAL YEAR ENDING JUNE 30, 2027
($'s in Thousands)

	Jul-26 Est	Aug-26 Est	Sep-26 Est	Oct-26 Est	Nov-26 Est	Dec-26 Est	Jan-27 Est	Feb-27 Est	Mar-27 Est	Apr-27 Est	May-27 Est	Jun-27 Est
Beginning Cash Balance	19,256,337	18,322,423	16,631,523	16,603,098	16,752,804	16,092,212	15,776,371	16,671,896	15,449,442	15,168,368	16,098,103	14,709,553
Individual Income Tax	1,250,502	1,083,755	1,712,666	1,330,073	1,095,343	1,426,804	2,006,714	916,317	1,258,956	2,816,802	1,044,539	1,827,479
Corporate Tax	121,452	62,656	625,215	104,188	84,326	610,140	127,441	33,408	501,915	423,668	73,439	590,830
Sales Tax	749,487	742,067	704,797	766,604	697,133	660,132	789,784	604,212	562,573	655,799	659,432	675,802
Property Tax	14,800	0	0	155,396	155,396	18,499	3,700	0	0	0	199,994	192,587
Tobacco Tax	5,417	38,780	68,597	49,309	47,249	49,639	67,165	28,739	28,638	33,464	38,100	75,329
Insurance Tax	5,341	19,344	154,412	7,442	10,737	168,532	4,810	51,025	219,491	1,926	6,712	172,459
Excise Tax	380,316	218,590	147,597	431,406	158,284	232,935	433,593	238,682	241,963	451,922	236,842	310,538
Investment Earnings	33,805	36,156	36,609	36,354	38,118	38,809	49,602	39,460	38,476	37,861	37,173	36,276
Interagency Grants	5,771	18,711	23,688	7,418	6,272	(1,898)	22,309	15,491	18,794	12,981	6,815	13,838
Other Revenue	395,534	487,389	521,057	386,091	440,378	582,724	618,120	440,601	479,660	373,486	412,524	479,879
Total Revenue	2,962,424	2,707,447	3,994,638	3,274,280	2,733,237	3,786,318	4,123,238	2,367,934	3,350,468	4,807,910	2,715,569	4,375,015
Transfer In	7,970,947	169,791	170,051	320,014	81,920	83,652	77,758	106,539	90,021	120,383	78,512	132,386
Total Sources	10,933,372	2,877,238	4,164,690	3,594,293	2,815,157	3,869,970	4,200,996	2,474,473	3,440,489	4,928,292	2,794,082	4,507,401
Compensation	470,231	471,755	473,989	708,208	476,134	475,932	464,739	482,458	474,609	703,200	473,342	483,054
Agency Operations	394,198	372,011	343,818	263,403	307,222	305,185	333,759	297,123	400,306	299,591	289,360	309,481
Aid to Schools	346,091	1,895,510	1,307,357	793,573	336,752	1,044,111	1,341,623	1,311,504	1,642,853	1,566,832	1,332,131	694,151
Aid to Cities & Towns	375,692	50,187	91,356	63,535	23,668	386,436	14,787	16,176	24,972	14,727	12,272	27,448
Aid to Counties	309,457	33,594	62,095	62,038	26,291	304,913	24,823	31,427	56,927	36,227	72,437	23,749
Aid to Higher Ed	101,828	101,230	146,157	91,912	74,386	105,748	152,011	95,682	75,702	73,230	101,925	86,188
Aid to Non-Gov't	68,716	28,907	41,192	43,810	26,704	28,866	30,179	26,544	36,008	65,342	31,931	29,623
Aid to Other Gov't	50,860	10,564	36,270	26,215	25,834	50,122	13,934	15,890	14,045	11,112	12,524	12,972
DHS Payments to Individuals	1,771,125	1,010,460	959,826	909,192	1,030,984	1,530,267	694,022	1,159,879	807,024	962,214	1,526,333	69,268
Children, Youth and Families Aid	162,532	68,317	52,331	51,889	50,900	48,856	52,996	51,563	50,902	50,246	159,512	75,007
Other Aid to Individuals	16,048	143,273	496,652	163,938	14,309	12,911	25,637	12,575	26,804	23,607	8,614	32,620
Other Expenditures	5,809	174,005	(4,866)	(59,094)	11,013	6,125	24,638	19,543	(26,234)	8,616	15,363	96,410
Total Expenditures	4,072,587	4,359,813	4,006,176	3,118,618	2,404,199	4,299,472	3,173,148	3,520,362	3,583,917	3,814,946	4,035,743	1,939,970
Transfer Out	7,794,698	208,325	186,938	325,970	437,344	(113,661)	132,322	176,565	137,645	183,613	146,889	397,252
Transfer Out Debt Service	0	0	0	0	634,206	0	0	0	0	0	0	0
Total Uses	11,867,285	4,568,138	4,193,114	3,444,588	3,475,749	4,185,811	3,305,471	3,696,927	3,721,562	3,998,558	4,182,631	2,337,222
Sources Less Uses	(933,914)	(1,690,900)	(28,425)	149,706	(660,592)	(315,841)	895,525	(1,222,454)	(281,073)	929,734	(1,388,550)	2,170,179
High Point	19,613,717	18,545,270	17,610,113	17,454,604	17,100,614	17,095,332	17,271,339	17,006,591	16,072,719	17,274,960	16,102,753	16,879,732
Low Point	18,116,059	16,631,523	16,247,238	15,836,275	15,977,239	15,403,333	15,845,978	15,446,559	15,155,163	14,427,550	14,709,553	14,365,689
Ending Cash Balance	18,322,423	16,631,523	16,603,098	16,752,804	16,092,212	15,776,371	16,671,896	15,449,442	15,168,368	16,098,103	14,709,553	16,879,732

TRUNK HIGHWAY SYSTEM

The State trunk highway system consists of approximately 12,000 miles of highways, 4,822 bridges of ten-foot spans or longer, and 900 maintenance, enforcement, service, and administrative buildings at 275 sites. Minnesota has 914 miles of interstate highways, all of which are part of the State trunk highway system. Total highway mileage, including roads and streets under local jurisdiction, is almost 140,000 miles.

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

Trunk Highway Fund

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

In 2017, the Legislature statutorily dedicated several transportation related revenues, previously deposited in the General Fund, to the HUTD Fund. The General Fund transfers consist of a fixed portion of the sales tax on auto parts, the motor vehicle rental tax of 9.2 percent, the motor vehicle rental sales tax of 6.5 percent, and 11 percent of the motor vehicle lease sales tax ("MVLST"). In Fiscal Year 2018, these revenues generated \$84.8 million in the HUTD Fund, with a corresponding transfer of \$50.0 million to the Trunk Highway Fund. The largest component, the fixed portion of the sales tax on auto parts, was \$31.5 million in both Fiscal Years 2018 and 2019, and then increased in statute to \$145.6 million in Fiscal Years 2020 and beyond. Beginning in FY 2024, 43.5 percent of the sales tax on auto parts is dedicated to the HUTD Fund, and the remainder is phased into the Transportation Advancement Account, discussed below (with corresponding reductions to the General Fund). In Fiscal Year 2025, these revenues increased to \$220.8 million in the HUTD Fund, with a corresponding transfer of \$130.1 million to the Trunk Highway Fund. MnDOT's current forecast estimates \$224.8 million of revenue will be transferred to the HUTD Fund in FY 2026, with a corresponding \$132.4 million transfer to the Trunk Highway Fund. In 2025, the Legislature reduced the portion of auto parts sales tax transferred from the General Fund to the HUTD Fund by approximately \$11 million for the Current Biennium and about \$83 million for the Next Biennium. According to statute, the percentage gradually returns to the original 43.5 percent dedicated to the HUTD Fund, as shown below:

State Fiscal Year	Percentage Distributed to HUTD Fund
FY2027	41.0%
FY2028	36.0%
FY2029	30.0%
FY2030	36.0%
FY2031	36.0%
FY2032	36.0%
FY2033	36.0%
FY2034	36.0%
FY2035	38.5%
FY2036	41.0%
FY2037	43.5%

In 2023, the Legislature made a variety of significant transportation funding changes that will impact all modes. Once the changes are fully phased in over the next four years, overall dedicated funding in the HUTD Fund will increase by nearly 20 percent. Much of the new funding is intended to help provide state and local match dollars for the significant funding increases provided in the federal Infrastructure Investment and Jobs Act ("IIJA"), the most recent five-year federal reauthorization that increases federal funding by roughly 30 percent across all modes. The Legislature also established a Transportation Advancement Account in the Special Revenue Fund to be allocated to Metro Counties, County State Aid Highway Fund, Larger Cities Account, Smaller Cities Account, Town Roads Account, and Food Delivery Support Account. Revenues deposited into the account consists of the new 50-cent delivery tax and the remaining portion of the motor vehicle repair and replacement part sales tax, previously deposited into the HUTD Fund. In addition to distributions from the HUTD Fund, the Trunk Highway Fund receives revenue from deposits of federal aid reimbursements, investment income, and miscellaneous fees and reimbursements. Future federal funding may be subject to change and be higher or lower than prior funding levels, which may impact the timing and scope of future construction projects.

A Minnesota motor fuel tax is collected on all fuel used to propel vehicles on the public roads of the State and includes gasoline, diesel fuel, and other special fuels. In 2008 the Legislature approved $1.8 billion in Trunk Highway bonds to be appropriated initially over a 10-year period, subsequently reduced to eight years by the 2010 Legislature. The debt service on these bonds is paid from motor fuel tax increases which were phased in over several years. The final tax rate increase was implemented on July 1, 2012, for a total rate of 28.5 cents per gallon of which 3.5 cents is to be used for debt service and is expected to be in place through at least Fiscal Year 2040, the anticipated duration of debt service on the Trunk Highway bonds issued under the 2008 authority. In 2023, the Legislature approved an annual indexing factor, to be determined by August 1 each year for a rate change beginning the following January 1, using the Minnesota Highway Construction Index; beginning with the August 1, 2025 calculation the percentage change in the calculation must not exceed three percent. The current motor fuel tax rate in Minnesota is 32.6 cents per gallon, which includes the 3.5 cent debt service surcharge. The annual indexing adjustment will increase the motor fuel tax by nearly a quarter of a cent in FY 2027 and is projected to grow nearly an additional one cent by FY 2029. The following table shows the current motor fuel tax rate and increases over the next three fiscal years:

MOTOR FUEL TAX RATE CHANGES

Fiscal Year	Effective Date	Increase (Cents/Gallon)	New Effective Rate (Cents/Gallon)
2024	-	-	28.5
2025	Jan-25	3.3	31.8
2026	Jan-26	0.8	32.6
2027	Jan-27	0.2	32.8
2028	Jan-28	0.9	33.7
2029	Jan-29	0.0	33.7*

*Rate calculations will be adjusted based on an indexing factor from the fiscal year two years prior to the year of the calculation.

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

Revenue from motor fuels taxes was $928 million to the HUTD Fund in Fiscal Year 2025, after refunds. Of this amount, $547 million was transferred to the Trunk Highway Fund. MnDOT's current forecast estimates collections of $1.016 billion, after refunds, in Fiscal Year 2026 to the HUTD Fund, with a resulting transfer of $599 million to the Trunk Highway Fund.

Motor vehicle registration taxes consist of taxes on passenger vehicles and on trucks. In 2023, the Legislature amended the passenger vehicles tax from $10 plus 1.285 percent times a declining percentage of the original value of the vehicle to $10 plus 1.575 percent times an altered declining percentage of the original value of the vehicle. The minimum tax decreased from $35 to $30. Motor vehicle registration taxes for trucks are based on the weight and age of the vehicles, with the maximum tax being $1,760 for trucks registered at 80,000 pounds that are less than nine years old. Trucks registered at a weight greater than 80,000 pounds pay an additional $50 per ton of registered weight. Motor vehicle registration taxes generated $837 million in Fiscal Year 2023, after refunds, of which $493 million was transferred to the Trunk Highway Fund. Collections in Fiscal Year 2025 were $1.043 billion to the HUTD Fund, with a resulting transfer of $608 million to the Trunk Highway Fund. Due to the changes from both increasing the tax rate and modifying the depreciation schedule, revenues from registration changes are projected to increase by roughly 30 percent once fully phased in over the next four years. In 2026, the Legislature passed a temporary one-year change to reduce the motor vehicle registration taxes by about 20% overall while also providing $254 million from the General Fund to completely backfill for the estimated revenue loss.

In 2025, the Legislature changed the existing $75 surcharge on electric vehicles effective January 1, 2026. The new surcharge is now calculated as 0.5 percent of the manufacturer's suggested retail price, and it follows a declining rate that aligns with the schedule for the registration tax. The law establishes a minimum flat amount starting at $150, which will adjust to $100 on and after July 1, 2027. Additionally, the Legislature introduced a surcharge for plug-in hybrid electric vehicles, calculated at 0.25 percent of the manufacturer's suggested retail price, also with a declining rate that matches the registration tax schedule. This surcharge has a minimum flat amount starting at $75, which will decrease to $50 on July 1, 2027. The anticipated combined revenues for the two surcharges for the Current Biennium are approximately $23 million, and for the Next Biennium, around $53 million. Of these amounts, $14 million and $31 million, respectively, will be transferred to the Trunk Highway Fund.

The State levies a sales tax of 6.5 percent on motor vehicles ("MVST"). In November 2006, voters approved a constitutional amendment phasing in dedication of all MVST for transportation purposes over five years, starting July 1, 2007 (FY 2008). In 2023, the Legislature increased the tax from 6.5 percent to 6.875 percent. The following table shows percent and forecast amount, if available, to each of the recipient funds for this revenue source for the previous 10 years.

MOTOR VEHICLE SALES TAX DEDICATION
END OF 2026 LEGISLATIVE SESSION
($'s in Millions)

	Highway User Tax Distribution Fund		Transit Assistance Fund	
Year	**Percent**	**Forecasted Amount**	**Percent**	**Forecasted Amount**
2016	60.00%	428.8*	40.00%	285.7*
2017	60.00%	452.6*	40.00%	301.7*
2018	60.00%	463.4*	40.00%	308.9*
2019	60.00%	485.9*	40.00%	323.9*
2020	60.00%	486.0*	40.00%	324.0*
2021	60.00%	589.0*	40.00%	392.7*
2022	60.00%	591.6*	40.00%	394.4*
2023	60.00%	636.3*	40.00%**	424.2*
2024	60.00%	677.2*	40.00%	451.4*
2025	60.00%	662.0*	40.00%	471.0*
2026	60.00%	660.0	40.00%	472.0

*Actual
** In 2023, the Legislature changed the distribution of the 40% portion of MVST, so that in FY 2024 and beyond Greater Minnesota transit receives 5.7% (increased from 4%) and the Twin Cities metro area receives 34.3% (decreased from 36%).

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

CURRENT BIENNIUM
END OF 2026 LEGISLATIVE SESSION
ESTIMATED REVENUES AND EXPENDITURES
TRUNK HIGHWAY FUND
($'s In Thousands)

	Fiscal Year Ends June 30, 2026	Fiscal Year Ends June 30, 2027	Current Biennium
Estimated Resources			
Balance Forward from Prior Year	$578,843	$238,301	$578,843
Revenues			
Federal Grants	1,730,742	747,342	2,478,084
Departmental Earnings	18,000	18,000	36,000
Investment Income	34,890	29,440	64,330
Other Income	53,215	46,000	99,215
Total Revenues	$1,836,847	$840,782	$2,677,629
Transfers from Other Funds			
General Fund Reimbursement	$3,766	$3,955	$7,721
Hwy Users Tax Distribution Fund	1,787,720	1,942,626	3,730,346
Plant Management Fund	1,247	1,242	2,489
County State Aid Highway Fund	21,800	-	21,800
Total Transfers	1,814,533	1,947,823	3,762,356
Total Resources Available	$4,230,223	$3,026,906	$7,058,828
Estimated Uses			
Expenditures			
Transportation			
MnDOT	$3,516,482	$2,259,936	$5,776,418
Public Safety	190,139	182,353	372,492
Other Agencies	58,418	48,513	106,931
Subtotal-Transportation	3,765,039	2,490,802	6,255,841
Total Expenditures	$3,765,039	$2,490,802	$6,255,841
Transfers to Other Funds			
Debt Service Fund	$262,783	$316,624	$579,407
TIFIA Loan Transfer	4,100	4,100	8,200
Total Transfers	266,883	320,724	587,607
Total Uses	4,031,922	2,811,526	6,843,448
Undesignated Fund Balance	$198,301	$215,380	$215,380

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

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

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

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

Capital Needs of the Trunk Highway System

The State manages the capital maintenance and upgrading of the trunk highway system, in partnership with the Federal Highway Administration. It uses a planning process that includes a statewide transportation plan, updated every five years (Minnesota 20-Year State Highway Investment Plan, or "MnSHIP", most recently completed in 2023), and a statewide Transportation Improvement Program ("STIP"), which details all highway construction and maintenance projects that are capital in nature. Projects included in the STIP range from major construction, involving building new highways or rebuilding highways that add additional traffic capacity, to less substantive improvements such as resurfacing existing highways.

See APPENDIX D for a list of bond authorizations to be included in the Series 2026B Bonds.

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

Legislature	**Authorizations ($ in Millions)**	**Purpose**
2015	$140.0	Trunk Highway Capital Improvements
2017	940.0	Corridors of Commerce & Trunk Highway Capital Improvements
2018	416.2	Corridors of Commerce & Trunk Highway Capital Improvements
2020	300.0	Trunk Highway Capital Improvements & MnDOT Facilities and Truck Stations
2021	413.0	Corridors of Commerce & Trunk Highway Capital Improvements
2023	598.6	Trunk Highway Capital Improvements, Corridors of Commerce & MnDOT Facilities and Truck Stations
2024	30.0	Trunk Highway Capital Improvements and Corridors of Commerce
Total:	$ 2,837.8	

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

CURRENT BIENNIUM
END OF 2026 LEGISLATIVE SESSION
TRUNK HIGHWAY IMPROVEMENT PROGRAM
ANTICIPATED ENCUMBRANCES

($ in Millions)

Improvement Category	Trunk Highway and Federal Funds	Bond Funds	Total
Major Construction [1]	$ 2,154.4	$ 581.8	$ 2,736.1
Safety	173.6	-	173.6
Traffic Management	13.4	-	13.4
Municipal Agreements	93.7	-	93.7
Right of Way	126.2	-	126.2
Miscellaneous Agreement	746.7	-	746.7
Capital Construction and Improvements	-	-	-
Program Delivery	274.2	58.2	332.4
Total [2]	**$ 3,582.2**	**$ 639.9**	**$ 4,222.1**

[1] The Major Construction Category includes the following activities: Reconstruction, Bridge Replacement, Bridge Repairs, Reconditioning, Resurfacing, and Road Repair.

[2] The total encumbrances, excluding the amount provided by bond funds, reflects forecast amounts of $1,711.3 million of state highway revenues and $1,843.1 million of federal funds.

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

Category	Trunk Highway Fund	Trunk Highway Bond Fund	Total
Major Construction[1]	$1,573.8	$514.8	$2,088.5
Safety	126.8	-	126.8
Traffic Management	9.8	-	9.8
Agreements and Miscellaneous	613.9	-	613.9
Right of Way	92.2	-	92.2
Program Delivery	200.3	51.5	251.8
Total	$2,616.8	$566.2	$3,183.1

[1] The Major Construction Category includes the following activities: Reconstruction, Bridge Replacement, Bridge Repairs, Reconditioning, Resurfacing, and Road Repair.

TRUNK HIGHWAY HISTORIC REVENUES AND EXPENDITURES

The following table sets forth the Trunk Highway Fund revenues and expenditures for the Fiscal Years ending June 30, 2023 through 2025. The revenues and expenditures shown include all revenues and expenditures for that fiscal year, including revenue received and expenditures made after June 30 of such fiscal year which are properly allocable to such fiscal years. Beginning balances or deficits are not included. The actual expenditures set forth in the table on the following page are presented by expenditure account.

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

	Fiscal Year Ended June 30 [1]		
	2023	**2024**	**2025**
Revenues:			
Taxes:[2]			
Motor Fuel	$519,481	$521,919	$530,604
Motor Vehicle	492,712	538,625	611,695
Motor Vehicle Sales Tax	374,796	398,861	390,081
Other (Auto Parts, Rental Taxes, etc.)	128,163	130,734	140,094
Less: Revenue Refunds	(9,929)	(9,929)	(360)
Net Taxes	$1,505,222	$1,580,211	$1,672,834
Federal Grant Agreements	$855,140	$705,776	$627,961
Penalties & Fines	5,474	5,948	5,967
Investment Income	24,645	43,118	41,435
Local Government Contracts	19,938	36,160	51,159
Other Revenue	28,150	30,724	44,064
TH Revenue Refunds	31	20	5
Total Revenues	$2,438,601	$2,401,958	$2,443,424
Expenditures:			
Personnel Services	$600,856	$640,716	$703,555
Purchased Services	260,082	270,500	288,323
Materials and Supplies	161,379	123,630	154,534
Capital Outlay:			
Equipment	60,255	46,015	58,816
Capital Outlay & Real Property[3]	1,145,414	926,693	797,371
Grants and Subsidies:			
Individuals	52	10	17
Counties	256		
Cities	44		
School Districts	-	-	-
Private Organizations	-	-	-
Other Grants	815	900	878
All Other	153,972	135,285	173,165
Total Expenditures	$2,383,125	$2,143,750	$2,176,659
Transfers:			
Debt Service	$251,994	$234,044	$252,929
Other Transfers[4]	(4,909)	(159,280)	(5,711)
Net Transfers	$247,085	$74,764	$247,218
Total Expenditures and Net Transfers Out	$2,630,210	$2,218,514	$2,423,877

[1] For Fiscal Years 2023, 2024 and 2025 the schedule of revenues and expenditures includes all revenues and expenditures for the fiscal year, and encumbrances for the fiscal year, including accruals at June 30.

[2] These amounts represent the Trunk Highway Fund portion of the Motor Fuel, Motor Vehicle Registration, and Motor Vehicle Sales Taxes from the HUTD Fund.

[3] Because construction contracts typically span into future fiscal years and are encumbered in their entirety in the appropriate fiscal year, materially large amounts of encumbrances exist at the end of a fiscal year. For Fiscal Years 2023, 2024 and 2025 encumbrances have been included in Capital Outlay and Real Property totals.

[4] Net of all transfers in from State General Fund, County State Aid Highway Fund, Plant Management Fund, and Special Revenue Fund.

HEALTH CARE ACCESS FUND

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

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

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

Projected activity in the Health Care Access Fund for the Current Biennium are detailed below:

CURRENT BIENNIUM
HEALTH CARE ACCESS FUND
($'s in Millions)

Resources	
Unreserved Balance at June 30, 2025	$ 578
Revenues	2,323
Total Resources	$ 2,901
Expenditures	2,726
Projected Unreserved Balance Before Transfers	$175
Transfers to Other Funds	164
Projected Unrestricted Balance at June 30, 2027	$ 11

At the end of the 2026 Legislative Session, the HCAF is expected to close the Current Biennium with a $11 million balance. The session did not make any modifications to the programs supported by the HCAF. The lower balance is attributable to two major factors – an increase in projected expenditures due to increased underlying costs and changes in federal law. Managed care rates for MinnesotaCare® are projected to be higher than previously forecast, resulting in increased spending per enrollee. With the enactment of H.R. 1, some enrollees on Medical Assistance no longer qualify and shift onto MinnesotaCare®. This resulted in reduced federal expenditures and an increase of the State share of spending for those enrollees by approximately $197 million in the Current Biennium. The combination of these factors increased spending faster than revenue growth, resulting in a lower unrestricted balance.

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MINNESOTA DEFINED BENEFIT PENSION PLANS

General Information

The State has three major statewide retirement systems that cover most of the public employees of the State and its counties, municipalities and school districts. These systems are the Minnesota State Retirement System ("MSRS"), the Public Employees Retirement Association ("PERA") and the Teachers' Retirement Association ("TRA" and collectively, the "Retirement Systems"). The Retirement Systems were established by the Legislature in 1929 through 1931 to collect the contributions of employees and employers and to pay retirement and disability benefits to public employees and their beneficiaries.

Each system is governed by a board consisting of both elected and appointed members. Actions of the pension systems are also subject to review by the Legislative Commission on Pensions and Retirement ("LCPR")[1], as well as the full Minnesota Legislature. The LCPR is made up of fourteen members from both the House and Senate, and are appointed at the beginning of each biennium. Generally, legislative changes approved by the pension boards are brought first to the LCPR for consideration. In certain instances, the LCPR has the power to ratify, modify, or veto changes brought forward by the pension systems. For example, certain actuarial assumptions such as mortality tables can be approved by the LCPR without further legislative action. In other cases, the LCPR provides a recommendation or includes legislation in an omnibus pension bill, which then requires approval by the full Legislature.

Each plan administrator accounts for one or more pension plans as part of their system. For some of these plans, the State contributes as an employer and/or a non-employer contributing entity, while the State performs only a fiduciary role for other plans. These pension plans are categorized as either defined benefit or defined contribution pension plans. The State is the primary contributing employer for MSRS and is a very small contributing employer for the PERA and TRA plans. The State also makes non-employer contributions to certain plans and makes contributions to certain local governments to assist them with their pension funding obligations, as described herein. In addition, the State appropriates general (non-pension related) State aid payments to certain local governments and school districts that are contributing employers in these plans.

In a defined benefit pension plan, a periodic (usually monthly) benefit is paid to retired and disabled members and survivors of deceased employees in an amount determined at the time of retirement. The amount of the periodic benefit is generally determined on the basis of service credits, salary and age at time of retirement. The benefit is payable to the retiree for life and, if applicable, a survivor's benefit is provided to the designated beneficiary of the retiree. To fund the benefits paid by the defined benefit pension plan, both the employee and employer make a contribution to the plan based on a percentage of the plan member's salary. The employee and employer contribution percentages for each retirement plan are specified in Minnesota Statutes. Actuarially required contributions to the plans are calculated annually by an independent actuary pursuant to Minnesota Statutes. See "Actuarial Valuation Requirements" in this APPENDIX B.

MSRS, PERA and TRA each prepare and publish their own annual comprehensive financial report, consisting of financial statements and required supplementary information that contains detailed financial and actuarial information. Much of the information that is contained in this section "MINNESOTA DEFINED BENEFIT PENSION PLANS" (i) relies on information produced by the administrators of the Retirement Systems or their accounting and actuary agents, and (ii) depends upon future events, which may or may not be consistent with any of the assumptions, may deviate significantly from those assumptions and may alter the outcomes of the plans and the obligations of the State and other employers as a result.

The financial reports include information determined using assumptions and methodologies required by Minnesota Statutes and using assumptions and methodologies required by GASB. Including this information is necessary for the Retirement Systems to comply with both state law and GASB requirements. For Fiscal Year 2025, the external auditors rendered unmodified audit opinions with respect to the financial statements of the three Retirement Systems, each of which contains the dual reporting structure.

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

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[1]More information on the Legislative Commission on Pensions and Retirement (LCPR) can be found at http://www.lcpr.leg.mn/.

most assets at the end of each fiscal year set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries.

Minnesota Statutes, Section 356.20, also requires the Retirement Systems to include in their annual financial reports information using funding-focused statutory assumptions and methodologies. The 2023 Legislature lowered the investment return assumption to 7.0 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2023 and years thereafter. In Fiscal Year 2025, MSRS, PERA, and TRA also utilized a discount rate of 7.0 percent for GASB reporting purposes. See "Retirement Systems Funding" in this APPENDIX B for additional information regarding statutory and financial reporting discount rates. For funding purposes, Minnesota law requires investment gains and losses to be recognized over a five-year period to "smooth" the volatility that can occur from year to year. For GASB financial reporting purposes, assets are valued at market value as of the end of the fiscal year.

The GASB 68 standard set forth standards that modified the accounting and financial reporting of the State's pension obligations. The new standard for governments that provide employee pension benefits requires the State to report in its financial statements the State's proportionate share of the NPL. The State's proportionate share includes both the share of the NPL associated with the State's employees contributing into the retirement plans as well as the State's share of contributions to PERA for the former Minneapolis Employees Retirement Fund ("MERF") and for the Public Employees Police and Fire Fund ("PEPFF"), to TRA for the former Duluth Teachers Retirement Fund Association ("DTRFA") and for the former Minneapolis Teachers Retirement Fund Association ("MTRFA"), and to SPTRFA as the State's relationship to these plans meets the GAAP definition of a special funding situation.

Additionally, the GASB 67 standard required under certain circumstances the recognition of additional liabilities associated with pensions. The rate used by the new standard to discount projected benefit payments to their present value was based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for the use of the long-term expected rate of return are not met. The date after which a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds is required to be used is referred to as a "crossover date." The new standard was effective for the State in Fiscal Year 2015, although MSRS adopted GASB 67 beginning in Fiscal Year 2014.

The GASB 71 standard objective is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning NPL. The provisions of this standard were required to be applied simultaneously with the provisions of Statement 68.

These annual comprehensive financial reports for the Fiscal Year ended June 30, 2025, are available from the following public web sites:

MSRS: https://www.mnretire.gov/annual-reports-fy-2025
PERA: https://mnpera.org/finance/annual-reports
TRA: https://minnesotatra.org/resources/financial-reports

The Systems' actuarial reports for the Fiscal Year ended June 30, 2025, are available from the following public web sites:

MSRS: https://www.mnretire.gov/annual-reports-fy-2025
PERA: https://mnpera.org/finance/actuarial-valuations
TRA: https://minnesotatra.org/resources/financial-reports

Please note these website addresses are provided for the convenience of the reader. No representation is made by the State as to the privacy practices of other websites, nor is the State liable for the content or availability of any listed sites.

For additional information on the State's pension systems, refer to Note 8 – Pension and Investment Trust Funds (pages F-93 through F-112) and Required Supplementary Information (pages F-165 through F-199) in the State Financial Statements in APPENDIX F. Pension disclosures in the State's Financial Statements differ from the Retirement Systems' financial statements. The State's Financial Statements disclosures only include the State's proportionate share and there is a one year lag in the disclosures statements in the State's Financial Statements compared to the Systems' Annual Comprehensive Financial Reports.

See "Pension Obligation Reporting: GASB Statements 67 and 68" and "*MSRS – GASB Statements No. 67 and No. 68 Actuarial Valuation Results*" in this APPENDIX B for GASB 67 reporting information.

Overview – MSRS

MSRS provides retirement coverage for 63,655 active employees, 56,156 retirees, disabilitants, and beneficiaries, and 35,045 members who no longer contribute, but are eligible for future monthly benefits or a refund of their contributions, as of June 30, 2025. These members participate in plans within five unique defined benefit retirement funds. The largest funds include the State Employees Retirement Fund, Correctional Employees Retirement Fund and State Patrol Retirement Fund, which represents 98.6 percent of total assets for MSRS' defined benefit funds.

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

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

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

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

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

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

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Membership statistics for each of the MSRS funds, as of June 30, 2025, follow:

	State Employees Retirement Fund	State Patrol Retirement Fund	Correctional Employees Retirement Fund	Judges Retirement Fund	Legislators Retirement Fund	Totals
Benefit Recipients:						
Retirees	43,282	945	3,676	355	242	48,500
Beneficiaries	4,925	156	346	79	78	5,584
Disabilitants	1,618	99	345	10	0	2,072
Terminated members:						
Vested, no benefits	19,431	81	1,665	22	12	21,211
Non-Vested	12,066	69	1,698	1	0	13,834
Active members:						
Vested	42,276	654	2,913	292	6	46,141
Non-Vested	15,318	354	1,811	31	0	17,514
Total Membership	138,916	2,358	12,454	790	338	154,856
Annualized Payroll	*$4,556,436,000*	*$127,240,000*	*$371,313,000*	*$61,587,000*	*$400,000*	*$5,116,976,000*

MSRS also administers four defined contribution funds. These funds include the Unclassified Employees Retirement Fund, the Health Care Savings Fund, the Deferred Compensation Fund (an Internal Revenue Code Section 457 plan), and the Hennepin County Supplemental Retirement Fund. Net Assets as of June 30, 2025, for the defined contribution funds total $14,048,809,000.

Overview – PERA

PERA administers plans within four separate defined benefit pension funds (including one multi-employer agent plan) and one defined contribution plan. Each has specific membership, contribution, benefit, and pension provisions. As of June 30, 2025, PERA's three multi-employer, cost-sharing, defined benefit plans cover 185,812 members currently employed and earning benefits; 170,902 members who no longer work in PERA-covered positions, but who are eligible for future benefits or a refund of their contributions from PERA; and 139,723 persons currently receiving benefits. These three plans represent 99.5 percent of PERA's defined benefit plan assets. In addition, PERA's multi-employer agent defined benefit plan for volunteer firefighters covers 5,899 active members, 1,812 members eligible for future benefits and 140 persons currently receiving benefits. In most cases, benefits from the volunteer firefighter plan are paid in a lump sum at retirement. PERA members are employed by more than 2,800 governmental entities including cities, counties, townships, and school districts throughout the State.

The PERA board of trustees is responsible for administering these funds in accordance with statutes passed by the Legislature and has a fiduciary obligation to PERA's members, the governmental employers, the State, and its taxpayers. The PERA board of trustees is composed of 11 members. The State Auditor is a member by statute. Five trustees are appointed by the Governor. Serving four-year terms, these five trustees represent cities, counties, school boards, retired annuitants, and the general public, respectively.

The remaining five board members are elected by the PERA membership at large to serve four-year terms. Three trustees represent the general active membership, one trustee represents Police and Fire Fund members, and one trustee represents annuitants and benefit recipients.

The board appoints an executive director to serve as chief administrative officer of PERA. With approval of the board, the director develops the annual administrative budget, determines staffing requirements, contracts for actuarial and other services, and directs the day-to-day operation of the association.

The General Employees Retirement Fund ("GERF") encompasses two plans: the PERA Coordinated Plan and the PERA Basic Plan. The Coordinated Plan, created in 1968, provides retirement and other benefits in addition to those supplied by Social Security. The Basic Plan established in 1931, is not coordinated with the federal program and was closed to new members on December 31, 1967. Prior to January 2015, a separate defined benefit plan with 3,600 retirees, 29 active members and 37 deferred members known as the Minneapolis Employees Retirement Fund ("MERF") was separately accounted for within the General Employees Retirement Fund. All the active members are eligible to retire. Employers participating in MERF include the City of Minneapolis, Minneapolis Schools, Metropolitan Airports Commission, Hennepin County, Minnesota State Colleges and Universities, Metropolitan Council, and the Municipal Building Commission. MERF was fully merged into the GERF in January 2015, but the State has an ongoing financial obligation to PERA to assist in funding the former MERF liability.

The Public Employees Police and Fire Fund ("PEPFF") originally established in 1959 for police officers and firefighters not covered by a local relief association, now encompasses all Minnesota police officers and firefighters hired since 1980. As of July 1, 1999, this fund also includes the members of 44 previously local police and fire relief associations that elected to have PERA administer their plan.

The Local Government Correctional Service Retirement Fund (called the "Public Employees Correctional Fund" or "PECF") was created in 1999 to cover local government correctional service employees who spend most of their time in direct contact with inmates. The majority of these employees were formerly part of the Coordinated Plan.

Membership statistics for each of the funds, as of June 30, 2025, follow:

	General Employees Retirement Fund (GERF)	**Public Employees Police & Fire Fund (PEPFF)**	**Public Employees Correctional Fund (PECF)**	**Totals**
Benefit Recipients:				
Retirees	111,361	8,823	1,709	121,893
Beneficiaries	10,068	2,040	113	12,221
Disabilitants	3,100	2,257	252	5,609
Terminated Members:				
Vested, no benefits	72,913	1,933	4,797	79,643
Non Vested	87,781	889	2,589	91,259
Active Members:				
Vested	108,488	9,405	2,001	119,894
Non Vested	60,939	2,921	2,058	65,918
Total Membership	454,650	28,268	13,519	496,437
Annualized Payroll	*$8,614,516,000*	*$1,375,545,000*	*$291,777,000*	*$10,281,838,000*

PERA also administers the Volunteer Firefighter Retirement Fund, a multi-employer, agent plan and the Public Employees Defined Contribution Plan, which was established by the Minnesota Legislature in 1987 to provide a retirement plan for personnel employed by public ambulance services. The defined contribution plan has been expanded to include physicians and locally elected public officials, except for county sheriffs.

Overview – TRA

TRA had 591 reporting employer units, 86,462 active members and a total of 70,483 retirees, survivors, beneficiaries and disabilitants who were receiving monthly benefits, as of June 30, 2025.

Teachers, and others designated by statute, employed in Minnesota's public elementary and secondary schools, charter schools and certain educational institutions maintained by the State (except those teachers employed by the Saint Paul Public Schools, and by the University of Minnesota system) are required to be TRA members. Teachers employed by the Minnesota State Colleges and Universities may elect TRA coverage. Former members of MTRFA and DTRFA were merged into TRA through legislative action. MTRFA was merged with TRA in 2006 and DTRFA was merged in 2015.

TRA is managed by an eight-member board of trustees: three are statutorily appointed and five are elected. The appointed trustees are the Commissioner of Education, the Commissioner of Management and Budget and a representative of the Minnesota School Boards Association. Four of the five elected trustees are active members, and one is a retiree. Administrative management of the fund is vested in an Executive Director who is appointed by the board of trustees.

Membership statistics for the fund, as of June 30, 2025, follow:

Benefit Recipients:	
Retirees	62,910
Disabilitants	441
Beneficiaries	7,132
Terminated Members:	
Vested, deferred	21,701
Non-Vested	42,550
Active Members:	
Vested	70,356
Non-Vested	16,106
Total Membership	221,196

Annualized Payroll	*$6,416,226,000*

Investments

Assets of the pension funds are invested by the Minnesota State Board of Investment (“SBI”). SBI prepares and publishes an annual financial report including financial statements and required supplementary information. The information that is contained under the headers “Investments,” “Asset Allocation” and “Investment Results” is provided by SBI.

SBI is established by Article XI of the Minnesota Constitution to invest all State funds. The Governor (who is designated as chair of the SBI), State Auditor, Secretary of State and Attorney General are members. All investments undertaken by SBI are governed by the “prudent person rule” and other standards codified in Minnesota Statutes, Chapter 11A and Chapter 356A.

The prudent person rule, as codified in Minnesota Statutes, Section 11A.09, requires all members of the SBI, its Investment Advisory Council (as discussed below), and SBI staff to *“...act in good faith and ...exercise that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom.”* Minnesota Statutes, Section 356A.04 contains similar codification of the prudent person rule applicable to the investment of pension fund assets.

In addition to the prudent person rule, Minnesota Statutes, Section 11A.24, contains a specific list of asset classes available for investment including common stocks, bonds, short term securities, real estate, private equity, and resource funds. The statutes prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

A 17-member Investment Advisory Council, ten members of which must be experienced in general investment matters, advise the SBI on investment policy. The Commissioner of Management and Budget and the three executive directors of the Retirement Systems also serve as members, as do one retiree and two active employee members. Also, investment consultants are hired to monitor and evaluate investment performance of the investment firms hired by the SBI. Within the requirements defined by State law, the SBI, in conjunction with SBI staff and the Investment Advisory Council, establishes investment policies for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. The SBI, its staff and the Investment Advisory Council have conducted detailed analyses that address investment objectives, asset allocation policy and management structure of each of the funds under SBI’s control. The studies guide the ongoing management of these funds and are updated periodically.

The individual pension plans invest in investment pools administered by SBI. The pools function much like mutual funds, with the pension plans purchasing "units" of the pools rather than purchasing individual securities. The Combined Funds represent the assets in the statewide retirement plans which are administered by the Retirement Systems. The Combined Funds covers active and retired employees and had a market value of $101.22 billion, as of June 30, 2025. The Combined Funds market value was $114.28 billion, as of June 30, 2026 (unaudited).

Assumed Return

Employee and employer contribution rates are specified in State statute as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of promised pension benefits. In order to meet these projected pension costs, Minnesota Statutes specify the annual investment return the retirement fund assets are assumed to earn. The 2023 Legislature reduced the annualized assumed investment return from 7.5 percent to 7.0 percent for MSRS, PERA, TRA, and SPTRFA beginning Fiscal Year 2023 and thereafter. Pension assets are expected to accumulate in the Combined Funds for 40 or more years during an employee's years of active service. A typical retiree can be expected to draw benefits for an additional 20 years or longer. This provides the Combined Funds with a long investment time horizon and permits the SBI to take advantage of the return opportunities offered by common stocks and other equity investments in order to meet the annualized assumed investment return. In Fiscal Year 2025, the 7.0 percent discount rate required by statute aligned with GASB reporting for all three retirement systems in Minnesota. See "Retirement Systems Funding" in this APPENDIX B for additional information regarding statutory and financial reporting discount rates.

Asset Allocation

The allocation of assets among public equity, fixed income, private market investments and cash has a dramatic impact on investment results. In fact, asset allocation decisions typically overwhelm the impact of individual security selection within a total portfolio. The asset allocation of the Combined Funds is reviewed periodically. SBI has chosen to incorporate a large commitment to public equity in the asset allocation policy for the retirement funds. In order to limit the short run volatility of returns exhibited by common stocks, the SBI includes other asset classes such as bonds, real estate, and resource investments in the total portfolio. This diversification is intended to reduce wide fluctuations in investment returns on a year-to-year basis without impairing the funds' ability to meet or exceed the annualized assumed investment return over the long-term. The Combined Funds has an asset allocation policy based on the investment objectives of the Combined Funds and the expected long-term performance of the capital markets.

The target allocation to each asset class as of June 2026 was as follows:

Total Public Equity	50%
Domestic Stocks – 33.5%	
International Stocks – 16.5%	
Total Fixed Income	25%
Core Bonds – 10%	
Treasuries – 10%	
Cash – 5%	
Private Markets	25%

SBI's asset rebalancing policy is as follows: When actual asset allocation deviates 5 percent to 10 percent from the target, rebalancing is at the discretion of SBI. If the actual allocation deviates 10 percent or more from the target, assets must be redistributed to achieve long-term allocation targets. (For example, the target allocation for Fixed Income is 25 percent of the fund. A 5 percent deviation would equal 1.25 percent). The uncommitted allocation in Private Markets is invested in Public Equity within the Private Markets allocation. The SBI recognizes that in some market situations the allocation to Private Markets may exceed 25 percent but may not exceed 32 percent. An increase to the maximum allowable allocation to Private Markets from 25 to 32 percent was approved at the March 2023 SBI meeting.

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The following table represents the actual asset allocation and the market value for the Combined Funds as of June 30, 2025 and June 30, 2026 (unaudited).

COMBINED FUNDS INVESTMENTS
PERIODS ENDING JUNE 30, 2025 AND JUNE 30, 2026 (UNAUDITED)
($'s in Millions)

	Target Allocation as of June 30, 2025	**Actual Mix 6/30/2025**	**Market Value 6/30/2025[1]**	**Target Allocation as of June 30, 2026**	**Actual Mix 6/30/2026 (unaudited)**	**Market Value 6/30/2026[1] (unaudited)**
Public Equities	**50%**	51.96%	$52,596	50%	55.19%	$63,065
Total Fixed Income	**25**	24.81	25,111	25	25.48	29,121
Private Markets	**25**	23.23	23,514	25	19.33	22,092
Invested Private Markets		*22.04*	*22,306*		*19.14*	*21,870*
Uninvested Allocation Invested in Cash Equivalents		*1.19*	*1,208*		*0.19*	*222*
Total	**100%**	**100%**	**$101,221**	**100%**	**100%**	**$114,278**

[1] Market value based on fair value as defined in GASB 31.
Source: SBI Quarterly Board Book Performance and SBI staff, periods ended June 30, 2025, and June 30, 2026 (unaudited).

Investment Results

All assets in the Combined Funds are managed externally by investment management firms retained by contract. Investment income is recognized as earned. Accrued investment income of the pooled investment accounts is included in participation in the accounts. Gains or losses on sales or exchanges are recognized on the transaction date. The cost of security transactions is included in the transaction price. Administrative expenses of SBI and investment management fees of the external money managers and the State's master custodian for pension fund assets are allocated to the funds participating in the pooled investment accounts.

The rate of return in the Combined Funds was 10.9 percent for the Fiscal Year ending June 30, 2025. The rate of return in the Combined Funds was 15.6 percent for the one-year period that began on July 1, 2025 and ended June 30, 2026 (unaudited). Over a 10-year period, the Combined Funds are expected to outperform a composite market index weighted in a manner that reflects the long-term asset allocation over the latest 10-year period.

Period Ending June 30, 2025

	2021	2022	2023	2024	2025	3 Yr.	5 Yr.	10 Yr.	20 Yr.	30 Yr.
Combined Funds	**30.3%**	**-6.4%**	**8.9%**	**12.3%**	**10.9%**	**10.7%**	**10.7%**	**8.9%**	**8.3%**	**8.6%**
Composite Index	28.8%	-6.3%	8.7%	11.9%	10.5%	10.2%	10.2%	8.7%	8.1%	8.3%

Period Ending June 30, 2026 (unaudited)

	2022	2023	2024	2025	2026	3 Yr.	5 Yr.	10 Yr.	20 Yr.	30 Yr.
Combined Funds	**-6.4%**	**8.9%**	**12.3%**	**10.9%**	**15.6%**	**12.9%**	**8.0%**	**10.5%**	**8.5%**	**8.5%**
Composite Index	-6.3%	8.7%	11.9%	10.9%	14.6%	**12.4%**	**7.7%**	**10.1%**	**8.2%**	**8.2%**

Source: SBI Quarterly Board Book for the periods ended June 30, 2025 and June 30, 2026 (unaudited).

Actual Combined Funds returns relative to the total fund composite index are shown above. For the 10-year period ending June 30, 2026 (unaudited), the Combined Funds outperformed the composite index by 0.4 percent points. For the 20-year period ending June 30, 2026 (unaudited), the Combined Funds outperformed the composite index by 0.3 percent points. The annualized rate of return was 8.5 percent for the past 30-year period ending June 30, 2026 (unaudited).

Comparing the Actual Combined Funds returns relative to the 7.0 percent annualized investment return assumption for the period ended June 30, 2026 (unaudited), the Actual Combined Funds return exceeded the annualized investment return assumption for the most recent 3-year, 5-year, 10-year, 20-year and 30-year periods.

Fiscal Year 2025 Contribution Summary

As mentioned above, the State is the primary contributing employer for MSRS and is a very small contributing employer for the PERA and TRA plans. The State also makes non-employer contributions to certain plans and makes contributions to PERA, TRA and certain local governments to assist with public pension funding obligations, as described herein. In addition, the State appropriates general (non-pension related) State aid payments to certain local governments and school districts that are contributing employers in these plans. Provided below is a table summarizing the Retirement Systems, including: the types of pension plans (e.g., defined benefit, defined contribution, etc.), whether the State contributes to the pension plan as an employer or otherwise, and the State's Fiscal Year 2025 employer contributions to the various plans.

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MINNESOTA RETIREMENT SYSTEMS – STATE PARTICIPATION AND CONTRIBUTION SUMMARY

(Defined Benefit Plans in Bold)

($'s in Thousands)

Minnesota State Retirement Systems (MSRS)				
Plans Covered	Type	State Employer Participation	State Provides Other Non-Employer Contributions	FY 2025 State Pension Employer Contributions(1)
State Employees Retirement Fund	**Multiple employer, cost-sharing plans**	Yes(2)	No	$281,376
Correctional Employees Retirement Fund	**Multiple employer, cost-sharing plans**	Yes	No	$69,644
Judges Retirement Fund	**Single employer, State plan**	Yes	No	$13,857
Legislators Retirement Fund(3)	**Single employer, State plan**	Yes	No	$0
State Patrol Retirement Fund	**Single employer, State plan**	Yes	No	$38,365
Unclassified Employees Retirement Fund	Defined Contribution	Yes	No	$10,883
Postretirement Healthcare Benefits Fund	Defined Contribution	N/A	N/A	N/A
State Deferred Compensation Fund	Defined Contribution	N/A	N/A	N/A
Hennepin County Suppl. Retirement Fund	Defined Contribution	N/A	N/A	N/A
Public Employees Retirement Association (PERA)				
Plans Covered	Type	State Employer Participation	State Provides Other Non-Employer Contributions	FY 2025 State Pension Employer Contributions(1)
General Employees Retirement Fund	**Multiple employer, cost-sharing plan**	Yes(4)	Yes	$2,082
Public Employees Police and Fire Fund	**Multiple employer, cost-sharing plan**	No	Yes(4)	$584
Public Employees Correctional Fund	**Multiple employer, cost-sharing plan**	No	No	$0
Volunteer Firefighter Retirement Fund	Multiple employer, agent plan	N/A	Yes (4)	N/A
Defined Contribution Fund	Defined Contribution	N/A	N/A	N/A
Teachers Retirement Association (TRA)				
Plans Covered	Type	State Employer Participation	State Provides Other Non-Employer Contributions	FY 2025 State Pension Employer Contributions(1)
Teachers Retirement Fund	**Multiple employer, cost-sharing plan**	Yes(5)	Yes(5)	$21,839(5)

(1) Includes: State contributions made as an employer. Employer contributions are made from a variety of State funds, including the General Fund. State contributions made as direct aid can be found in the table "STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES DIRECT AID TO PENSION FUNDS" and contributions for local aid in the table "STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES, PENSION RELATED LOCAL GOVERNMENT AID."

(2) The State is a primary employer for the State Employees Retirement Fund.

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

(4) The State only makes employer contributions to PERA for covered individuals employed by PERA, and a small number of employees from Minnesota State Colleges and Universities, the Public Defense Board, the Supreme Court/Judicial Branch, and Department of Military Affairs who had previously been admitted into the plan.

(5) The State only makes employer contributions to TRA for Minnesota State Colleges and Universities faculty members who have elected TRA, Perpich Center for Arts Education employees, certain Department of Education employees formerly covered by TRA, and Minnesota State Academies employees. This figure also includes employer contributions for covered individuals employed by TRA.

Source: MSRS, Annual Comprehensive Financial Report, Fiscal Year ended June 30, 2025; PERA, Schedule Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only, Fiscal Year ended June 30, 2025; TRA, Schedule of Employer and Non-Employer Allocations, Fiscal Year ended June 30, 2025.

Statutory Funding Requirements

Minnesota's defined benefit retirement plans are financed in several ways, including employee contributions, contributions from State agencies for their covered employees, contributions from local political subdivisions, and direct State appropriations. For substantially all of the defined benefit plans, both the employee and employer contribute to the plan based on a percentage of the plan member's salary. Each fund's financing requirement is determined by a specific formula established in State law. The statutory funding formulas are not always consistent with the calculated actuarial requirements as described herein. No assurance can be provided that the formulas will not change in the future. Provided below are the existing formulas for the Retirement System's Plans and the local defined benefit plans that are governed by State statutes.

MSRS: MSRS consists of the assets of nine pension funds, five of which encompass defined benefit funds, in which the State participates as an employer or otherwise provides general government contributions. For each of the defined benefit funds[2] in MSRS (except for Legislators Retirement Fund), both the employee and employer contribute to the fund based on a percentage of the member's salary. The contribution percentage is specified in statute. Beginning Fiscal Year 2014, supplemental State aid of $1 million is paid annually to the State Patrol Retirement Fund. This supplemental aid continues until both the PERA Public Employees Police and Fire Fund and the MSRS State Patrol Retirement Fund become 100 percent funded on an actuarial value of assets basis for three consecutive years. A supplemental state aid of $3 million was paid to the Judges Retirement Fund in Fiscal Year 2017, which increased to $6 million annually beginning in Fiscal Year 2018. This aid continues until the Judges Retirement Fund becomes 110 percent funded on an actuarial value of assets basis for three consecutive years. The Legislators Retirement Fund is funded on a pay-as-you-go basis from the State's General Fund as all assets have been depleted. This Fund also receives annual General Fund appropriations to finance retirement benefits for all members of the Elective State Officer Plan, which merged into the Legislators Fund effective July 1, 2013. See the table "MINNESOTA STATE RETIREMENT SYSTEM EMPLOYER CONTRIBUTION HISTORY" in this APPENDIX B.

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

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

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

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

Police and Fire Amortization Aid: This aid program is specified in statute. As originally designed, it funded the State's share of amortizing unfunded liabilities of local police or fire relief associations that were being merged into PERA. In more recent years, part of the money has been redirected to the former MTRFA and the former DTRFA (now both part of TRA) and SPTRFA. The remaining aid after the local police or fire relief is distributed is allocated to TRA (70%) and SPTRFA (30%). An additional supplemental appropriation was established beginning Fiscal Year 2014 that provides $9 million annually directly to the PERA Public Employees Police and Fire Fund and $1 million directly to the MSRS State Patrol Retirement Fund until both the PERA Public Employees Police and Fire Fund and the MSRS State Patrol Retirement Fund become 100 percent funded on an actuarial value of assets basis for three consecutive years. The supplemental appropriation established beginning Fiscal Year 2014 also slightly increases the aid that is provided to local police or fire relief associations. The State also provides supplemental benefit reimbursement aid to help support

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

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

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

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

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

MSRS Judges Retirement Fund: In addition to required employer contributions, the State provides direct appropriations annually to the Judges Retirement Fund. The 2016 Legislature appropriated $3 million in Fiscal Year 2017 and $6 million in Fiscal Year 2018 and each year thereafter. This appropriation continues until the Judges Retirement Fund becomes 110 percent funded on an actuarial value of assets basis for three consecutive years.

2018 Omnibus Retirement Act: As a component of a comprehensive set of reforms intended to improve the funding status of Minnesota's public pension funds, the 2018 Legislature provided direct aid to the PERA Public Employees Police and Fire Fund totaling $4.5 million annually in Fiscal Years 2019 and 2020, and $9 million annually each year thereafter, and to the SPTRFA totaling $5 million annually beginning in Fiscal Year 2019. The act specified that these direct aids end the earlier of (a) the respective fund becoming 100 percent funded on an actuarial value of assets basis or (b) July 1, 2048. Legislation enacted in 2025 amended the sunset of this and other direct state aids. See "Recent Pension Legislation" in this APPENDIX B for additional information regarding these changes.

2023 Omnibus Retirement Act: The 2023 Legislature appropriated a total of $485.9 million in one-time direct State aids to the defined benefit funds in Fiscal Year 2024. These direct State aids covered the cost of a one-time, non-compounded 0.25 percent increase to each plan's postretirement adjustment. Additionally, other one-time benefit changes were made, including a two-year, 0.5 percent reduction in employee contributions to the General Employees Retirement Fund.

MSRS State Patrol Retirement Fund and PERA Public Employees Police and Fire Fund: The 2025 Legislature appropriated additional State aids of $2.3 million to the MSRS State Patrol Retirement Fund and $17.7 million to the PERA Public Employees Police and Fire Fund to cover the cost of modifying postretirement adjustments. The 2026 Legislature appropriated an additional $8 million State aid to the PERA Police and Fire Fund for further modifications to the postretirement adjustment. These State aids expire in 2048 and 2042, respectively.

TRA and *SPTRFA:* The 2024 Legislature appropriated one-time State aids of $28.462 million and $1.538 million to TRA and SPTRFA, respectively. The one-time State aid to TRA was to cover the one-time cost of adjusting the implementation timeline of the one-year reduction to the normal retirement age, while the one-time State aid to SPTRFA was to cover the cost of a two-year, 0.25 percent reduction to the employee contribution rate. The 2026 Legislature established a new $3.4 million annual State aid to SPTRFA to cover the cost of permanently reducing employee contributions by 1 percent.

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STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES
DIRECT AID TO MSRS PENSION FUNDS
($'s in Thousands)

Fiscal Year Ended June 30th	State Employees Retirement Fund	Correctional Employees Retirement Fund	State Patrol Retirement Fund	Legislators Retirement Fund[(1)]	Judges Retirement Fund	Total
2016	$ -	$ -	$ -	$ 5,177	$ -	$ 5,177
2017	-	-	-	8,936	3,000	11,936
2018	-	-	-	8,961	6,000	14,961
2019	-	-	-	8,909	6,000	14,909
2020	-	-	-	8,850	6,000	14,850
2021	-	-	-	8,761	6,000	14,761
2022	-	-	-	8,886	6,000	14,886
2023	-	-	-	8,758	6,000	14,758
2024	76,440	10,446	11,971	8,753	6,293	113,903
2025	-	-	-	8,466	6,000	14,466
**2026*	-	-	2,300	8,304	6,000	16,604
**2027*	390	-	2,300	8,342	6,000	17,032
**2028*	-	-	2,300	8,368	6,000	16,668
**2029*	-	-	2,300	8,262	6,000	16,562

(1)The Legislators Retirement Fund is funded on a pay-as-you-go basis. It includes members covered by the Legislators Retirement Plan as well as members of the Elective State Officers Retirement Plan following the July 1, 2013, merger of the Elective State Officers Retirement Fund.

*Projections for FY 2026-FY 2029 as of the end of the 2026 Legislative Session.

Source: MMB General Fund balance analysis

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STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES
DIRECT AID TO NON-MSRS PENSION FUNDS

($'s in Thousands)

Fiscal Year Ended June 30th	PERA General Employees Retirement Fund (GERF)[1]	PERA Public Employees Correctional Fund (PECF)	PERA Public Employees Police and Fire Fund (PEPFF)	PERA Local Government Probation and Telecommunicator Retirement Plan	TRA[2]	SPTRFA[3]	Total
2016	$6,000	$ -	$ -	$ -	$29,831	$9,827	$45,658
2017	6,000	-	-	-	29,831	9,827	45,658
2018	16,000	-	-	-	29,831	9,827	55,658
2019	16,000	-	4,500	-	29,831	14,827	65,158
2020	16,000	-	4,500	-	29,831	14,827	65,158
2021	16,000	-	9,000	-	29,831	14,827	69,658
2022	16,000	-	9,000	-	29,831	14,827	69,658
2023	16,000	-	9,000	-	29,831	14,827	69,658
2024	186,093	5,256	28,397	-	205,998	30,574	456,318
2025	16,000	-	9,000	-	58,293	16,365	99,658
**2026*	16,000	-	26,700	-	29,831	14,827	87,358
**2027*	16,000	-	34,700	2,610	29,831	18,227	101,368
**2028*	16,000	-	34,700	-	29,831	18,227	98,758
**2029*	16,000	-	34,700	-	29,831	18,227	98,758

(1) The Minneapolis Employees Retirement Fund (MERF) became an administrative division within the PERA General Employees Retirement Fund on July 1, 2010. MERF receives direct State aids, which are recognized within the PERA General Employees Retirement Fund. Effective July 1, 1998, the State contribution was provided on a formula basis and was capped at no more than $9 million per fiscal year. In Fiscal Year 2012 and 2013, the annual State contribution increased to $22.75 million annually and then to $24 million annually in Fiscal Years 2014 and 2015. The assets of MERF were fully merged into the GERF in January 2015. The State's annual aid payment was lowered to $6.0 million in Fiscal Years 2016 and 2017 and was increased to $16.0 million in Fiscal Year 2018 and thereafter. Under statute, these direct aid payments continue through Fiscal Year 2032.

(2) Beginning in FY 2016 direct aid is to be appropriated to TRA for the former Duluth Teachers Retirement Fund Association (DTRFA), following its merger with TRA, effective July 1, 2015. Under statute, these direct aid payments continue until the TRA plan is fully funded or July 1, 2048, whichever is earlier.

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

* Projections for FY 2026-FY 2029 as of the end of the 2026 Legislative Session.

Source: MMB General Fund balance analysis

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The following table summarizes State General Fund Appropriation pension aid provided to local governments during the last ten fiscal years and estimates for Fiscal Year 2026 through Fiscal Year 2029.

STATE GENERAL FUND APPROPRIATION HISTORY AND ESTIMATES
PENSION RELATED LOCAL GOVERNMENT AID
($'s in Thousands)

Fiscal Year Ended June 30th	Basic Local Police and Fire Association[1]	Local Police and Fire Associations Amortization Aid	PERA Aid[2]	Volunteer Firefighter Relief	Redirected Aid-SPTRFA /TRA	Police-Fire Retirement Supplemental Aid[3]	Total
2016	$98,468	$2,729	$14,090	$531	$2,094	$15,498	$133,410
2017	102,204	2,729	14,068	584	2,094	15,473	137,152
2018	105,252	2,729	14,065	629	2,094	15,498	140,267
2019	110,058	2,729	13,919	705	2,094	15,498	145,003
2020	115,461	2,729	13,900	606	2,094	15,495	150,285
2021	121,295	2,729	-	637	2,094	15,500	142,255
2022	121,776	2,729	-	607	2,094	15,500	142,706
2023	129,930	2,729	-	707	2,094	15,500	150,890
2024	141,769	2,729	-	517	2,094	15,500	162,609
2025	163,647	2,729	-	678	2,094	15,499	184,647
**2026*	186,687	2,729	-	687	2,094	15,500	207,688
**2027*	196,190	2,729	-	629	2,094	15,500	217,142
**2028*	205,960	2,729	-	629	2,094	15,500	226,912
**2029*	216,210	2,729	-	629	2,094	15,500	237,162

(1) Basic local police and fire pension aid is an open General Fund appropriation based on the dedicated proceeds equivalent to at least 2 percent insurance premium tax on fire insurance and auto insurance, and a 2 percent surcharge on fire, lightning, and sprinkler leakage insurance.

(2) PERA Aid is paid directly to non-school units of local government to compensate these employer entities for employer contribution rate increases enacted in 1997 legislation for the PERA Basic and Coordinated Plans. Each employer's annual aid is calculated at 0.35 percent of the Fiscal Year 1997 covered payroll expenses for their employees covered by these plans. Employer entities no longer receive aid if they dissolve or privatize, and consolidations and changes in governmental subdivision boundaries will also reduce the number of employers receiving aid. The 1997 legislation requires PERA Aid be terminated effective June 30, 2020.

(3) Police and Fire Retirement Supplemental Aid payments are as follows: $9 million to the PERA Public Employees Police & Fire Fund, $5.5 million to Volunteer Firefighter plan employers and $1 million to the MSRS State Patrol Retirement Fund.

* Projections for FY 2026-FY 2029 as of the end of the 2026 Legislative Session.
Source: MMB General Fund balance analysis

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Retirement Systems Funding

State law requires the Retirement Systems to "pre-fund" future benefit obligations. Rather than collecting only sufficient sums from current active workers to pay current retired members and beneficiaries, the Retirement Systems are required by statute to accumulate enough assets to cover all benefit liabilities of participating members. As of 2024, the statutory funding dates for each plan were no later than July 1, 2048 in the July 1, 2024 actuarial valuations.

Retirement System	Fund	Statutory Funding Date as of the July 1, 2024, actuarial valuation
MSRS	State Employees Retirement Fund	2048
	State Patrol Retirement Fund	2048
	Correctional Employees Retirement Fund	2048
	Judges Retirement Fund	2048
	Legislators Retirement Fund	2026
PERA	General Employees Retirement Fund	2048
	Public Employees Police and Fire Fund	2048
	Public Employees Correctional Fund	2048
TRA	Teachers Retirement Association Fund	2048

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

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

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

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

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

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

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

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

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

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

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

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

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

The most recent actuarial experience study for PERA's GERF covered the period July 1, 2018, through June 30, 2022, and was completed in 2023. As a result of the study, several demographic assumption changes were recommended. These changes were adopted by the PERA Board of Trustees at the August 10, 2023 board meeting and the LCPR approved the recommended changes at the February 16, 2024 meeting for implementation in the July 1, 2024 actuarial valuation.

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

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

Actuarial Valuation Requirements

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

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

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

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

The actuarial valuations of the pension funds use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the pension funds. For example, the pension funds use an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a five-year period to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2025, the aggregate market value of all of the assets of the Retirement Systems, as determined by the Retirement Systems' actuaries, was approximately $99.398 billion. As of June 30, 2025, the aggregate actuarial value of all assets of the Retirement Systems was $102.990 billion.

The following table provides a summary analysis of the funding status of the Retirement Systems and certain local defined benefit retirement plans where the State provides non-employer general government contributions governed by State statutes as of June 30, 2025, based on the respective annual actuarial valuation reports.

STATUTORY METHOD
FUNDING STATUS OF DEFINED BENEFIT PENSION FUNDS TO WHICH MINNESOTA PROVIDES GENERAL FUND RESOURCES AS OF JUNE 30, 2025(1)

($'s in millions)

		Actuarial Value			Market Value			Membership	
	Actuarial Accrued Liability[2]	Actuarial Value of Assets (AVA)[3]	Unfunded Actuarial Accrued Liability (UAAL)[4]	Funding Ratio[6]	Value of Assets[8]	Unfunded Liability	Funding Ratio	Active Members	Other Members
1. Funds Where the State Has Custodial Responsibility									
Minnesota State Retirement System (MSRS):									
— State Employees Retirement Fund	$19,852	$18,862	$990	95.01%	$19,539	$313	98.42%	57,594	81,322
— State Patrol Retirement Fund	1,317	1,115	202	84.65%	1,156	161	87.76%	1,008	1,350
— Correctional Employees Retirement Fund	2,397	1,915	482	79.88%	1,986	412	82.83%	4,724	7,730
— Judges Retirement Fund	471	308	163	65.46%	319	151	67.86%	323	467
— Legislators Retirement Fund(7)	141	0	141	N/A	0	141	N/A	6	332
Subtotal	$24,178	$22,200	$1,978		$23,000	$1,178		63,655	91,201
Public Employees Retirement Association (PERA):									
— General Employees Fund	$35,953	$31,479	$4,474	87.56%	$32,639	$3,314	90.78%	169,427	285,223
— PERA Police & Fire Fund	14,250	12,619	1,631	88.55%	13,078	1,172	91.78%	12,326	15,942
— Local Correctional Service Fund	1,278	1,295	(17)	101.31%	1,344	(66)	105.18%	4,059	9,460
Subtotal	$51,481	$45,393	$6,088		$47,061	$4,420		185,812	310,625
Teachers' Retirement Association (TRA):	$36,992	$30,187	$6,805	81.60%	$31,261	$5,731	84.51%	86,462	134,734
Custodial Subtotal	$112,651	$97,780	$14,871		$101,322	$11,329		335,929	536,560
2. Other Funds to Which the State Contributes									
Local Police & Fire Associations(8)	$196	$234	$(38)	119.20%	$234	$(38)	119.20%	90	241
St. Paul Teachers' Retirement Fund	1,986	1,384	602	69.68%	1,434	552	72.19%	3,366	10,213
Other Contribution Subtotal	$2,182	$1,618	$564		$1,668	$514		3,456	10,454
TOTAL	**$114,833**	**$99,398**	**$15,435**		**$102,990**	**$11,843**		**339,385**	**547,014**

(1) The information provided in this table reflects the condition of all funds as of June 30, 2025 and is derived from actuarial valuation results as of July 1, 2025. For additional information on the State's pension systems, see "APPENDIX F – State Financial Statements Note 8 – Pension and Investment Trust Funds" (see pages F-93 through F-112) and "Required Supplementary Information" (see pages F-165 through F-199).

(2) The actuarial accrued liability of each of the pension funds is an estimate based on demographic and economic assumptions of the present value of benefits that the pension funds will pay during the assumed life expectancies of the applicable members after they retire.

(3) The actuarial value of assets of each of the pension funds represents the market-related value of the assets held by the pension funds as adjusted to reflect various actuarial methods including the smoothing of actuarial losses and gains (including investment losses and gains) over a five-year period.

(4) The UAAL of each of the pension funds reflects the amount of the excess of the actuarial accrued liability of a pension funds over its actuarial value of assets. When the AVA exceeds the Actuarial Accrued Liability the UAAL will reflect a negative value.

(5) The Funding Ratio of each of the pension funds reflects the quotient obtained by dividing the actuarial value of assets of the pension funds by the actuarial accrued liability of the Pension Plan. The Funding Ratio figures depicted in the table are the actuary's computations for each retirement fund, as reported in each fund's July 1, 2025 actuarial valuation report.

(6) The market value of assets of each of the pension funds represents the fair market value of the assets held by the pension fund.

(7) The Elective State Officers Retirement Fund merged into the Legislators Retirement Fund effective July 1, 2013. Both the Legislators and Elective State Officers defined benefit retirement plans are financed on a pay-as-you-go basis from the State's General Fund. Legislators and Elective State Officers first elected after July 1, 1997 are members of the State's Unclassified Employees Retirement Fund, a defined contribution plan.

(8) Information for local police and fire associations reflects values as of December 31, 2024 for the Bloomington Fire Relief Association. The Bloomington Fire Relief Association exclusively reports funding status data using market values.

Source: Retirement Systems' annual comprehensive financial reports and actuarial valuation reports, Fiscal Year ended June 30, 2025; St. Paul Teachers' Retirement Fund Association actuarial valuation report, Fiscal Year ended June 30, 2025; Bloomington Fire Relief Association actuarial valuation report, calendar year ended December 31, 2024.

Pension Obligation Reporting: GASB Statements 67 and 68

GASB Statement No. 67: In June 2012, GASB issued GASB Statement No. 67 ("GASB 67"), which amended GASB Statement No. 25 and sets forth standards that modify the financial reporting of the State's pension plans obligations. GASB 67 requires changes in each plan's presentation of the financial statements, notes to the financial statements, and required supplementary information. The changes include an actuarial calculation of total Net Pension Liability (NPL), defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the fair value of most assets at the end of each fiscal year set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the NPL to the discount rate, and increased investment disclosures. The standard was effective commencing with the State's Fiscal Year 2014.

GASB 67 requires reporting based on the market value of assets. This will likely result in increased volatility in the NPL and pension expense from year to year.

The GASB 67 standard requires under certain circumstances the recognition of additional liabilities associated with pensions over amounts previously required. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. The date after which a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds is required to be used is referred to as a "crossover date." The crossover date can be sensitive to market volatility year to year, thereby resulting in a plan reflecting a different single discount rate from one year to the next. The single discount rate was 7.5 percent for all three funds in the GASB 67 Reports beginning in Fiscal Year 2018. The 2018 Legislature enacted reductions to plan provisions, increases to contribution rates, and revisions to actuarial assumptions to calculate the expected rate of return on pension plan investments. In Fiscal Year 2023, the statutorily required discount rate was reduced to 7.0 percent and the discount rate for GASB reporting was 7.0 percent.

The Fiscal Year 2025 GASB 67 Reports are based on June 30, 2025 membership data, taking into account actual benefit and expense payments made during the year, any benefit and contribution plan changes and the market value of assets as of June 30, 2025. For the purpose of complying with GASB 67, the actuarial assumptions incorporate the use of market value of assets (as previously described) and the entry age normal ("EAN") actuarial method. The EAN is a funding method for allocating the costs of the plan between the normal cost (the actuarial present value of the benefits allocated to the current year) and the accrued liability. The long-term expected rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio. The return could vary from system to system based on the cash flows associated with the system.

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The following table provides an analysis of funding progress for each of the State's defined benefit pension plans for Fiscal Year 2025 based on the GASB 67 Reports. The NPL is calculated using the plan assets of each system at their market value (Fiduciary Net Position) and a single discount rate (calculated as described above). The data are subject to wide variation year to year due to market volatility. The Plan Fiduciary Net Position values below reflect a plan's market value of assets after an investment return of 10.9 percent for Fiscal Year 2025. The UAAL shown in the table STATUTORY METHOD FUNDING STATUS OF DEFINED BENEFIT PENSION FUNDS TO WHICH MINNESOTA PROVIDES GENERAL FUND RESOURCES, by contrast, uses a smoothing method to determine the Actuarial Value of Assets at the plan's assumed rate of return.

MINNESOTA RETIREMENT SYSTEMS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS USING GASB STATEMENT NO. 67
Actuarial Valuation Date as of July 1, 2025
($'s in Thousands)

	Total Pension Liability	Plan Fiduciary Net Position[1]	NPL	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Covered Payroll[2]	NPL as a Percentage of Covered Payroll
MSRS:						
State Employees	$19,851,695	$19,538,790	$312,905	98.42%	$4,556,436	6.87%
State Patrol	1,316,790	1,155,556	161,234	87.76%	127,240	126.72%
State Correctional	2,397,424	1,985,814	411,610	82.83%	371,313	110.85%
Judges	470,543	319,329	151,214	67.86%	61,587	245.53%
Legislators[3]	88,073	0	88,073	0.00%	400	22,018.25%
MSRS Totals	$24,124,525	$22,999,489	$1,125,036	95.34%	$5,116,976	21.99%
TRA	$36,992,230	$31,261,375	$5,730,855	84.51%	$6,416,226	89.32%
PERA:						
General Employees	$35,952,646	$32,638,737	$3,313,909	90.78%	$8,595,923	38.55%
Police and Fire	14,249,944	13,078,280	1,171,664	91.78%	1,430,822	81.89%
Local Government Correctional	1,278,154	1,344,302	(66,148)	105.18%	273,276	(24.21)%
Total PERA	$51,480,744	$47,061,319	$4,419,425	91.42%	$10,300,021	42.91%

[1]Represents the market value of plan assets as of the actuarial valuation date.
[2]As of the actuarial valuation date.
[3]Is currently funded on a pay-as-you-go basis.
Source. Retirement Systems' GASB 67 and 68 Accounting reports, Fiscal Year ended June 30, 2025.

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The GASB 67 Reports present both an NPL and a funding percentage. Because the Retirement Systems use the EAN actuarial method for funding as the required method for their GASB 67 Reports, variances between the funding reports and GASB No. 67 Reports are primarily, but not exclusively, related to differences between (i) market values versus actuarial values and (ii) discount rates.

GASB 67 also requires an analysis to determine the sensitivity of the NPL to changes in the discount rate if it were calculated 1 percent point lower or 1 percent point higher. The results for Fiscal Year 2025 are as follows:

MINNESOTA RETIREMENT SYSTEMS
SENSITIVITY OF THE FISCAL YEAR 2025 NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE
USING GASB STATEMENT NO. 67
Actuarial Valuation Date as of July 1, 2025
($'s in Thousands)

	With 1% Decrease		**Current Discount Rate**		**With 1% Increase**	
	Rate	**NPL**	**Rate**	**NPL**	**Rate**	**NPL**
MSRS						
State Employees	6.00%	$2,883,429	7.00%	$312,905	8.00%	$(1,809,134)
State Patrol	6.00%	$336,517	7.00%	$161,234	8.00%	$17,576
State Correctional	6.00%	$763,224	7.00%	$411,610	8.00%	$125,302
Judges	6.00%	$197,881	7.00%	$151,214	8.00%	$111,112
Legislators	4.20%	$95,251	5.20%	$88,073	6.20%	$81,820
TRA	6.00%	$10,809,987	7.00%	$5,730,855	8.00%	$1,550,762
PERA						
General Employees	6.00%	$8,048,965	7.00%	$3,313,909	8.00%	$(527,287)
Police and Fire	6.00%	$3,070,008	7.00%	$1,171,664	8.00%	$(387,176)
Local Government Correctional	6.00%	$156,625	7.00%	$(66,148)	8.00%	$(243,519)

Source. Retirement Systems' GASB 67 and 68 Accounting reports, Fiscal Year ended June 30, 2025.

GASB Statement No. 68: In June 2012, GASB also issued GASB Statement No. 68, which set forth standards that modified the accounting and financial reporting of the State's pension obligations. The standard requires the State to report in its financial statements the State's proportionate share of the NPL. The State's proportionate share includes both the share of the NPL associated with the State's employees contributing into the retirement plans as well as the State's share of contributions to PERA for the former MERF and for the PEPFF, to TRA for the former DTRFA and for the former MTRFA and to SPTRFA, as the State's relationship to these plans meets the GAAP definition of a special funding situation.

The majority of the participants in MSRS funds are State employees. See "MSRS – GASB Statements No. 67 and No. 68 Actuarial Valuation Results" in this APPENDIX B for reporting information consistent with GASB 67 and GASB 68 requirements. Actuarial Methods and Assumptions used by the other funds are available directly from the funds and can be provided on request.

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Pension Litigation

A class action lawsuit was filed in May 2010 against the State's pension funds. *Swanson, et al. v. State, Public Employees Retirement Association, Minnesota State Retirement System, Teachers Retirement Association (PERA, MSRS, TRA), et al.* (Ramsey County District Court). Plaintiffs challenged the 2009 and 2010 legislative changes made to the annual cost of living adjustment for pension benefits. The district court granted summary judgment to the State on all issues and dismissed the plaintiffs' complaint. Plaintiffs had until September 6, 2011 to appeal. No appeal was filed by the deadline.

Recent Pension Legislation

The State has a history of periodically enacting legislation impacting the Retirement System's plans.

The 2018 Legislature enacted a comprehensive set of reforms affecting all Retirement Systems intended to improve the funding status of Minnesota's public pension funds. The 2018 Legislature unanimously passed the 2018 Omnibus Retirement Act (Laws of Minnesota 2018, Chapter 211) ("2018 Act"). The 2018 Act was signed by the then Governor Dayton on May 31, 2018. It contained a comprehensive set of reforms intended to improve the funding status of Minnesota's public pension funds. Based on estimates provided to the LCPR by the Retirement Systems, the 2018 Act immediately reduced the actuarial accrued liabilities of the three Retirement Systems by approximately $3.3 billion. The description below, adapted from a summary published by the LCPR, provides information about the enacted changes:[1]

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

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

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

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

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

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

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

[1] The LCPR summary of the 2018 Omnibus Retirement Act (Chapter 211) can be found here: https://www.commissions.leg.state.mn.us/lcpr/documents/omnibus/2018/Summary_of_S2620_as_Enacted.pdf

DIRECT STATE AID ($ IN MILLIONS)

	FY19	FY20	FY21
PEPFF	$4.5	$4.5	$9
SPTRFA	$5	$5	$5

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

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

The 2019 Legislature restored the annual state aid to PERA related to the merger of MERF that was reduced by the 2017 Legislature. The 2019 legislation increased the annual state aid amount from $6 million to $16 million beginning Fiscal Year 2020. Correspondingly, required supplemental contributions from certain local government employers was reduced from $31 million to $21 million annually beginning Fiscal Year 2020. The 2019 Legislature also altered the required contributions from the City of Minneapolis to the Public Employees Police and Fire Fund related to the 2011 mergers of the Minneapolis Police Relief Association and the Minneapolis Firefighters Relief Association into the PEPFF. Prior to the 2019 legislation, payments from the City of Minneapolis were required to be recalculated with changes in actuarial assumptions. The 2019 Legislature established the required payments from the City of Minneapolis at $7.679 million annually.

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

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

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

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

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

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

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

The 2024 Legislature also changed the start date of the reduction in normal retirement age for TRA from July 1, 2025 to July 1, 2024 and repealed the pending extension of TRA's fixed amortization period to 2053. Separately, the employee contribution for SPTRFA members was reduced by 0.25 percent for two years beginning July 1, 2024. One-time direct state aids of $28,462,000 and $1,538,000 were appropriated to TRA and SPTRFA, respectively, to more than cover the costs of these changes. Existing ongoing direct state aids to MSRS, TRA, and PERA were amended so that they continue until the later of 2048 or until three consecutive years of full funding, rather than the later of 2048 or one year of full funding.

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

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

The 2026 Legislature established a Probation and Telecommunicator Retirement Subplan at MSRS and a Local Government Probation and Telecommunicator Retirement Plan at PERA. The MSRS subplan will cover probation officers at the Department of Corrections and public safety telecommunicators at the Department of Public Safety and Metropolitan Council. The Local Government Probation and Telecommunicator Retirement Plan will similarly cover probation officers and public safety telecommunicators employed by local governments. The new subplan and plan prospectively provide a normal retirement age of 60, three-year vesting, and a 1.9 percent benefit multiplier. The new subplan prospectively provides a 1.75 percent postretirement adjustment, while the new plan prospectively provides a postretirement adjustment based on changes in CPI-U, with a floor of 1.00 percent and a ceiling of 1.75 percent or a ceiling of 1.50 percent if specified funding levels are triggered. Contribution rates are set higher than these members' existing plans to account for the enhanced benefit set. This new subplan and plan are effective January 1, 2027.

The 2026 Legislature enacted benefit improvements for members covered by the Public Employees Correctional Fund (PECF), Public Employees Police and Fire Fund (PEPFF), and the St. Paul Teachers' Retirement Fund Association (SPTRFA). Employee contributions to the PECF were lowered from 6.83 percent to 6.00 percent, employer contributions were lowered from 10.25 percent to 9.00 percent, and the postretirement adjustment was increased from a maximum of 2.50 percent to 3.00

percent. These benefit improvements were covered by the PECF's existing funding surplus and contribution sufficiency. The postretirement adjustment delay for the PEPFF was reduced by 12 months, funded by a new ongoing $8.0 million annual direct State aid that expires July 1, 2042. Finally, employee contributions to the SPTRFA were reduced from 9.00 percent to 8.00 percent, funded by a new ongoing $3.4 million annual direct State aid.

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

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

While MSRS administers five defined benefit pension funds, the three largest funds, the State Employees Retirement Fund, the Correctional Employees Retirement Fund, and the State Patrol Retirement Fund, represent over 98.6 percent of total assets for MSRS's defined benefit funds. Refer to the MSRS Annual Comprehensive Financial Report for further discussion of actuarial valuations for the MSRS defined benefit pension funds as of June 30, 2025.

The State Employees Retirement Fund which includes the General Employees Retirement Plan and its three special groups, the State Fire Marshals Plan, the Military Affairs Plan and the Transportation Pilots Plan, was 95.01 percent funded, with the actuarial value of assets totaling $18.862 billion, and the actuarial accrued liability totaling $19,852 billion, as of July 1, 2025. For purposes of determining the actuarial value of assets, assets are based on a five-year moving average of expected and market values. The State Employees Retirement Fund's funding status, determined on a market value of assets basis, decreased from 99.82 percent as of the July 1, 2024 actuarial valuation to 98.42 percent as of the July 1, 2025 actuarial valuation. The decrease is primarily due to benefit improvements made by the 2025 Legislature.

The actuarial valuation also calculates the required contribution rates that are necessary to ensure that the MSRS funds become fully funded. The July 1, 2025 actuarial valuation for the State Employees Retirement Fund calculated that statutory contributions currently received from members and employers are 0.61 percent of payroll above the amount required to fully fund the retirement plan. The contribution changed from a sufficiency of 1.66 percent of payroll as of July 1, 2024, to a sufficiency of 0.61 percent of payroll as of July 1, 2025 (projected annual payroll for the fiscal year beginning on the July 1, 2025 actuarial valuation date was $4.6 billion). The primary reason for the decrease was benefit improvements made by the 2025 Legislature, partially offset by higher-than-assumed investment returns.

Actuarial valuation results as of July 1, 2025 show that the MSRS Correctional Employees Retirement Fund is 79.88 percent funded, with the actuarial value of assets totaling $1.915 billion, and the actuarial accrued liability totaling $2.397 billion. The contribution sufficiency of 1.05 percent of payroll as of July 1, 2024 increased during the fiscal year, resulting in a contribution sufficiency of 2.97 percent of payroll as of July 1, 2025. Funding status, determined on a market value of assets basis, increased from 79.17 percent as of the July 1, 2024, actuarial valuation to 82.83 percent as of the July 1, 2025. The increase is primarily due to higher-than-assumed investment returns.

The State Patrol Retirement Fund is 84.65 percent funded, with the actuarial value of assets totaling $1.115 billion, and the actuarial accrued liability totaling $1.317 billion based on July 1, 2025 actuarial valuation results. The contribution sufficiency increased from 9.51 percent of payroll as of July 1, 2024 to 10.50 percent of payroll as of July 1, 2025 as a result of higher-than-assumed investment returns as well as actuarial assumption changes. Annual State contributions of $1 million are reflected in the computations of the contribution sufficiency as of the July 1, 2024 and the July 1, 2025 actuarial valuation dates. The funding status, determined on a market value of assets basis, increased from 87.20 percent as of the July 1, 2024, actuarial valuation to 87.76 percent as of the July 1, 2025 actuarial valuation as a result of the higher-than-assumed investment returns.

The Judges Retirement Fund is 65.46 percent funded, with the actuarial value of assets totaling $308 million and the actuarial accrued liability totaling $471 million based on July 1, 2025 actuarial valuation results. The contribution sufficiency for the plan of 3.17 percent of payroll as of the July 1, 2024 actuarial valuation increased, resulting in a contribution sufficiency of 3.51 percent of payroll as of the July 1, 2025 actuarial valuation. The increase was primarily due to higher-than-assumed investment returns. Funding status, determined on a market value of assets basis, increased from 65.98 percent as of the July 1, 2024 actuarial valuation to 67.86 percent as of the July 1, 2025 actuarial valuation due to the higher-than-assumed investment return.

The Legislators Retirement Fund is funded on a pay-as-you-go basis with annual appropriations from the State's General Fund.

MSRS – *Statutory Actuarial Methods and Assumptions*

Statutory: The annual employer and employee contributions to the State Employees Retirement Fund are established in Minnesota Statutes. The calculated actuarially required contribution of the MSRS General Employees Retirement Plan, the largest State funded plan, was determined using the methods and assumptions listed below for FY 2025.

MSRS GENERAL EMPLOYEES RETIREMENT PLAN
STATUTORY ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Cost Method	Individual entry age normal
Rate of Return on the Investment of Present and Future Assets	7.0% per year
Projected Salary Increases	Reported salary at the valuation date increased according to the rate table, to current fiscal year and annually for each future year. Prior fiscal year salary is annualized for members with less than one year of service.
Payroll Growth	3.00% per year
Experience Studies	Period Covered: Fiscal Year 2018-2022
Asset Valuation	Asset valuations are based on market values at the end of the fiscal year, less a percentage of the unrecognized asset return determined at the close of each of the four preceding fiscal years. The unrecognized asset return is the difference between the actual net return on the market value of assets and the asset return expected during the fiscal year based on the assumed interest rate.
Total Unrecognized Investment Return (loss) at June 30, 2025	$676,857

Sources: MSRS Annual Comprehensive Report, June 30, 2025, and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2025.

MSRS - *Historical Funding*

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

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

For the Fiscal Year ended June 30th	*Statutory Actual Contribution Rates*			*Actuarial Recommended Rate*	*Sufficiency/ Deficiency Employee*
	Employee	*Employer*	*Total*		
2016	5.50%	5.50%	11.00%	14.49%	(3.49)%
2017	5.50%	5.50%	11.00%	13.24%	(2.24)%
2018	5.75%	5.88%	11.63%	11.53%	0.10%
2019	6.00%	6.25%	12.25%	11.58%	0.67%
2020	6.00%	6.25%	12.25%	10.56%	1.69%
2021	6.00%	6.25%	12.25%	9.13%	3.12%
2022	6.00%	6.25%	12.25%	8.33%	3.92%
2023	5.50%	6.25%	13.75%(1)	10.56%	3.19%
2024	5.50%	6.25%	11.75%	10.09%	1.66%
2025	6.00%	6.25%	12.25%	11.64%	0.61%

Sources: MSRS Annual Comprehensive Financial Reports (2016-2025) – Schedule of Actual Contribution Rates as Compared to Actuarially Recommended Rates.

(1) Fiscal Year 2023 Total includes one-time State aid.

Further, the better the level of funding, the larger the ratio of assets to accrued liabilities and the greater the level of investment income potential. A higher funding ratio means that present assets and projected investment earnings on those assets are more likely to cover the liabilities for present and future annuities, survivor and disability benefits, refunds, and administrative expenses.

MINNESOTA STATE RETIREMENT SYSTEM STATE EMPLOYEES RETIREMENT FUND TEN-YEAR FUNDING HISTORY ($'s in Thousands)

	Aggregate Accrued Liabilities				**Portion Covered by Reported Assets**			
For the Fiscal Year ended June 30th	**Active Member Contributions (1)**	**Retirees and Beneficiaries (2)**	**Employer Financed Portion (3)**	**Reported Assets**	**% (1)**	**% (2)**	**% (3)**	**Funding Ratio (%)**
2016	$1,206,968	$7,746,511	$5,363,407	$11,676,370	100	100	50.8	81.6
2017	1,260,721	8,207,943	5,040,486	12,364,957	100	100	57.5	85.2
2018	1,309,528	8,512,016	4,857,945	13,035,350	100	100	66.2	88.8
2019	1,365,782	8,974,283	4,839,075	13,489,773	100	100	65.1	88.9
2020	1,429,966	9,117,035	4,636,842	13,954,562	100	100	73.5	91.9
2021	1,493,476	9,563,516	4,589,409	15,197,610	100	100	90.2	97.1
2022	1,539,574	9,977,891	4,551,293	16,045,475	100	100	99.5	99.9
2023	1,610,978	10,740,811	5,254,020	16,745,486	100	100	83.6	95.1
2024	1,711,335	10,867,182	5,593,104	17,658,084	100	100	90.8	97.2
2025	1,835,866	11,334,862	6,680,967	18,861,933	100	100	85.2	95.0

Source: MSRS Annual Comprehensive Report, June 30, 2025 – Solvency Test for Last Ten Fiscal Years.

The historical funding history of the other defined benefit plans in the Retirement Systems is provided in the MSRS, TRA and PERA Annual Comprehensive Financial Reports for the Fiscal Year ended June 30, 2025. See "General Information" in this APPENDIX B.

MSRS – Eligibility and Benefit Formulas

Provided below is a description of the eligibility and benefit formulas of the MSRS General Employees Retirement Plan, the largest plan of the State Employees Retirement Fund, as of June 30, 2025.

MSRS General Employees Retirement Plan

A. Coverage	Most State employees, University of Minnesota non-instructional employees, and selected metropolitan agency employees
B. Contribution Rates	Employees: 6.00 percent of payroll. Employers: 6.25 percent of payroll. Employee contributions are "picked up" according to the provisions of Internal Revenue Code 414(h).
C. Benefit Formula	If first hired before July 1, 1989, the benefit formula is the greater of (a) or (b): (a) 1.2 percent of a high-five year salary for the first 10 years of allowable service plus 1.7 percent of high-five salary for each subsequent year. This benefit is reduced for each month the member is under age 65 at time of retirement, or under age 62 with 30 years of allowable service. There is no reduction in the formula if the member's age plus years of allowable service totals 90 (Rule of 90). (b) 1.7 percent of high-five year salary for each year of allowable service assuming augmentation to age 65 at 3 percent per year and an actuarial reduction for each month the member is under age 65. If first hired after June 30, 1989, the benefit formula was 1.7 percent of high-five year salary for each year of allowable service before July 1, 2025 and 1.9 percent of high-five year salary for each year of allowable service after July 1, 2025 with an actuarial equivalent, early retirement reduction for each month the member is under the normal retirement age. Salary includes wages and other periodic compensation. It excludes lump sum payments at separation, employer contributions to deferred compensation and tax-sheltered annuity plans, and benevolent vacation and sick leave donation programs. The high-five average salary is the average salary from the sixty-successive
D. Retirement Age and Service Requirements	*Eligibility for unreduced retirement benefits:* Age 65 for employees hired before July 1, 1989, or age 66 for employees hired on or after July 1, 1989 Age eligible for full Social Security retirement benefits (but not higher than age 66) if hired before July 1, 1989; with three or more years of allowable service (five years if hired after June 30, 2010) Rule of 90 for those employees hired before July 1, 1989. *Eligibility for reduced retirement benefits:* Age 55 with three years of service if hired prior to July 1, 2010; or five years of service if hired after June 30, 2010 and terminated before July 1, 2023; actively employed on July 1, 2023 with at least three years before application for retirement; three years of service if employed after June 30, 2023; or Any age with 30 years of service, reduced from age 62 (pre-July 1, 1989 hires only) The plan also offers total and permanent disability benefits for employees with at least three years of service (five years of service after June 30, 2010).
E. Surviving Spouse Benefit	If employee has at least three years of service at death, (five years if hired after June 30, 2010), generally, the spouse is eligible for a 100 percent survivor annuity or a refund.
F. Refunds	Employee contributions plus 6 percent interest compounded annually through June 30, 2011, 4 percent through June 30, 2018, and 3 percent thereafter.

Source: Minnesota State Retirement System 2025 Annual Comprehensive Financial Report.

Eligibility and benefit formulas for the various plans covered under the Retirement Systems are provided in the MSRS, TRA and PERA Annual Comprehensive Financial Reports for the Fiscal Year ended June 30, 2025. See "General Information" in this APPENDIX B.

MSRS - Employer Contributions

The following table summarizes the employer contributions made to the MSRS for the last 10 years. Contributions are made from a variety of State funds, the largest single source being the General Fund. Based on payroll expense data for Fiscal Year 2025, when excluding component units that submit contributions to MSRS separately from the state payroll, approximately 49 percent of State employer contributions came from the General Fund, 14 percent from the Trunk Highway Fund and 5 percent from federal funds. All other State employer contributions were from 95 other funds of the State. Component units receive funding from a variety of State and non-State sources.[1]

MINNESOTA STATE RETIREMENT SYSTEM EMPLOYER CONTRIBUTION HISTORY
MINNESOTA STATE RETIREMENT SYSTEM
($'s in Thousands)

For the Fiscal Year Ended (June 30th)	Employer Contributions(1)					Total
	State Employees Retirement Fund	Correctional Employees Retirement Fund	Judges Retirement Fund(3)	Legislators Retirement Fund(2)	State Patrol Retirement Fund	
2016	$151,168	$30,678	$10,219	$5,087	$13,938(4)	$211,090
2017	158,352	31,763	10,758	8,716	15,783(4)	225,372
2018	164,233	32,893	11,027	8,856	15,952(4)	232,961
2019	182,939	38,245	11,287	8,798	19,479(4)	260,748
2020	204,006	43,658	11,767	8,764	21,975(4)	290,170
2021	206,381	48,823	11,916	8,639	24,809(4)	300,568
2022	212,759	55,104	12,248	8,682	32,258(4)	321,051
2023	227,175	58,521	12,245	8,699	31,537	338,177
2024	252,540	62,332	13,241	8,813	34,064	370,990
2025	283,169	69,796	13,857	8,364	38,365	413,551

(1) Other than contributions described in the footnotes below, all other plans are bi-weekly employer contributions. Amounts exclude the State's employer contribution to the Unclassified Employees Retirement Fund (Defined Contribution Plans).
(2) The Legislators Retirement Fund is funded on a pay-as-you-go basis from the State's General Fund.
(3) Employer contributions to the Judges Retirement Fund do not include supplemental State aid totaling $3 million in Fiscal Year 2017 and $6 million annually beginning in Fiscal Year 2018. This amount is recognized as a General Fund contribution in MSRS' financial statements.
(4) Employer contributions to the State Patrol Retirement Fund do not include the annual $1 million supplemental State aid beginning Fiscal Year 2014. This amount is recognized as other income in MSRS' financial statements.

Sources: MSRS Annual Comprehensive Financial Reports (2016-2025).

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[1] State of Minnesota component units that submitted contributions to MSRS separately from the state payroll included University of Minnesota, Metropolitan Council, Housing Finance Agency, Agricultural and Economic Development Board, Minnesota Comprehensive Health Association, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, Rural Finance Authority, Minnesota Sports Facilities Authority, and the Workers' Compensation Assigned Risk Plan, as reported in the MSRS Annual Comprehensive Financial Report as of June 30, 2025.

MSRS – GASB Statements No. 67 and No. 68 Actuarial Valuation Results

To comply with GASB Statement No. 67, MSRS engaged actuaries to compute the NPL (total pension liability less Fiduciary Net Position) and pension expense amounts. Contributing employers are required, under GASB Statement No. 68, to report these amounts in their financial statements. The NPL will often be one of the largest amounts reported in an employer's financial statements. The new measures of these amounts (e.g., NPL, pension expense) are substantially different from the funding measures (e.g., funding ratio, actuarial accrued liability, contribution sufficiency/deficiency rate, etc.) primarily due to the actuaries utilizing GASB-compliant actuarial assumptions, rather than the actuarial assumptions prescribed in Minnesota Statutes, in their computations.

The calculated NPL of the MSRS General Employees Retirement Plan, the largest State funded plan, was determined using the following methods and assumptions.

MINNESOTA STATE RETIREMENT SYSTEM GENERAL EMPLOYEES RETIREMENT PLAN
GASB 67 ACTUARIAL METHODS AND ASSUMPTIONS FOR FISCAL YEAR 2025

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Long-term Expected Return	7.00 percent
Inflation	2.25 percent
Salary Increases	Reported total salary at the valuation date increased according to the rate table, to current fiscal year and annually for each future year. Prior fiscal year salaries are annualized for members with less than one year of service
Payroll Growth	3.00 percent
Mortality Rates	Pub-2010 General Employee mortality table projected with mortality improvement scale MP-2021. Rates are multiplied by a factor of 1.04 for males and 1.10 for females

Sources: MSRS Annual Comprehensive Financial Report, June 30, 2025 and the State Employees Retirement Fund Actuarial Valuation Report as of July 1, 2025.

GASB Statements No. 67 and No. 68 actuarial valuation results show that as of June 30, 2025, employers contributing to the MSRS' largest cost-sharing fund, the State Employees Retirement Fund (the General Employees Retirement Plan), incurred NPL of $313 million. Actuaries determined this amount assuming a long-term expected single discount rate of return of 7.00 percent, an inflation rate of 2.25 percent, a payroll growth rate of 3.00 percent and salary increase assumptions based on service related rates (rates that are dependent on the number of years employed). As a result, employers will report pension expense of $586 million. Lastly, as of the June 30, 2025 measurement date, Fiduciary Net Position as a percentage of the Total Pension Liability was 98.42 percent.

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GASB actuarial valuation results for all of the MSRS pension plans are depicted in the table below. Based on contributions received during Fiscal Year 2025, the State's proportionate share (including its component units: the University of Minnesota, Metropolitan Council, Minnesota Housing Finance Agency, Minnesota Office of Higher Education and the Minnesota Sports Facilities Authority) of the each MSRS defined benefit fund's NPL and Pension Expense/(Income), and related dollar amounts, are also presented below.

MINNESOTA STATE RETIREMENT SYSTEM
GASB STATEMENTS NO. 67 AND NO. 68 ACTUARIAL VALUATION RESULTS
June 30, 2025
($ in Thousands)

Retirement Fund	Total Pension Liability (TPL)	Plan Fiduciary Net Position (FNP)	Net Pension Liability (NPL)	Plan FNP As a % of TPL	State's Proportionate Share	State's Share of NPL	FY 2025 Pension Expense / (Income)	State's Share of Pension Expense/ (Income)
State Employees	$19,851,695	$19,538,790	$312,905	98.42%	99.377%	$310,954	$586,149	$582,869
State Patrol	1,316,790	1,155,556	161,234	87.76%	100.000%	161,234	42,344	42,344
Correctional Employees	2,397,424	1,985,814	411,610	82.83%	99.854	411,009	50,761	50,576
Judges	470,543	319,329	151,214	67.86%	100.000%	151,214	12,597	12,597
Legislators	88,073	0	88,073	0.00%	100.000%	88,073	(4,024)	(4,024)
Totals	$24,124,525	$22,999,489	$1,125,036	95.34%		$1,122,484	$687,827	$684,362

Source: MSRS 2025 Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2025.

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Pension Disclosure in the State's Financial Statements

The following information from the State's Financial Statements is being presented due to differences in the Systems' financial reporting and the State's financial statement due to the one year lag between the disclosures in Systems' Annual Comprehensive Financial Reports and the State's ACFR.

The State contributes as an employer and / or a non-employer contributing entity into certain defined benefit pension trust funds, which are considered qualified trust funds for the purposes of GAAP and include both State administered plans and non-State administered plans.

The State Net Pension Liability (NPL) as an employer and non-employer contributing entity is recorded in the State's financial statements based on the State's share of the NPL of the applicable plan. In addition, the State's share of the effects of changes in certain assumptions are recorded as deferred outflows of resources and deferred inflows of resources and are amortized over the current and future periods.

The following table represents the plans the State contributes to as an employer and/or a non-employer contributing entity that are included in the State's financial statements.

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund (SERF) Correctional Employees Retirement Fund (CERF) Judges Retirement Fund (JRF) Legislators Retirement Fund (LRF) State Patrol Retirement Fund (SPRF)
Public Employees Retirement Association (PERA)	General Employees Retirement Fund (GERF) Police and Fire Fund (P&FF)
Teachers Retirement Association (TRA)	Teachers Retirement Fund (TRF)
St. Paul Teachers' Retirement Fund Association	St. Paul Teachers' Retirement Fund (SPTRF)

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The following table summarizes the State's share of pension amounts by defined benefit plan.

Summary of State Pension Amounts
As of June 30, 2025
($'s in Thousands)

	State Administered					Non-State Administered	State Administered			
	Multiple Employer					Multiple Employer	Single Employer			
	SERF[1]	CERF[1]	GERF[1]	P&FF[1]	TRF[1]	SPTRF[1]	JRF[1]	LRF[1]	SPRF[1]	Total for All Plans
State's Proportionate Share of the Net Pension Liability as an:										
Employer	$ 25,569	$ 471,114	$ 8,004	$ 3,072	$ 219,682	$ 155	$ 151,937	$ 100,461	$ 154,593	$ 1,134,587
Non-Employer Contributing Entity	-	-	93,185	95,008	340,763	162,831	-	-	-	691,787
Total	$ 25,569	$ 471,114	$ 101,189	$ 98,080	$ 560,445	$ 162,986	$ 151,937	$ 100,461	$ 154,593	$ 1,826,374
State's Proportionate Share % of the Net Pension Liability as of:										
Current Year Measurement Date	76.87%	99.91%	2.74%	7.46%	8.82%	27.25%	100.00%	100.00%	100.00%	
Prior Year Measurement Date	76.41%	99.91%	2.94%	4.13%	9.27%	29.06%	100.00%	100.00%	100.00%	
Difference between Expected and Actual Experience	$ 187,491	$ 44,569	$ 9,514	$ 38,222	$ 26,718	$ 1,745	$ 6,641	$ -	$ 27,769	$ 342,669
Changes in Assumption	288,281	53,863	494	107,815	56,521	-	4,939	-	30,048	541,961
Change in Proportionate Share	16,222	19	-	48,694	-	348	-	-	-	65,283
Contributions Subsequent to the Measurement Date	217,197	69,431	17,298	9,587	81,218	17,223	19,857	8,364	38,365	478,540
Deferred Outflows of Resources	$ 709,191	$ 167,882	$ 27,306	$ 204,318	$ 164,457	$ 19,316	$ 31,437	$ 8,364	$ 96,182	$ 1,428,453
Difference between Expected and Actual Experience	$ 2,059	$ 946	$ -	$ -	$ 7,263	$ 1,465	$ 1,499	$ -	$ 3,520	$ 16,752
Changes in Assumption	467,450	54,405	38,298	144,425	66,835	2,139	10,091	-	41,016	824,659
Net Difference Between Projected and Actual Earnings	475,739	60,299	29,384	31,891	79,324	10,496	10,031	-	35,989	733,153
Change in Proportionate Share	1,184	105	17,465	7,115	78,718	7,913	-	-	-	112,500
Deferred Inflows of Resources	$ 946,432	$ 115,755	$ 85,147	$ 183,431	$ 232,140	$ 22,013	$ 21,621	$ -	$ 80,525	$ 1,687,064
Net Pension Expense	$ (11,568)	$ 72,211	$ (405)	$ 22,892	$ 12,849	$ 8,503	$ 13,200	$ 877	$ 21,030	$ 139,589

[1] Proportionate share was determined based on the State's percentage of employer and non-employer contributing entity contributions into the plan.
Source: Actuary and plan administrator reports for the measurement period are utilized in determining the State's proportionate share of pension amounts.

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

Pension Plans
Actuarial Assumptions

	State Administered					Non-State Administered	State Administered		
	Multiple Employer					Multiple Employer	Single Employer		
	SERF[(1)(6)]	CERF[(1)(7)]	GERF[(1)]	P&FF[(2)]	TRF[(3)]	SPTRF[(4)]	JRF[(1)]	LRF[(1)]	SPRF[(1)]
Actuarial Valuation/ Measurement Date	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024
Long-Term Expected Rate	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	N/A	7.00%
20 Year Municipal Bond Rate[(5)]	3.97%	3.97%	3.97%	3.97%	3.94%	3.97%	3.97%	3.97%	3.97%
Experience Study Dates	2018-2022	2015-2019	2014-2018	2015-2019	2018-2022	2016-2021	2015-2019	N/A	2015-2019
Inflation	2.25%	2.25%	2.25%	2.25%	2.50%	2.50%	2.25%	2.25%	2.25%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	Service Related Rates	2.85 - 9.25%	2.50 - 8.00%	2.50%	4.25%	Service Related Rates
Payroll Growth	3.00%	3.00%	3.00%	3.00%	3.00%	2.50%	2.50%	N/A	3.00%

(1) For SERF, CERF, GERF, JRF, LRF, and SPRF mortality rate assumptions, the Pub-2010 General Mortality Table was used and adjusted for mortality improvements based on Scale MP-2021 for SERF, GERF and LRF, and Scale MP-2019 for CERF, JRF, and SPRF. There are various adjustments in each plan to match experience. In the prior year measurement period, SERF and LRF adjusted for mortality improvements based on Scale MP-2018. In Fiscal Year 2026, CERF and SPRF will use the Pub-2010 Public Safety Mortality Table and adjust for mortality improvements based on scale MP-2021 and JRF will use the Pub-2010 General Mortality Table, Above Median Income, and adjust for mortality improvements based on Scale MP-2021.

(2) For P&FF mortality rate assumptions, the Pub-2010 Public Safety Mortality Table was used and adjusted for mortality improvements based on Scale MP-2021. There are various adjustments to match experience.

(3) For TRF mortality rate assumptions, the Pub-2010 Teacher Mortality Table was used and adjusted for mortality improvements based on Scale MP-2021. There are various adjustments to match experience. In the prior year measurement period, the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2015.

(4) For SPTRF mortality rate assumptions, the Pub-2010 Teachers Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2021 for the current measurement period. There are various adjustments to match experience.

(5) Source: Fidelity Index for SERF, CERF, GERF, P&FF, SPTRF, JRF, LRF, and SPRF and The Bond Buyer General Obligation 20-year Municipal Bond Index for TRF.

(6) For SERF in Fiscal Year 2026, the combined service annuity load will change from 4 percent to 9 percent for vested terminated members, and from 5 percent to 51 percent for non-vested terminated members.

(7) For CERF in Fiscal Year 2026, the combined service annuity load will change from 17 percent to 6 percent for vested terminated members, and from 6 percent to 111 percent for non-vested terminated members.

See “APPENDIX F – STATE FINANCIAL STATEMENTS Note 8 - Pension and Investment Trusts” (pages F-93 through F-112) and “Required Supplementary Information” (pages F-165 through F-199), for additional information on pension disclosures related to the implementation of GASB 68. The State’s Fiscal Year 2025 financial statements and corresponding pension related disclosures and required supplementary information are based on the June 30, 2024 GASB 67 & 68 Actuarial Report.

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The following table presents the NPL for each defined benefit plan with a primary government proportionate share of the NPL, calculated using the corresponding discount rate as well as what the NPL would be if the rate were one percentage point higher or lower.

State's Proportionate Share
Sensitivity of the Net Pension Liability to Changes in the Discount Rate
As of June 30, 2025
($'s in Thousands)

	With a 1% Decrease[5]		Current Discount Rate		With a 1% Increase[5]	
	Rate	NPL[1]	Rate	NPL[1]	Rate	NPL[1]
SERF	6.00%	$ 1,759,405	7.00%	$ 25,569	8.00%	$ (1,414,586)
CERF	6.00%	805,626	7.00%	471,114	8.00%	199,510
GERF	6.00%	221,013	7.00%	101,189	8.00%	2,623
P&FF	6.00%	231,782	7.00%	98,080	8.00%	(11,717)
TRF	6.00%	986,976	7.00%	560,445	8.00%	209,400
SPTRF	6.00%	229,054	7.00%	162,986	8.00%	108,359
JRF	6.00%	196,045	7.00%	151,937	8.00%	114,030
LRF[3][4]	2.97%	109,332	3.97%[2]	100,461	4.97%	92,801
SPRF	6.00%	310,979	7.00%	154,593	8.00%	26,120

(1) Net Pension Liability (Asset).

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

(3) The discount rate changed from 3.86 percent for LRF.

(4) The discount rate for Fiscal Year 2026 will change to 5.20 percent for LRF.

(5) Source: Plan actuary reports provide sensitivity analysis tables. The State's proportionate share for the measurement period is applied to these tables to determine the amounts reported above.

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POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Other postemployment benefits (OPEB) are available to certain employees of the State, and their dependents through a single-employer defined benefit health care plan, as allowed by Minnesota Statutes, Section 43A.27, subdivision 3, and Minnesota Statutes, Section 471.61, subdivision 2a, and required under the terms of selected employment contracts. All pre-age-65 State retirees with at least five years of allowable pension service who are entitled at the time of retirement to receive an annuity under the State retirement program are eligible to participate in the State's health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100 percent of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active State employees, resulting in an implicit rate subsidy.

The State also subsidizes the health care and dental premium rates for certain employees, primarily conservation officers, correctional officers at State correctional facilities, and State troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer's premium contribution rate is frozen at the date of the employee's retirement and is payable by the State until the retiree is age 65. The retiree is responsible for any other portion of the premiums. Coverage and rate subsidies end at the retiree's attainment of age 65. The State does not issue a separate financial report for its OPEB as the State does not fund an OPEB plan and operates on a pay-as-you-go basis.

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

Summary of State OPEB Amounts
As of June 30, 2025
($'s in Thousands)

Description	Amount[1]
Total OPEB Liability	$ 827,099
Difference between Expected and Actual Experience	$ 73,651
Changes of Assumption	38,220
Transactions Subsequent to the Measurement Date	45,722
Deferred Outflows of Resources	$ 157,593
Difference between Expected and Actual Experience	$ 26,050
Changes of Assumption	62,157
Deferred Inflows of Resources	$ 88,207
Total OPEB Expense	$ 73,230

(1) Amounts represent the primary government's total proportionate share of 99.6 percent. The remaining 0.4 percent represents discretely presented component units' proportionate share.

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

OPEB Plan
Actuarial Assumptions

Description	OPEB Plan
Actuarial Valuation[1]	July 1, 2024
Measurement Date[1]	June 30, 2024
Discount Rate: 20 Year Municipal Bond Rate[2]	3.93%
Healthcare Cost Trend Rate	7.46% reduced to 3.68% by 2075
Experience Study Dates	2018 – 2022
Inflation	2.25%
Salary Increases	3.00%

(1) No significant events or material changes in benefit provisions occurred between the actuarial valuation date and the measurement date that required an adjustment to roll-forward of the Total OPEB Liability.

(2) Source: Bond Buyer 20-year General Obligation Index.

The mortality rate assumptions use the Pub-2010 General Employee Headcount-Weighted Mortality Table with mortality improvement Scale MP-2021 as applicable to the employee group covered.

See "APPENDIX F – STATE FINANCIAL STATEMENTS Note 9 – Termination and Postemployment Benefits" (pages F-113 through F-117) and "Required Supplementary Information" (pages F-165 through F-199), for additional information on other postemployment benefits disclosures related to the implementation of GASB 75.

The following table presents the State's share of Total OPEB Liability (TOPEBL) for the plan calculated using the corresponding discount rate as well as what the TOPEBL would be if the rate were one percentage point higher or lower.

State's Share
Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
As of June 30, 2025
($'s in Thousands)

With a 1% Decrease[2]		Current Discount Rate		With a 1% Increase[2]	
Rate	TOPEBL	Rate[1]	TOPEBL	Rate	TOPEBL
2.93%	$ 891,709	3.93%	$ 827,099	4.93%	$ 767,054

(1) The discount rate changed from 3.65 percent.

(2) Source: Plan actuary report provides sensitivity analysis table. The State's proportionate share for the measurement period is applied to the table to determine the amount.

The following table presents the State's share of Total OPEB Liability (TOPEBL) for the plan calculated using the corresponding healthcare trend rate as well as what the TOPEBL would be if the rate were one percentage point higher or lower.

State's Share
Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate
As of June 30, 2025
($'s in Thousands)

With a 1% Decrease[1]		Current Healthcare Trend Rate		With a 1% Increase[1]	
Rate	TOPEBL	Rate	TOPEBL	Rate	TOPEBL
2.68%	$ 748,555	3.68%	$ 827,099	4.68%	$ 918,540

(1) Source: Plan actuary report provides sensitivity analysis table. The State's proportionate share for the measurement period is applied to the table to determine the amount.

APPENDIX C

STATE DEBT

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APPENDIX C

STATE DEBT

Table of Contents

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GENERAL OBLIGATION BONDS OUTSTANDING
AS OF THE DATE OF ISSUE OF THE BONDS
($'s in Thousands)

Category	Type		Principal Amount		
1	Transportation	$	406,586		
	Refunding Bonds		914,090		
	Various Purpose		2,725,646		
	Total Category 1			$	4,046,322
2	School Loan	$	7,269		
	Rural Finance Authority		126,559		
	Total Category 2			$	133,828
3	Trunk Highway	$	1,761,130		
	Trunk Highway Refunding		592,995		
	Total Category 3			$	2,354,125
	Total Outstanding as of the Date of the Bonds			$	6,534,275
	Plus Series 2026A Bonds				646,495
	Plus Series 2026B Bonds				256,285
	Plus Series 2026C Bonds				5,705
	Plus Series 2026D Bonds				121,220
	Less Various Purpose Refunding Bonds				(130,690)
	- Including These Issues			$	7,433,290

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

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

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED AS OF THE DATE OF ISSUE OF THE BONDS

($'s in Thousands)

Purpose of Issue	Law Authorizing	Total Authorization (1)(2)	Previously Issued as Par Bonds	Previously Issued as Premium	Bonds issued Sep. 2026(3)	Remaining Authorization
Various Purpose	X2002, Ch. 1	15,055.0	14,755.0	0.0	0.0	$300.0
Various Purpose	2005, Ch. 20	913,663.3	913,241.4	417.6	0.0	$4.3
Various Purpose	2008, Ch. 179	787,963.2	785,480.9	2,482.1	0.0	$0.2
Various Purpose	2009, Ch. 93	255,151.6	250,515.2	3,493.2	0.0	$1,143.2
Various Purpose	2010, Ch. 189	707,287.5	694,527.2	12,522.628	0.0	$237.7
Various Purpose	X2010, Ch. 1	29,920.0	27,597.1	2,255.9	0.0	$67.0
Various Purpose	X2011, Ch. 12	547,743.5	524,740.5	22,919.9	0.0	$83.1
Trunk Highway	2012, Ch. 287	17,485.0	17,485.0	0.0	0.0	$0.0
Various Purpose	2012, Ch. 293	562,100.2	512,573.2	47,381.5	7.0	$2,138.5
Various Purpose	2013, Ch. 136	171,511.7	150,645.6	20,366.1	500.0	$0.0
Various Purpose	2014, Ch. 294	882,678.6	736,335.9	145,065.4	855.0	$422.4
Trunk Highway	X2017, Ch. 3	940,018.4	939,083.1	0.0	0.0	$935.3
Various Purpose	X2017, Ch. 8	1,031,147.7	842,935.9	182,077.3	1,025.0	$5,109.489
Various Purpose	2018, Ch. 214	880,405.9	706,203.4	158,945.6	11,430.0	$3,826.9
Trunk Highway	2018, Ch. 214	414,808.4	234,095.0	0.0	54,300.0	$126,413.4
Various Purpose	2019, Ch. 2	101,909.3	80,580.5	20,058.0	1,185.0	$85.8
Various Purpose	2020, Ch. 67	50,050.0	47,799.6	2,250.4	0.0	$0.0
Various Purpose	X2020, Ch. 3	1,369,990.6	1,080,226.1	192,053.8	42,930.0	$54,780.7
Trunk Highway	X2020, Ch. 3	298,086.0	259,052.5	0.0	39,033.0	$0.6
Trunk Highway	X2021, Ch. 5	413,334.5	155,988.8	0.0	131,652.0	$125,693.8
Various Purpose	2023, Ch. 32	50,050.0	40,510.4	1,774.6	7,755.0	$10.0
Trunk Highway	2023, Ch. 68	599,200.0	167,035.0	0.0	15,700.0	$416,465.0
Various Purpose	2023, Ch. 72	1,495,983.0	854,852.3	112,195.4	219,200.0	$309,735.3
Trunk Highway	2024, Ch. 127	30,030.0	4,500.0	0.0	15,600.0	$9,930.0
Various Purpose	X2025, Ch. 15	727,365.0	150,468.5	16,781.5	228,215.0	$331,900.0
Various Purpose	2026, Ch. 130	1,270,935.0	0.0	0.0	185,105.0	$1,085,830.0
Totals		$14,563,873.5	$10,191,227.9	$943,040.9	$954,492.0	$2,475,112.7

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

(2) Minnesota Statutes, Section 16A.642, requires the Commissioner to prepare and present to appropriate legislative committees on or before February 1 of each year, a report on the status of certain bond authorizations which are more than four years old which have been implemented to a certain degree, and of other bond authorizations or bond proceeds balances that may be cancelled due to completion or cancellation of the projects to be financed. Bond authorizations and bond proceeds balances reported on by the Commissioner are cancelled effective the following July 1, unless specifically reauthorized by an act of the Legislature.

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

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

	Original Principal				Outstanding Principal 06/30/2026		Outstanding Principal as of Date of Issue	
Bond Issue	Various Purpose	Trunk Highway	Final Maturity after Refunding	Interest Rate Range Outstanding	Various Purpose	Trunk Highway	Various Purpose	Trunk Highway
Series 2014C August 21, 2014 (Taxable)	26,040	-	2033	3.35% - 3.75%	9,685	-	8,470	-
Series 2014D August 21, 2014 (Taxable Refunding)	28,210	-	2032	3.23% - 3.68%	5,900	-	5,000	-
Series 2016A August 11, 2016	265,890		2026	5.00%	143,760	-	-	-
Series 2016B August 11, 2016	-	215,000	2036	2.25% - 4.00%	-	118,250	-	107,500
Series 2016D August 11, 2016 (Refunding)	310,565	-	2029	2.25% - 5.00%	114,335	-	81,555	-
Series 2017A October 11, 2017	312,295	-	2037	5.00%	184,675	-	184,675	-
Series 2017B October 11, 2017	-	114,000	2037	2.25% - 5.00%	-	68,400	-	68,400
Series 2017D October 11, 2017 (Refunding)	323,770	-	2030	3.00% - 5.00%	144,250	-	144,250	-
Series 2017E October 11, 2017 (Refunding)	-	81,110	2029	3.00% - 5.00%	-	26,795	-	26,795
Series 2018A August 21, 2018	397,720	-	2038	5.00%	260,100	-	240,440	-
Series 2018B August 21, 2018	-	206,000	2038	3.00% - 5.00%	-	133,900	-	123,600
Series 2018C August 21, 2018 (Taxable)	16,000	-	2028	3.39%	16,000	-	16,000	-
Series 2019A August 20, 2019	406,900	-	2039	5.00%	286,180	-	266,060	-
Series 2019B August 20, 2019	-	190,690	2039	3.00% - 5.00%	-	133,480	-	123,945
Series 2019C August 20, 2019 (Taxable)	36,345	-	2029	2.00% - 2.15%	23,535	-	21,400	-
Series 2019D August 20, 2019 (Refunding)	27,570	-	2029	5.00%	7,745	-	5,775	-
Series 2020A August 25, 2020	330,360	-	2040	5.00%	248,885	-	232,590	-
Series 2020B August 25, 2020	-	152,020	2040	1.50% - 4.00%	-	114,000	-	106,400
Series 2020C August 25, 2020 (Taxable)	20,515	-	2030	1.35%	20,515	-	20,515	-
Series 2020E August 25, 2020 (Refunding)	-	163,380	2030	2.00% - 3.00%	-	58,410	-	46,360
Series 2020F August 25, 2020 (Taxable Refunding)	223,970	-	2031	0.93% - 1.35%	129,725	-	106,445	-
Series 2020G August 25, 2020 (Taxable Refunding)	-	180,190	2031	0.86% - 1.32%	-	105,915	-	86,715
Series 2021A September 23, 2021	565,150	-	2041	4.00% - 5.00%	452,110	-	423,850	-
Series 2021B September 23, 2021	-	311,000	2041	1.625% - 5.00%	-	248,800	-	233,250
Series 2022A August 23, 2022	251,775	-	2042	5.00%	214,680	-	202,315	-
Series 2022B August 23, 2022	-	220,000	2042	3.25% - 5.00%	-	187,000	-	176,000
Series 2022C August 23, 2022 (Taxable)	9,200	-	2032	4.00%	8,090	-	7,720	-
Series 2022D August 23, 2022 (Refunding)	106,660	-	2032	5.00%	75,875	-	65,395	-
Series 2023A August 10, 2023	160,725	-	2043	5.00%	145,095	-	137,280	-
Series 2023B August 10, 2023	-	264,000	2043	4.00% - 5.00%	-	237,600	-	224,400
Series 2023C August 10, 2023 (Taxable)	14,865	-	2033	4.75%	14,865	-	14,865	-
Series 2023D August 10, 2023 (Refunding)	329,145	-	2033	5.00%	207,660	-	173,240	-
Series 2023E August 10, 2023 (Refunding)	-	255,320	2033	5.00%	-	204,355	-	178,555
Series 2024A August 20, 2024	879,630	-	2044	5.00%	835,870	-	792,110	-
Series 2024B August 20, 2024	-	352,750	2044	4.00% - 5.00%	-	335,110	-	317,470
Series 2024C August 20, 2024 (Taxable)	29,965	-	2034	4.05% - 5.00%	28,715	-	27,465	-
Series 2024D August 20, 2024 (Refunding)	190,245	-	2034	5.00%	170,740	-	151,330	-
Series 2024E August 20, 2024 (Refunding)	-	141,165	2034	5.00%	-	127,855	-	114,455
Series 2025A October 7, 2025	542,330		2045	5.00%	542,330		515,210	
Series 2025B October 7, 2025	-	294,915	2045	4.00% - 5.00%	-	294,915	-	280,165
Series 2025C October 7, 2025 (Taxable)	25,450	-	2035	3.63% - 4.33%	25,450	-	24,405	-
Series 2025D October 7, 2025 (Refunding)	234,675	-	2035	5.00%	234,675	-	181,100	-
Series 2025E October 7, 2025 (Refunding)	-	158,730	2035	5.00%	-	158,730	-	140,115
Series 2026A September 22, 2026	-	-	2046	5.00%	-	-	646,495	-
Series 2026B September 22, 2026	-	-	2046	4.625% - 5.00%	-	-	-	256,285
Series 2026C September 22, 2026 (Taxable)	-	-	2036	5.00%	-	-	5,705	-
Series 2026D September 22, 2026 (Refunding)	-	-	2036	5.00%	-	-	121,220	-
Totals for Date:	**6,065,965**	**3,300,270**			**4,551,445**	**2,553,515**	**4,822,880**	**2,610,410**

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

DEBT SERVICE PAYMENTS ON GENERAL OBLIGATION BONDS OUTSTANDING AS OF THE DATE OF ISSUE OF THE BONDS(1)(2)

($'s in Thousands)

Fiscal		General Fund			Trunk Highway Fund	
Year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2027	44,595	105,419	150,014	13,210	49,462	62,672
2028	409,170	185,824	594,994	209,490	90,877	300,367
2029	391,705	167,347	559,052	208,110	81,847	289,957
2030	391,165	149,986	541,151	204,870	73,101	277,971
2031	368,445	133,316	501,761	200,720	64,515	265,235
2032	299,645	118,139	417,784	189,695	56,132	245,827
2033	284,710	103,970	388,680	174,265	48,224	222,489
2034	281,760	90,030	371,790	163,195	40,944	204,139
2035	240,295	77,306	317,601	147,090	34,513	181,603
2036	220,440	66,082	286,522	132,235	28,950	161,185
2037	203,820	55,761	259,581	116,015	24,241	140,256
2038	190,750	46,180	236,930	105,265	20,246	125,511
2039	175,360	37,310	212,670	99,560	16,544	116,104
2040	155,705	29,316	185,021	89,260	13,126	102,386
2041	135,585	22,316	157,901	79,730	10,026	89,756
2042	119,295	16,226	135,521	72,130	7,268	79,398
2043	91,040	11,109	102,149	56,580	4,904	61,484
2044	78,680	6,866	85,546	45,580	2,880	48,460
2045	70,870	3,128	73,998	32,380	1,293	33,673
2046	27,115	678	27,793	14,745	313	15,058
	$ 4,180,150	$ 1,426,307	$ 5,606,457	$ 2,354,125	$ 669,406	$ 3,023,531

(1) Totals do not include the Bonds.
(2) FY 2027 debt service excludes amounts paid prior to the date of issue of the Bonds.

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

Note 10 – Long-Term Commitments (see page F-118)
Note 11 – Long-Term Liabilities – Primary Government (see page F-119 through F-133)
Note 12 – Long-Term Liabilities – Component Units (see pages F-134 through F-140)

The table shows the net debt service transfer amounts for the following fiscal years as of the February 2026 Forecast.

NET AMOUNT TRANSFERRED TO DEBT SERVICE FUND FOR GENERAL OBLIGATION BONDS DEBT SERVICE[(1)]
($'s in thousands)

In Fiscal Year	General Fund	Trunk Highway Fund	All Other Funds [(2)]	Transfer Total
2017	529,215	193,539	109,133	$831,887
2018	563,171	211,009	42,801	$816,981
2019	549,785	214,903	42,991	$807,679
2020	540,081	209,821	44,258	$794,160
2021	515,544	177,571	45,776	$738,891
2022	592,426	213,138	43,874	$849,438
2023	547,759	247,908	40,105	$835,772
2024	518,490	229,906	37,321	$785,716
2025	579,521	248,817	36,342	$864,681
2026	550,289	262,783	37,393	$850,464
2027 (est)	613,234	316,624	44,518	$974,377
2028 (est)	613,073	329,447	46,183	$988,702

(1) The Net Transfer amount is net of investment earnings in the Debt Service Fund and Bond Proceeds Fund and bond premiums received from new bond issuances which are also appropriated to pay debt service on State general obligation bonds.

(2) The All Other Funds category is made up of the debt service funding requirement paid by the higher education systems of the University of Minnesota, the Minnesota State Colleges and Universities, Rural Finance Authority and others.

DEBT GUIDELINES

Minnesota Statutes, Section 16A.105 requires the Commissioner of Management and Budget to prepare a debt capacity forecast to be delivered to the Governor and Legislature in February and November of each year. The State also established and maintains debt guidelines to provide decision makers with a transparent and forward-looking framework to help balance ongoing capital investment needs with future fiscal capacity. These guidelines are periodically reviewed, and the last review was completed in February 2026.

The debt guidelines are:

1. Total outstanding principal for tax-supported debt shall not exceed 3.25 percent of State personal income, with a planning benchmark of 2.5 percent of State personal income.
2. Total authorized principal for tax-supported debt (both issued, and authorized but unissued), including State moral obligations and equipment capital leases, shall not exceed 6 percent of State personal income, with a planning benchmark of 5.25% of State personal income.
3. At least 40 percent of outstanding general obligation debt shall be scheduled to mature within five years, and at least 70 percent within ten years, with temporary, time-bound floors of 38 percent and 68 percent, respectively permitted.

Together, these debt guidelines are comprehensive in nature, ensuring all tax-supported debt obligations[1] are recognized; remain consistent with how credit rating agencies measure state debt; allow comparison with other states; and provide a transparent view into all current commitments. The State's long-standing practice of paying down general obligation debt quickly preserves borrowing capacity for the future.

Each debt capacity forecast includes a current fiscal year "point in time" calculation of each debt guideline measure. Total State personal income is derived from the S&P Global Market Intelligence data used to develop the February 2026 Forecast and reflects the State's 2026 Fiscal Year.

As of February 28, 2026, the last date of calculation, the State was in compliance with the debt guidelines. The percentages as of that date were:

Guideline #1: Total tax-supported principal outstanding as a percent of State personal income: 1.83 percent

Guideline #2: Total amount of tax-supported principal authorized (issued, and authorized but unissued) as a percent of State personal income: 3.46 percent

Guideline #3: Of the State's general obligation bonds outstanding on June 30, 2025, 42.2 percent were scheduled to mature within five years and 73.1 percent were scheduled to mature with ten years. Furthermore, of the State's general obligation bonds outstanding on June 30, 2026, 42.4 percent were scheduled to mature within five years and 72.4 percent were scheduled to mature with ten years.

[1]Tax-supported debt obligations includes all of the State's general obligation bonds and the obligations summarized under "CONTINGENT LIABILITIES," in the descriptions titled "State Continuing Appropriations," "Lease Purchase Financing for Equipment," and "Lease Purchase Financing for Real Estate" in this APPENDIX C.

MARKET VALUE OF TAXABLE PROPERTY

The market value, as defined by statute, of taxable real and personal property in the State, based upon the January 2025 valuation, was estimated by the Commissioner of Revenue to be $1,131,840,654,000. This value is based upon certified Property Record Information System of Minnesota (PRISM) adjusted assessment submissions from local assessors and on file with the Commissioner of Revenue. The values shown represent the value of real and personal property in the State subject to ad valorem taxation.

MARKET VALUE OF TAXABLE PROPERTY
($ in Thousands)

Year of Assessment	Real Property	Personal Property	Total Market Value	Percentage Change from Prior Year
2013	$538,667,874	$7,639,228	$546,307,102	5.81%
2014	584,994,974	8,223,550	593,218,524	8.59
2015	602,497,413	9,131,285	611,628,698	3.10
2016	622,191,903	9,956,138	632,148,041	3.35
2017	652,152,583	10,406,895	662,559,478	4.81
2018	689,525,713	10,942,242	700,467,955	5.65
2019	729,187,563	10,370,038	739,557,601	5.58
2020	765,234,223	11,561,794	776,796,018	5.04
2021	800,340,712	10,475,389	810,816,101	4.38
2022	942,129,180	12,036,880	954,166,060	17.68
2023	1,050,603,455	13,136,773	1,063,740,228	11.48
2024	1,079,401,797	14,205,725	1,093,607,522	2.81
2025	1,117,200,778	14,639,875	1,131,840,654	3.50

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CONTINGENT LIABILITIES

State Continuing Appropriations

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

Minnesota Department of Management and Budget. The 2011 Legislature authorized, in Minnesota Statutes, Section 16A.99, the issuance of State appropriation refunding bonds. MMB issued $656,220,000 aggregate principal amount of State General Fund Appropriation Refunding Bonds, Taxable Series 2012A and Tax-Exempt Series 2012B (the "2012 State Appropriation Refunding Bonds"). Net proceeds of the State Appropriation Refunding Bonds were applied to the prepayment and refunding of tobacco securitization bonds, originally issued in 2011. MMB issued $338,300,000 principal amount of State General Fund Appropriation Refunding Bonds, Series 2022A (the "2022 State Appropriation Refunding Bonds") in September 2022 to refund the outstanding 2012 State Appropriation Refunding Bonds. As of the date of this Official Statement, there are $183,400,000 of the 2022 State Appropriation Refunding Bonds outstanding.

The 2013 Legislature authorized the Commissioner of Administration to enter into a long-term lease purchase agreement for a Legislative Office Facility that provides office and hearing room space as well as parking for the Legislature. The same legislation also authorized the Commissioner of MMB to issue lease revenue bonds or certificates of participation to finance the pre-design, design, and construction and equipping of the building and parking facilities. The lease purchase agreement must not be terminated, except for non-appropriation in respect of lease rental payments. Certificates of Participation were originally issued in August 2014 in the amount of $80,100,000 (the "2014 Certificates") for this project. In November 2025, MMB issued $50,095,000 principal amount of Refunding Certificates of Participation, Series 2025 (the "2025 Certificates") to refund the outstanding 2014 Certificates. As of the date of this Official Statement, there are $47,585,000 of the 2025 Certificates.

Pursuant to the Minnesota Statutes, Section 16A.967, the Commissioner of MMB may sell State appropriation bonds to finance the land acquisition, design, engineering, easement acquisition and construction of facilities and infrastructure necessary to complete the Lewis and Clark Regional Water System project, including completion of a water transmission pipeline in southwest Minnesota and related facilities to fund up to $22,500,000 in project costs ("Lewis and Clark State Appropriation Bonds"). The State issued $11,790,000 of Lewis and Clark State Appropriation Bonds in November 2016 and an additional $7,570,000 of Lewis and Clark State Appropriation Bonds in November 2017. As of the date of this Official Statement, there are $10,950,000 of Lewis and Clark State Appropriation Bonds outstanding.

The 2019 Legislature authorized, in Minnesota Statutes, Section 16A.968, the Commissioner of MMB to issue State appropriation bonds for the purpose of financing up to $97,720,000 of public infrastructure projects to facilitate redevelopment within a newly created regional exchange district in the City of Duluth ("Duluth Public Infrastructure State Appropriation Bonds"). The State issued three series of bonds for this purpose in November 2020, November 2021, and November 2023 to finance the $97,720,000 in project costs. As of the date of this Official Statement, there are $84,610,000 of these bonds outstanding.

The 2020 Legislature authorized, in Minnesota Statutes. Section 16A.963, the Commissioner of MMB to issue State appropriation bonds for the purpose of financing up to $2,000,000 for the cost of acquiring and installing electric vehicle charging infrastructure on state-owned property ("EV Infrastructure Project"). Of the $52,515,000 2021A Various Purpose Appropriation Bonds issued by the State in November 2021, $1,875,000 were issued to finance $2,000,000 of EV Infrastructure Project costs. As of the date of this Official Statement, there are $1,190,000 of these bonds outstanding.

The 2020 Legislature authorized, in Minnesota Statutes, Section 16A.964, the Commissioner of MMB to issue State appropriation bonds for the purpose of financing up to $15,000,000 for grants to public television stations in Minnesota for the cost of acquiring and installing various items of capital equipment ("Public TV Project"). Of the $52,515,000 2021A Various Purpose Appropriation Bonds issued by the State in November 2021, $14,050,000 were issued to finance $15,000,000 of Public TV Project costs. As of the date of this Official Statement, there are $8,925,000 of these bonds outstanding.

The 2020 Legislature authorized, in Minnesota Statutes, Section 16A.966, the Commissioner of MMB to issue State appropriation bonds for the purpose of financing up to $30,400,000 for the cost of implementing environmental clean-up actions at four Superfund sites in Minnesota ("Environmental Response Project"). Of the $52,515,000 2021A Various Purpose Appropriation Bonds issued by the State in November 2021, $29,670,000 were issued to finance $30,400,000 of Environmental Response Project costs. As of the date of this Official Statement, there are $24,975,000 of these bonds outstanding.

The 2021 Legislature authorized the Commissioner of Administration to enter into a long-term lease purchase agreement for capital expenditures that address identified critical health, life safety, and security needs of buildings located on the State Capitol complex that were constructed before 1940. The same legislation also authorized the Commissioner of MMB to issue lease revenue bonds or certificates of participation to fund the lease purchase agreement. The legislation states the lease-purchase agreement must not be terminated, except for non-appropriation of money. The Commissioner of Administration has identified approximately $478,582,000 in eligible project costs for a renovation and expansion of a state office building serving the House of Representatives. In November 2023, the State issued $454,175,000 of Certificates of Participation (State Office Building Project) ("State Office Building COPs"). As of the date of this Official Statement, there are $426,380,000 of these State Office Building COPs outstanding.

University of Minnesota. During 2006, the Legislature approved State financial assistance for a 50,000-seat, on-campus football stadium for the University of Minnesota (the "U of M"). In 2006, the Legislature appropriated from the General Fund $10,250,000 in each of not more than 25 years, beginning in 2008, to the U of M for the payment of special purpose revenue bonds issued by the U of M to finance a portion of the stadium. The U of M issued $137,250,000 Special Purpose Revenue Bonds (State Supported Stadium Debt), Series 2006 ("Series 2006 Stadium Bonds") for the stadium in December 2006. Transfers from the General Fund to the U of M are conditioned upon satisfaction of certain requirements by the U of M. Pursuant to Minnesota Statutes, Section 137.54, in August 2015, U of M issued the Series 2015A Special Purpose Revenue Refunding Bonds ("Series 2015A Refunding Stadium Bonds") to refund the outstanding Series 2006 Stadium Bonds. In addition, per the Legislation, the Board of Regents allocated sufficient funds from the savings realized from the refunding to provide $10,000,000 to finance the predesign and design of improved health education and clinical research facilities for the Medical School and the Academic Health Center. As of the date of this Official Statement, there are $25,425,000 of the Series 2015A Refunding Stadium Bonds outstanding.

During 2008, the Minnesota Legislature approved State financial assistance for up to four Biomedical Science Research Facilities for the U of M. In 2008, the Legislature appropriated from the General Fund amounts ranging from $850,000 to $15,550,000 in each year beginning in 2010. In 2020, the Legislature amended the maximum amount to $13,930,000 in each year beginning Fiscal Year 2021 and each year thereafter through Fiscal Year 2039 to reflect actual debt service obligations for the payment of revenue bonds issued by the U of M to finance the facilities. Transfers from the General Fund to the U of M are conditioned upon satisfaction of certain requirements by the U of M. The U of M issued State secured appropriation bonds for the Biomedical Science Research Facilities in the amount of $111,400,000 in September 2010, $52,485,000 in October 2011, and $35,395,000 in November 2013 (together, the "State Supported Biomedical Science Bonds"). In 2020, the Legislature also amended the authorizing statutes to allow the U of M to refund bonds that were issued for a project before January 1, 2019, if refunding was determined to be in the best interest of the U of M. The U of M issued special purpose revenue refunding bonds in the principal amount of $123,485,000 in September 2021 to refund and/or defease the outstanding State Supported Biomedical Science Bonds ("2021 Refunding State Supported Biomedical Science Bonds"). As of the date of this Official Statement, there are $89,890,000 of the 2021 Refunding State Supported Biomedical Science Bonds outstanding.

Minnesota Housing Finance Agency ("MHFA"). The Minnesota Legislature created a program to finance the construction, acquisition, preservation, and rehabilitation of permanent supportive housing for individuals and families who are homeless or at risk of homelessness and of foreclosure or vacant housing to be used for affordable rental housing. In 2008, the Legislature authorized MHFA to issue up to $30,000,000 in nonprofit housing bonds, which the 2010 Legislature increased to $36,000,000, and appropriated from the General Fund up to $2,400,000 per year beginning in Fiscal Year 2010 through Fiscal Year 2032. to MHFA for the payment of these bonds. MHFA issued $13,270,000 of bonds to finance this program in 2009 and an additional $21,750,000 in 2011. As of the date of this Official Statement, there are $10,640,000 of the MHFA nonprofit housing bonds outstanding.

In 2012, the Legislature created a new program authorizing MHFA to issue housing infrastructure bonds for the purpose of financing the construction, acquisition, improvement, rehabilitation, adaptive reuse, or new construction of permanent supportive housing, affordable rental housing, community land trust land leased to low- and moderate-income buyers, federally assisted rental housing, single-family housing, senior housing, and manufactured home parks, and any additional purposes as authorized by the Legislature from time to time. The 2012 Legislature also authorized MHFA to issue up to $30,000,000 of housing infrastructure bonds and appropriated from the General Fund up to $2,200,000 per year beginning in Fiscal Year 2014 through Fiscal Year 2036 to MHFA for the payment of these bonds. MHFA issued $15,460,000 of the $30,000,000 in bonds as authorized in this legislation in 2013 and an additional $14,540,000 in 2014. As of the date of this Official Statement, there are $14,990,000 of these MHFA housing infrastructure bonds outstanding.

In 2014, the Legislature authorized MHFA to issue an additional $80,000,000 of housing infrastructure bonds, which the 2017 Legislature increased to $95,000,000, and appropriated from the General Fund up to $6,400,000 per year beginning in Fiscal Year 2016 through Fiscal Year 2038 to MHFA for the payment of these bonds. MHFA issued $37,570,000 of these housing infrastructure bonds in February 2015, $31,095,000 in September 2015, $11,335,000 in September of 2016, $12,690,000 in October 2017 and $1,130,000 in September 2018. As of the date of this Official Statement, there are $55,360,000 of these MHFA housing infrastructure bonds outstanding.

In 2015, the Legislature authorized MHFA to issue an additional $10,000,000 of housing infrastructure bonds, which the 2017 Legislature increased to $15,000,000 and appropriated from the General Fund up to $800,000 per year beginning in Fiscal Year 2018 through Fiscal Year 2039 to MHFA for the payment of these bonds. MHFA issued $7,290,000 of these housing infrastructure bonds in September 2016 and $4,980,000 in September 2018. As of the date of this Official Statement, there are $7,820,000 of these MFHA housing infrastructure bonds outstanding.

In 2017, and as amended in 2018, the Legislature authorized MHFA to issue an additional $35,000,000 of housing infrastructure bonds and appropriated from the General Fund up to $2,800,000 per year beginning in Fiscal Year 2020 through Fiscal Year 2041 to MHFA for the payment of these bonds. MHFA issued $19,185,000 of these housing infrastructure bonds in September 2018 and $15,815,000 in September 2019. As of the date of this Official Statement, there are $24,900,000 of these MHFA housing infrastructure bonds outstanding.

In 2018, the Legislature authorized MHFA to issue an additional $80,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2021 through Fiscal Year 2042, an amount sufficient to pay debt service on those bonds outstanding. MHFA issued $10,960,000 of these housing infrastructure bonds in September 2019, $64,525,000 in September 2020, and $4,515,000 in September 2021. As of the date of this Official Statement, there are $63,245,000 of these MHFA housing infrastructure bonds outstanding.

In 2019, the Legislature authorized MHFA to issue an additional $60,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2023 through Fiscal Year 2044, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA issued $43,755,000 of these housing infrastructure bonds in September 2020 and $16,245,000 in September 2021. As of the date of this Official Statement, there are $50,665,000 of these MHFA housing infrastructure bonds outstanding.

In 2020, the Legislature authorized MHFA to issue an additional $100,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2023 through Fiscal Year 2044, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA issued $56,210,000 of these housing infrastructure bonds in September 2021, and $43,790,000 in September 2022. As of the date of this Official Statement, there are $86,550,000 of these MHFA housing infrastructure bonds outstanding.

In 2021, the Legislature authorized MHFA to issue an additional $100,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2024 through Fiscal Year 2045, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA issued $60,405,000 of these housing infrastructure bonds in September 2022, $26,635,000 in September 2023, and $12,960,000 in September 2024. As of the date of this Official Statement, there are $90,175,000 of these MHFA housing infrastructure bonds outstanding.

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

Fiscal Year 2048, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA issued $50,000,000 of these housing infrastructure bonds in October 2025. As of the date of this Official Statement, there are $48,715,000 of these MHFA housing infrastructure bonds outstanding.

In 2025, the Legislature authorized MHFA to issue an additional $50,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2028 through Fiscal Year 2049, an amount sufficient to pay debt service on those bonds that are outstanding. MHFA anticipates an additional housing infrastructure bond sale to occur in the Fall of 2026 under the 2025 authorization. See “FUTURE FINANCINGS” in this Official Statement.

In 2026, the Legislature authorized MHFA to issue an additional $100,000,000 of housing infrastructure bonds and appropriated from the General Fund to MHFA in each fiscal year, beginning in Fiscal Year 2029 through Fiscal Year 2050, an amount sufficient to pay debt service on those bonds that are outstanding. As of the date of this Official Statement, MHFA has not yet issued any of these bonds.

Lease Purchase Financing For Equipment

The Commissioner of Management and Budget is authorized by Minnesota Statutes, Section 16A.85, to establish a master lease equipment financing program. Pursuant to this authority the Commissioner of Management and Budget has entered into master lease agreements providing financing for equipment and expects to continue this practice. As of June 30, 2026, $68,233,726 of principal is outstanding and unpaid under the master lease program. The master leases and the State’s obligation to make rental payments thereunder are not general or moral obligation indebtedness of the State; rather the State is obligated to make rental payments thereunder only to the extent moneys are appropriated from time to time for this purpose.

The Minnesota Department of Commerce is authorized by Minnesota Statutes, Section 16C.144 to establish the Guaranteed Energy Savings Program (“GESP”) that utilizes Energy Performance Contracts. The projects, the implementation of energy efficient and renewable energy measures in public facilities by State government agencies, including Minnesota State, will be financed through lease purchase agreements. Payments for the lease purchase will be made through the energy and operational savings achieved by the projects. As of June 30, 2025, $22,069,582 of principal is outstanding and unpaid under the GESP program.

School District Credit Enhancement Program

Minnesota Statutes, Section 126C.55 establishes a school district credit enhancement program. The law authorizes and directs the Commissioner of MMB, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the Commissioner of Education to pay debt service due on school district and intermediate school district certificates of indebtedness issued under Minnesota Statutes, Section 126C.52, certificates of indebtedness and capital notes for equipment, certificates of participation issued under Minnesota Statutes, Section 126C.40, subdivision 6, and school district and intermediate school district general obligation bonds, in the event that the school district or intermediate school district notifies the Commissioner of Education that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Commissioner of Education that it has not received from the school district timely payment of moneys to be used to pay debt service. The legislation appropriates annually from the General Fund to the Commissioner of Education the amounts needed to pay any warrants which are issued.

The amounts paid on behalf of any school district or intermediate school district are required to be repaid by it with interest, by a reduction in State aid payable to the school district or intermediate school district or the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education. Furthermore, the State is subrogated to the rights of a school district or intermediate school district in federal interest subsidy payments, if any, relating to the interest paid by the State under this program, unless and until the State has been reimbursed by the district in full.

Under Minnesota Statutes, Section 126C.52, school districts and intermediate school districts are authorized to issue tax and State aid anticipation certificates of indebtedness in amounts not exceeding 75 percent of ad valorem taxes in the process of collection and 75 percent of State aids in the process of collection. As of June 30, 2026, there are approximately $36,450,000 of certificates of indebtedness enrolled in the program, all of which will mature within a 14-month period. The State expects that school districts and intermediate school districts will issue certificates of indebtedness next year and will enroll these certificates in the program in about the same amount of principal as this year.

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

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

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

As of June 30, 2026, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2054, is approximately $20,512,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2025 is currently estimated at $1,677,000,000, with the maximum amount of principal and interest payable in any one month being $1,342,410,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program, and these amounts are expected to increase.

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

Minnesota Laws 2005, Chapter 152, Article 1, Section 39, as amended by Minnesota Laws 2006, Chapter 259, Article 12, Section 15, provides that the Commissioner of the Department of Iron Range Resources and Rehabilitation ("IRRR") shall issue revenue bonds payable from certain taconite production tax revenues in a total principal amount of $15,000,000, plus costs of issuance relating thereto, for the purpose of making grants to school districts located in the taconite relief area or taconite assistance area, as statutorily defined, to be used by such school districts for health, safety, and maintenance improvements. Bonds issued under this program are debt obligations subject to the school district credit enhancement program, provided that advances made by the State are not subject to the provisions of the school district credit enhancement program requiring the levy of an ad valorem tax by affected school districts in order to repay the State. Minnesota Laws 2013, Chapter 143 authorized the issuance of an additional $38,000,000 in revenue bonds for the same purpose as previously authorized. The IRRR issued $37,830,000 of these bonds in October 2013 for this program. In November 2025, the IRRR issued $16,870,000 principal amount of Educational Facilities Revenue Refunding Bonds, Series 2025C, to refund the outstanding 2013 bonds. As of the date of this Official Statement, there are $16,870,000 of the bonds outstanding.

Minnesota Laws 2023, Chapter 64, Article 6, Section 13 provides that the Commissioner of IRRR shall issue additional revenue bonds in the principal amount of up to $42,000,000, plus costs of issuance relating thereto, for the purpose of making grants to school districts located in the taconite relief area or taconite assistance area, as statutorily defined, to be used by such school districts for building projects, such as energy efficiency, technology, infrastructure, health, safety, and maintenance improvements. Bonds issued under this program are debt obligations subject to the school district credit enhancement program, provided that advances made by the State are not subject to the provisions of the school district credit enhancement program requiring the levy of an ad valorem tax by affected school districts in order to repay the State. The IRRR issued $37,395,000 of these bonds in October of 2023. As of the date of this Official Statement, there are $35,325,000 of the bonds outstanding.

City and County Credit Enhancement Program

Minnesota Statutes, Section 446A.086, establishes a city and county bond credit enhancement program. The law authorizes and directs the Commissioner of MMB, under certain circumstances and subject to the availability of funds, to issue a warrant and authorizes the Minnesota Public Facilities Authority ("MPFA") to pay debt service coming due on: (a) county general obligation bonds, bonds to which the general obligation of a county has been pledged, and certain lease obligations, to provide funds for the construction of (i) jails, (ii) correctional facilities, (iii) law enforcement facilities, (iv) social services and human services facilities; (v) solid waste facilities; or (vi) qualified housing development projects; or (b) city or county general obligation bonds to provide funds for the construction, improvement, or rehabilitation of (i) wastewater facilities, (ii) drinking water facilities, (ii) storm water facilities, or (iv) any publicly owned building or infrastructure improvement that has received partial funding from grants awarded by the Commissioner of Employment and Economic Development related to redevelopment, contaminated site cleanup, bioscience, small cities development programs, and rural business infrastructure programs, for which bonds are issued by the MPFA under Minnesota Statutes, Section 446A.087. See "*Minnesota Public Facilities Authority ("MPFA")*" in this APPENDIX C for more information on MPFA bonds that may be credit enhanced under this program.

To be eligible for the program, a city or county must have entered into an agreement with the MPFA, which requires notifications to the MPFA by the city or county and paying agent when funds are not sufficient to timely pay all or a portion of debt service on obligations issued under the program. The MPFA must notify the Commissioner of Management and Budget of potential defaults, and the Commissioner of MMB then must issue a warrant and authorize the MPFA to pay to the bondholders or paying agent the amount necessary to pay in full debt service on credit-enhanced bonds when due. The law appropriates annually from the General Fund to the MPFA the amounts needed to pay any warrants issued by the Commissioner of MMB for this purpose. Based on action taken in the 2026 Legislative Session, the amount of debt outstanding under this program may not exceed $1,500,000,000.

The amounts paid on behalf of any city or county are required to be repaid to the State with interest, either through a reduction of subsequent State-aid payments or by the levy of an ad valorem tax, which may be made with the approval of the MPFA, or will be made mandatory by the MPFA if the State is not repaid in full by November 30 of the following calendar year. Furthermore, the State is subrogated to the rights of a city or county in federal interest subsidy payments, if any, relating to the interest paid by the State under this program, unless and until the State has been reimbursed by the city or county in full.

As of June 30, 2026, the total amount of principal on bonds enrolled in the program, through the year 2060, is approximately $918,431,700 and the total principal and interest is $1,240,677,888. More bonds are expected to be enrolled in the program, and these amounts are expected to increase. Based upon the bonds enrolled in the program, during Fiscal Year 2027 the total amount of principal and interest outstanding as of June 30, 2026 is approximately $95,288,000 with the maximum amount of principal and interest payable in any one month currently estimated at $51,640,000.

Over the last twenty years the State has made one debt service payment under the program in the amount of $603,000 on behalf of the City of Williams (the "City") in 2006. In 2018, the City fully repaid the State. The State does not expect to make any other debt service payments on behalf of cities or counties under the program in the future. If such payments are made, the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the cities or counties.

OBLIGATIONS OF STATE AGENCIES

The University of Minnesota, established as a separate entity by the Minnesota Constitution, and various State agencies or instrumentalities established by the Legislature, are authorized by law to issue various forms of obligations. These obligations may be supported by the full faith and credit of the University or the other issuer, or by various revenue pledges, or both. However, such obligations are not debts of the State and the State is not required to provide moneys for their payment. A description of the various issuers of such obligations and the obligations issued by them and outstanding as of the date of this Official Statement is set forth below.

Minnesota Housing Finance Agency ("MHFA"). The MHFA was established in 1971 and is governed by Chapter 462A of the Minnesota Statutes. Its enabling legislation authorizes the MHFA to issue bonds and notes for any of its authorized purposes. The 2024 Legislature increased the maximum aggregate principal amount of general obligation bonds and notes that can be issued by MHFA and outstanding at any one time (excluding the principal amount of any refunded bonds or notes) from $5.0 billion to $9.0 billion. The proceeds of MHFA bonds and notes may be used to fund an assortment of programs designed to provide housing for low- and moderate-income residents of the State of Minnesota, which includes the making and purchase of loans for the acquisition, construction and rehabilitation of single and multi- family housing.

The MHFA's notes and bonds may be general or limited obligations of the MHFA but are not a debt or liability of the State. Under Chapter 462A, the MHFA must annually determine and certify to the Governor, and the Governor must include in the State budget submitted to the Legislature, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds so secured to its debt service reserve requirement and any anticipated deficiency in the debt service reserve fund in the following fiscal year. In the opinion of bond counsel and general counsel to the MHFA, the Legislature is legally authorized, but is not legally obligated, to appropriate the amount included in the Governor's proposed budget for the debt service reserve funds. The MHFA has never needed to certify a deficiency to the Governor.

MINNESOTA HOUSING FINANCE AGENCY
General Obligation Debt Outstanding as of June 30, 2024
($'s in Thousands)

	Number of Series	Final Maturity	Original Principal Amount	Outstanding Principal Amount
Rental Housing..........................	25	2068	$ 200,690	$ 200,690
Residential Housing Finance.....	124	2056	6,877,935	5,047,660
Homeownership Finance	59	2052	2,674,572	795,992
Multifamily Housing.................	1	2051	15,000	11,800
General Purpose Bonds	1	2039	60,000	58,605
	210		$9,828,197	$6,111,842

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

The MHFA has also issued and there were outstanding five series of its conduit multifamily revenue bonds in the approximate aggregate principal amount of $51,403,670 as of June 30, 2026, and three series of its Home Ownership Mortgage-backed Exempt Securities in the approximate aggregate principal amount of $3,521,052 as of June 30, 2026. The MHFA has also issued an Index Bank Note, in a cumulative aggregate principal amount not to exceed $2,000,000,000 and a maximum principal amount outstanding of not to exceed $75,000,000. The Index Bank Note had an outstanding balance of $55,700,000 as of June 30, 2026. While the obligation to pay interest on the Index Bank Note, but not principal, is also a general obligation of the MHFA, none of these bonds or obligations are secured by a debt service reserve fund subject to replenishment from Legislative appropriation.

University of Minnesota. Regents of the University of Minnesota (the "University") was established by Territorial Laws 1851, Chapter 3, adopted by the legislative assembly of the Territory of Minnesota. Pursuant to authorization by Congress on February 26, 1857, the voters of the State approved and adopted a State constitution on October 13, 1857. The State was admitted to the union by act of Congress passed on May 11, 1858.

The State Constitution confirmed and fixed the existence of the University as a separate institution of the State, having all rights, immunities, franchises and endowments previously granted or confirmed, and all lands and donations thereafter given to it. The University is governed by a board of twelve regents who are elected by the Legislature and is dependent upon appropriations by the Legislature to pay much of its instructional costs. The regents are a body corporate with the right to sue and be sued and to make contracts.

Pursuant to this authority the University has sold and issued bonds, in addition to the special purpose revenue bonds previously mentioned, to finance the construction of buildings and structures, remodeling projects, and purchases of land and buildings needed by the University. The par amount of such bonds outstanding as of as of the date of this Official Statement is approximately $1,215,620,000. The bonds are payable solely from and secured by revenues to be derived from specified facilities and the general funds of the University, and by the full faith and credit of the University. See "CONTINGENT LIABILITIES - State Continuing Appropriations" in this APPENDIX C for additional information concerning other debt issued by the University of Minnesota.

Minnesota Office of Higher Education ("MOHE"). The MOHE was established and is organized and existing under Minnesota Statutes, Sections 136A.01 to 136A.236 and 136A.61 to 136A.88 (the "MOHE Act"). The 2005 Legislature named MOHE as successor for all the bonds of the Minnesota Higher Education Services Office and the Minnesota Higher Education Coordinating Board. The law authorizes the MOHE to issue revenue bonds and notes to finance loans for students attending eligible post-secondary educational institutions. The amount of such bonds outstanding at any one time, not including refunded bonds or otherwise defeased or discharged bonds, may not exceed $850,000,000. As amended in 2009 and 2011, Section 136A.1787 of the MOHE Act provides that MOHE must annually determine and certify to the Governor, and the Governor shall include in the State budget submitted to the Legislature, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds so secured to its debt service reserve requirement and any anticipated deficiency in the debt service reserve fund in the following fiscal year. If MOHE determines that there is an anticipated deficiency in the debt service reserve fund in the current fiscal year, the Governor shall include and submit the amounts certified in a Governor's supplemental budget if the regular budget for that year has previously been enacted. The Legislature is not legally obligated to appropriate the amount included in the Governor's proposed budget for the debt service reserve funds. As of the date of this Official Statement, MOHE has $346,830,000 of bonds outstanding payable from the Student Educational Loan Fund, which are secured by a debt service reserve fund subject to replenishment from legislative appropriation as described above. MOHE has never certified a deficiency to the Governor. Bonds issued by MOHE are limited obligations of MOHE and are not a debt or liability of the State, but are payable solely from loan repayments, external forms of credit enhancement, loan and investment earnings, other money of the MOHE (including debt service reserve fund amounts), and, if necessary, from proceeds of additional MOHE obligations.

Board of Trustees of the Minnesota State Colleges and Universities ("Minnesota State"). Minnesota State was established and is governed by Minnesota Statutes, Chapter 136F, which authorizes Minnesota State to establish its Revenue Fund and to issue its revenue bonds as secured by the Revenue Fund to finance the construction and improvement of dormitory, residence hall, student union, food service and other revenue producing buildings and related facilities used for the primary benefit of students of the State universities and colleges within the Minnesota State Colleges and Universities System. As of the date of this Official Statement, Minnesota State has $99,905,000 tax exempt bonds and $23,255,000 taxable bonds outstanding that are payable solely from and secured by an irrevocable pledge of revenues to be derived from the operation of the buildings financed from the Revenue Fund and from fees imposed upon students, student facilities or other sources all of which are received in the Revenue Fund. In addition to bonds, the Revenue Fund issues guaranties of debt (other than revenue bonds) incurred to finance Revenue Fund facilities. One guarantee has been issued to date with an outstanding balance of $1,096.159. The guarantee is on a parity to right of payment with the revenue bonds.

Minnesota Health and Education Facilities Authority ("MHEFA"). MHEFA was established by Minnesota Statutes, Section 136A.25 to 136A.42, passed in 1971, amended in 2025. The law, as amended, authorizes MHEFA to issue revenue bonds to finance the acquisition, construction, improvement and remodeling of nonprofit higher educational institution and nonprofit healthcare organization buildings and structures to be used solely for or to facilitate nonsectarian educational or healthcare purposes, and to refinance facilities of this type. The amount of such bonds outstanding at any time may not exceed $5,000,000,000. As of the date of this Official Statement, MHEFA has $1,384,021,581 principal amount of bonds outstanding, which includes a pending financing for approximately $25,000,000 that will close prior to September 1, 2026. The bonds are not the general obligation or indebtedness of either MHEFA or the State and the loan repayment obligation and security for each bond issue is the responsibility of the nonprofit higher educational institution or nonprofit health care organization for which the bonds were issued.

Minnesota State Armory Building Commission ("MSABC"). MSABC was established and is governed by Minnesota Statutes, Chapter 193, which authorizes the MSABC to issue its bonds to finance the acquisition, construction, and equipment of National Guard armory buildings. The total principal amount of such bonds outstanding at any time may not exceed $45,000,000. As of the date of this Official Statement, MSABC has $4,600,000 principal amount of bonds outstanding. MSABC is required to lease each armory to the State for use by National Guard Forces, upon lease rentals specified by statute. The bonds are payable from ad valorem taxes levied by the county or municipality where the armory is located, State appropriations to pay lease rentals, and rentals or use charges derived from persons or groups other than the State using the armory where such use will not interfere with the State's use.

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

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

Minnesota Public Facilities Authority ("MPFA"). The MPFA was established in 1987 and is governed by Minnesota Statutes, Chapter 446A which authorizes it to make loans to local government units. As of the date of this Official Statement, the MPFA has $511,956,000 State Revolving Fund Revenue Bonds outstanding. The MPFA's bonds are not a debt or liability of the State. The principal amount of MPFA bonds issued and outstanding at any time may not exceed $2,000,000,000, excluding bonds issued under Minnesota Statutes, Section 446A.087.

Minnesota Agricultural and Economic Development Board ("MAEDB"). The MAEDB was established by Minnesota Statutes, Chapter 41A, to provide for agricultural and economic development in the State and is authorized to issue revenue bonds for these purposes. The revenue bonds issued by the MAEDB are not general obligations of the State. As of the date of this Official Statement, MAEDB has called all pooled revenue bonds outstanding, therefore there are no bonds outstanding that are paid for from revenues received from all of the borrowers under all of the pooled bonds and are additionally secured by a pledge of funds maintained in a reserve account created by the MAEDB for such pooled bonds. In addition, the MAEDB has $796,002,897 of revenue bonds outstanding that were issued for the benefit of various entities and which are paid for solely from revenues received from the borrower under each specific bond issue.

Minnesota Department of Transportation ("MnDOT"). The 2020 Minnesota Legislature authorized, in Minnesota Statutes, Section 174.525, MnDOT to pursue a loan through the federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) for a specific project on Trunk Highway 14 in Nicollet County. MnDOT and MMB jointly entered into a loan agreement with the U.S. Department of Transportation on December 1, 2022, for a maximum amount of $48,207,963 ("TIFIA Loan"). The TIFIA Loan will be repaid from oversize and overweight transportation permit fee revenues, which the law dedicates to a segregated account in the special revenue fund. As of the date of this Official Statement, the TIFIA Loan is fully drawn and $43,589,777 remains outstanding.

Minnesota Department of Iron Range Resources and Rehabilitation ("IRRR"). Minnesota Laws 2024, Chapter 127, Article 69, Sections 15 and 16, authorized the Commissioner of the Department of Iron Range Resources and Rehabilitation ("IRRR") to issue revenue bonds payable from certain taconite production tax revenues in a total principal amount of up to $49,000,000, plus costs of issuance relating thereto, by March 31, 2025, and an additional principal amount of up to $31,000,000, plus costs of issuance relating thereto, in 2025, for the purpose of making grants for the purposes and projects specified in the legislation. The IRRR issued $48,010,000 of these bonds in December 2024 and issued another $27,560,00 of these bonds in October of 2025. As of this Official Statement, there are $46,600,000 of the 2024 bonds and $27,560,000 of the 2025 bonds outstanding.

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APPENDIX D
PROJECT DESCRIPTION AND SCHEDULE OF BONDS BEING REFUNDED

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PROJECT DESCRIPTION

Set forth below are the titles or names of the projects or types of projects eligible to be financed in whole or in part from the proceeds of the Bonds, and the total amount appropriated by the State Legislature for this purpose. In the Order authorizing the issuance of the Bonds, the Commissioner has reserved the right for a specified period to reassign Bonds issued to legislative authorizations and purposes other than those listed in the section hereof entitled "General Obligation Bonds Authorized, Issued and Unissued" and on page C-2 of APPENDIX C.

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
2012, Chapter 293				
	BWSR	Statewide	Wetland Restoration - Public Road Projects	6,000
2014, Chapter 294				
	DEED	Minneapolis	Shubert Center for Dance	550
	DEED	Minneapolis	Brian Coyle Community Center	330
	DNR	Soudan	Vermilion State Park Development	14,000
	DNR	Systemwide	State Trails Acquisition and Development	17,667
	MnDOT	Statewide	Local Road Improvement Fund Grants	24,356
Special Session 2017, Chapter 3				
	MnDOT	Statewide	Corridors of Commerce Trunk Highway	300,000
	MnDOT	Statewide	State Road Construction	640,000
Special Session 2017, Chapter 8				
	BWSR	Statewide	Local Govt Roads Wetland Replacement Program	5,000
	DEED	Litchfield	Phase 2 Power Generation Improvements	4,000
	DEED	St. Paul	Science Museum of Minnesota	13,000
	DEED	Bertha-Hewitt	Eagle Bend High School Demolition	1,500
	DEED	Minneapolis	Pioneers and Soldiers Cemetery Fence Restoration	1,029
	DEED	South Minneapolis	Asset Preservation: Workforce Center	1,342
	DNR	Ortonville	Flood Hazard Mitigation Grant	1,800
	DNR	Statewide	Emergency Dam Safety Repair & Recons	4,400
	DNR	St. Louis County	Little Stone Lake	100
	DNR	Systemwide	Glacial Lakes Trail	2,590
	DNR	Little Falls	Camp Ripley/Veterans State Trail	1,600
	DNR	Systemwide	Gitchi-Gami State Trail	3,130
	DNR	Systemwide	Heartland State Trail	3,300

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	DNR	Statewide	Dam Priority List	200
	PCA	St. Louis River	St. Louis River Area of Concern	25,410
	PFA	Clearbrook	Water Plant Curb and Gutter	850
	MnDOT	Statewide	Port Development Assistance Program	5,000
	MnDOT	Anoka County	Local Road Realignment	9,000
	MnDOT	Hennepin County	U.S. Highway 12 Interchange	11,300
	Veterans Affairs	Minneapolis	Veterans Home Truss Bridge Project	7,851
2018, Chapter 214				
	BWSR	Statewide	Local Govt Roads Wetland Replacement Program	6,700
	DEED	Wabasha	Eagle Center & Rivertown Resurgence	8,000
	DEED	Brooklyn Park	Second Harvest Heartland	18,000
	DEED	Minneapolis	Upper Harbor Terminal Redevelopment	15,000
	DEED	Fergus Falls	Regional Treatment Center Demolition	3,500
	DHS	Anoka	Roof and HVAC Replacement	6,550
	DHS	Statewide	Asset Preservation	10,000
	DHS	Systemwide	Regional Mental Health Crisis Center Grants	28,100
	Met Council	Ramsey County	White Bear Lake Trail	2,600
	Met Council	Mahtomedi	White Bear Lake Trail	1,400
	DNR	Fillmore County	Extension of Blufflands State Trail	1,500
	DNR	Olmsted County	Chester Woods State Trail	2,500
	DNR	Aitkin County	Northwoods ATV Trail	1,500
	DNR	Systemwide	Mill Towns State Trail	500
	DNR	Grand Marais	Lake Superior Water Access	2,000
	DNR	Systemwide	Mesabi Trail	1,138
	MnDOT	Statewide	Corridors of Commerce FY22	150,000
	MnDOT	Statewide	Corridors of Commerce FY23	150,000
	MnDOT	Statewide	Corridors of Commerce FY24	100,000
	MnDOT	Anoka County	U.S. Highway 10 Interchanges	15,000
	MnDOT	Dayton	Brockton Interchange	13,500
	MnDOT	Inver Grove Heights	Argenta Trail 70th Street Expansion	6,100
	MnDOT	Statewide	Port Development Assistance Program	5,200
	MnDOT	Chisago County	Highway 8 Reconstruction	3,000
	MnDOT	Wadena	Highway 10 Environmental Cleanup	5,000
	Veterans Affairs	Systemwide	Asset Preservation	9,000
	Veterans Affairs	Preston	Veterans Home	10,200

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
2019, Chapter 2				
	BWSR	Statewide	Reinvest in Minnesota Reserve Program	10,000
	Met Council	Systemwide	Regional Parks and Trails Grants	10,000
Special Session 2020, Chapter 3				
	Administration	St. Paul	Capital Asset Preservation and Replacement	4,500
	Agriculture	St. Paul	MDH Laboratory Building	20,000
	Amateur Sports	Blaine	National Sports Center	3,000
	Amateur Sports	Statewide	Mighty Ducks	2,000
	BWSR	Statewide	Local Govt Roads Wetland Replacement Program	15,000
	BWSR	Statewide	Reinvest in Minnesota Reserve Program	1,000
	Corrections	Systemwide	Asset Preservation	25,000
	Corrections	St. Cloud	Correctional Facility	800
	Corrections	Duluth	Arrowhead Regional Corrections Facility	3,250
	Corrections	Martin County	Martin County Justice Center	2,167
	Corrections	St. Louis County	Prairie Lake Rec Center	2,500
	Corrections	Winona County	County Jail	750
	DEED	Statewide	Greater MN Business Infrastructure Grants	8,200
	DEED	Statewide	Innovative Business Infrastructure Grants	1,900
	DEED	Minneapolis	Workforce Center	642
	DEED	Alexandria	Runestone Community Center	5,600
	DEED	Annandale	Infrastructure Improvements	4,090
	DEED	Becker	Business Park Infrastructure	20,500
	DEED	Becker	Museum	1,850
	DEED	Cohasset	Mississippi Riverfront Development	1,200
	DEED	Deephaven	Northome Ave Bridge	750
	DEED	Duluth	Seawall Improvements	13,500
	DEED	Duluth	Lake Superior Zoo	204
	DEED	Hastings	City Hall	2,000
	DEED	Hennepin County	Avivo Center	1,700
	DEED	Litchfield	Wellness Center	5,000
	DEED	Minneapolis	Outdoor Performance Venue	12,500
	DEED	Roseville	Guidant John Rose Oval	3,900
	DEED	St. Cloud	Municipal Athletic Complex	10,000
	DEED	St. Paul	Museum American Art	2,000
	DEED	St. Paul	Hmong Cultural Plaza	500
	DEED	Duluth	WLSSD Engine Generators	6,750

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	DHS	Systemwide	Asset Preservation	8,000
	DNR	Statewide	Asset Preservation	15,000
	DNR	Statewide	Flood Hazard Mitigation	17,000
	DNR	Itasca County	Canisteo/Hill Mining Improvements	2,000
	DNR	Marine on St. Croix	William O'Brien Park Accessibility Improvements	3,000
	DNR	Soudan	Campground and Related Infrastructure	5,800
	DNR	Statewide	Shade Tree Program	1,000
	DNR	Albert Lea	Blazing Star Trail	1,740
	DNR	Little Falls	Camp Ripley/Veterans State Trail	1,000
	DNR	Becker County	Heartland State Trail - Detroit Lakes to Frazee	2,000
	DNR	Becker County	Heartland Trail; Itasca State Park	2,000
	DNR	Ely	Regional Trailhead	1,500
	DNR	Hutchinson	Capital Improvements	3,100
	DNR	Lake City	Hok-Si-La Park Water/Sewer Connection	587
	DNR	Mankato	Riverbank Restoration	7,200
	DNR	Pine County	Oberstar Trail	650
	DNR	Scott County	McMahon Lake Flood	600
	DNR	Silver Bay	Trailhead Center	1,100
	DNR	St. Louis County	Voyageur Trail	950
	DNR	Winona	Mississippi Riverfront Trail	2,000
	Education	Statewide	Library Construction Grants	2,951
	Historical Society	Statewide	County and Local Preservation Grants	750
	Met Council	Systemwide	Regional Parks and Trails Grants	5,000
	Met Council	Minneapolis/St. Paul	Bus Rapid Transit	55,000
	Met Council	Anoka County	Rice Creek Trail	500
	Met Council	Dakota County	Veterans Memorial Greenway	5,000
	Met Council	Minneapolis	Mississippi River Trail Connection	3,000
	Met Council	Brooklyn Park	Mississippi Gateway Reg Park Improvements	5,000
	Met Council	Dellwood	Trail Improvements	2,600
	Met Council	White Bear Township	Trail Improvements	500
	Met Council	White Bear Lake	Trail Improvements	500
	MN State	Pine Technical and Community College	Allied Health and Tech Trade Labs, Design	635
	MSA	Faribault	Asset Preservation	3,150
	MSA	Faribault	Safety Corridor	5,830
	PFA	Albertville	Wastewater Treatment	2,500
	PFA	Arden Hills	Water Main	500
	PFA	Aurora	Drinking Water System	5,000
	PFA	Deer River	Wastewater and Water Systems	4,000

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	PFA	Floodwood	Stabilization Pond	2,000
	PFA	Lincoln-Pipestone Rural Water System	Water Improvements	5,750
	PFA	Mendota	Water Infrastructure	650
	PFA	Oronoco	Wastewater System	24,027
	PFA	Randolph	Wastewater System	13,000
	PFA	South Haven	Wells	1,700
	PFA	Vernon Center	Water Infrastructure	7,984
	Public Safety	St. Paul	State Emergency Center	29,545
	Public Safety	Edina	Training Facility	1,000
	Public Safety	Minneapolis	Training Facility	800
	Public Safety	Virginia	Public Safety Center	9,500
	MnDOT	Statewide	Local Road Improvement Fund Grants	75,000
	MnDOT	Statewide	MN Rail Service Improvement Program	4,000
	MnDOT	Anoka County	US Hwy 10/169 Improvements	8,400
	MnDOT	Dakota County	Diffley Road Improvements	4,000
	MnDOT	Golden Valley	Hwy 55 Improvements	6,500
	MnDOT	Maple Grove	Hwy 610 Local Road Improvements	13,000
	MnDOT	Sartell	Local Road Improvements	5,500
	MnDOT	Sibley County	Scenic Byway 6 Reconstruction	14,000
	MnDOT	Sherburne County	Zimmerman Interchange	2,000
	MnDOT	Statewide	Local Bridge Replacement Program	30,000
	MnDOT	St. Paul	Third Street/Kellogg Blvd Bridge Replacement	52,000
	MnDOT	Statewide	Safe Routes to School	3,000
	MnDOT	Statewide	Port Development Assistance	14,000
	MnDOT	Statewide	Transit Capital Program	2,000
	MnDOT	International Falls	Koochiching County Airport	1,800
	MnDOT	Rochester	International Airport Improvements	11,400
	MnDOT	Chisago County	Hwy 8 Reconstruction	8,000
	MnDOT	Henderson	Hwy 93 Reconstruction	1,800
	MnDOT	Olmsted County	Hwy 14/104 Construction	6,000
	MnDOT	Red Wing	Rail Grade Separation	10,000
	MnDOT	Statewide	State Road Construction	84,000
	MnDOT	Statewide	Rail Grade Separation	110,000
	MnDOT	Statewide	Project Development	25,000
	MnDOT	Statewide	Flood Mitigation	23,000
	MnDOT	Statewide	Facilities Capital Program	58,000
	Veterans Affairs	Statewide	Asset Preservation	6,300
	Veterans Affairs	Martin County	Memorial	350
	MN Zoo	Apple Valley	Asset Preservation	13,000
	MMB	Statewide	Bond Sale Expenses	1,393

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
Special Session 2021, Chapter 5				
	MnDOT	Statewide	State Road Construction	100,000
	MnDOT	Statewide	SRC Regional & Community	88,000
	MnDOT	Statewide	Corridors of Commerce FY24	100,000
	MnDOT	Statewide	Corridors of Commerce FY25	100,000
	MnDOT	Carver County	Highway Upgrade	25,000
	MMB	Statewide	Bond Sale Expenses	413
2023, Chapter 32				
	Agriculture	Statewide	Rural Finance Authority Loans	50,000
	MMB	Statewide	Bond Sale Expenses	50
2023, Chapter 68				
	MnDOT	Statewide	Corridors of Commerce FY24	8,000
	MnDOT	Statewide	Corridors of Commerce FY25	72,500
	MnDOT	Statewide	Corridors of Commerce FY26	72,500
	MnDOT	Statewide	State Road Construction FY24	67,000
	MnDOT	Statewide	State Road Construction FY25	67,000
	MnDOT	Statewide	State Road Construction FY26	66,000
	MnDOT	Statewide	Facilities Capital Program	87,440
	MnDOT	Anoka County	Hwy 65 Reconstruction	68,750
	MnDOT	Two Harbors	Hwy 61 Construction	11,000
	MnDOT	Scott County	Hwy 169 Interchange	4,200
	MnDOT	Rosemount	Hwy 3 Roundabout Construction	2,200
	MnDOT	Chisago County	Hwy 8 Reconstruction	42,000
	MMB	Statewide	Bond Sale Expenses	470
2023, Chapter 72				
	Administration	St. Paul	Capital Asset Preservation and Replacement	9,000
	Administration	St. Paul	Capitol Complex Security Upgrades Phase II	8,796
	Agriculture	East Grand Forks	Building Repair	384
	BWSR	Statewide	Local Govt Roads Wetland Replacement Program	12,000
	BWSR	Statewide	Reinvest in Minnesota Reserve Program	10,700
	Corrections	Systemwide	Asset Preservation	33,800
	Corrections	Lino Lakes	Building E Renovation and Repurposing	492
	DEED	Statewide	Greater MN Business Infrastructure Grants	10,000

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	DEED	Statewide	Transportation Economic Development Infrastructure Grants	1,500
	DEED	Statewide	Innovative Business Infrastructure Grants	1,500
	DEED	Statewide	Greater Minnesota Child Care Facilities	900
	DEED	Apple Valley	Inclusive Playground	1,410
	DEED	International Falls	Regional Health and Wellness Center	1,000
	DEED	Oak Park Heights	Redevelopment	2,190
	DHS	Systemwide	Asset Preservation	7,200
	DHS	Statewide	Early Childhood Facilities	900
	DHS	St. Peter	Water and Sewer Upgrades	1,050
	DHS	Statewide	Behavioral Health Crisis Facilities Grants	1,500
	DNR	Statewide	Asset Preservation	36,000
	DNR	Statewide	Betterment of Buildings	20,000
	DNR	Statewide	Wildfire Aviation Infrastructure	6,360
	DNR	Statewide	Accessibility: Parks and Recreation Areas	1,200
	DNR	Statewide	Dam Safety Repair & Reconstruction	4,000
	DNR	Statewide	Flood Hazard Mitigation Grant Assist Program	15,000
	DNR	Eden Prairie	Minnesota River Riverbank Stabilization	2,750
	DNR	Badoura Township	Badoura State Forest Nursery	10,000
	DNR	Browns Valley	Flood Hazard Rider	3,300
	DNR	Soudan	Construct Visitor Center and Campground	11,000
	DNR	Moorhead	Flood Hazard Rider	11,000
	DNR	Mora	High Water Mitigation	1,800
	DNR	Ranier	Safe Harbor Boat Dock	3,500
	DNR	Red River	Flood Hazard Rider	5,000
	DNR	Statewide	Parks and Trails Grant Program	2,000
	DNR	Statewide	Community Tree-Planting Grants	8,400
	DNR	St. James	Open Pit Mine	2,500
	DNR	Systemwide	State Forest Reforestation	6,000
	DNR	Statewide	State Trail Maintenance	1,200
	DNR	Systemwide	Casey Jones State Trail	1,320
	DNR	Systemwide	Gitchi Gami State Trail	4,000
	DNR	Systemwide	Heartland State Trail - Detroit Lakes to Frazee	550
	DNR	Systemwide	Heartland State Trail - Itasca State Park	2,400
	DNR	Systemwide	Mill Towns State Trail	8,190
	DNR	Systemwide	Root River State Trail	2,000
	DNR	Systemwide	Glacial Lakes Trail	3,000

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	DNR	Shakopee	Minnesota River Riverbank Stabilization	8,260
	DNR	Shell Rock River Watershed District	Fountain Lake Sediment Removal	9,000
	Education	Statewide	Library Construction Grants	4,000
	Historical Society	Statewide	Historic Sites Asset Preservation	5,000
	Historical Society	Statewide	County and Local Preservation Grants	1,000
	HFA	Statewide	Public Housing Rehabilitation	41,868
	HFA	Statewide	Greater MN Housing Infrastructure	3,000
	IRRRB	Systemwide	Water Line Replacement	12,229
	Met Council	Systemwide	Busway Capital Improvement - BRT	72,000
	Met Council	Systemwide	Regional Parks and Trails Grant Program	16,620
	Met Council	Systemwide	Inflow and Infiltration Grant Program	12,000
	Met Council	St. Paul	Mississippi River Learning Center	8,000
	Military Affairs	Rosemount	Readiness Center	24,720
	Military Affairs	Rosemount	Additional Funding for Readiness Center	360
	Military Affairs	Fergus Falls	Additional Funding for Readiness Center	800
	Military Affairs	Moorhead	Additional Funding for Readiness Center	855
	Military Affairs	Marshall	Additional Funding for Readiness Center	4,752
	MN State	Statewide	HEAPR	44,733
	MN State	Alexandria Technical and CC	Transportation Center and Student Services, Design	955
	MN State	Central Lakes College	Student Services and Academic Support, Design and Renovation	11,591
	MN State	Inver Hills CC	Renovate Technology and Business Center	22,025
	MN State	Lake Superior College	Integrated Manufacturing Workforce Labs, Design	8,316
	MN State	Mankato	Armstrong Hall Replacement	8,460
	MN State	Metropolitan State University	Cyber Security Program, Design and Renovation	5,196
	MN State	Minneapolis College	Management Education Center, Renovation	20,457
	MN State	Moorhead	Weld Hall, Renovation and Addition	23,099
	MN State	Northland Community and Technical College	Effective Teaching and Learning Labs, Design and Renovation	3,282
	MN State	Pine Technical and Community College	Technical Trade Labs, Renovation and Addition	21,468

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	MN State	Saint Paul College	Academic Excellence Renovation, Design	1,671
	MN State	Vermilion CC	Classroom Building, Design and Renovation	3,633
	MN State	Winona	Design Net Zero Energy Building	4,866
	MSA	Faribault	Dorm Renovations and Predesign	7,837
	MSA	Faribault	Asset Preservation	1,200
	MN Zoo	Apple Valley	Asset Preservation	16,800
	MN Zoo	Apple Valley	Renovate Animal Hospital	1,225
	Perpich Center	Statewide	Asset Preservation	900
	PCA	Olmsted County	Capital Assistance Program Grants	10,000
	Public Safety	Metro	Construct State Emergency Operations Center	11,392
	Public Safety	St. Paul	BCA Maryland Building Improvements	6,033
	MnDOT	Statewide	Local Bridge Replacement Program	67,000
	MnDOT	Statewide	Local Road Improvement Fund Grants	78,954
	MnDOT	Statewide	Local Road Improvement Program, Township Grants	6,000
	MnDOT	Statewide	Highway Rail Grade Crossings	3,600
	MnDOT	Statewide	Port Development Assistance Program	18,097
	MnDOT	Statewide	Safe Routes to School	2,400
	MnDOT	Statewide	Active Transportation	1,200
	MnDOT	Statewide	MN Rail Service Improvement Program	9,600
	MnDOT	Systemwide	Greater Minnesota Transit Capital Program	3,000
	MnDOT	Carver County	CSAH 18	3,760
	MnDOT	Fridley	Northtown Rail Yards Overpass	4,000
	MnDOT	Hennepin County	Hennepin Ave. Bridge	3,500
	MnDOT	Inver Grove Heights	117th St. Reconstruction	5,000
	MnDOT	Plymouth	CSAH 47 Chankahda Trail	6,200
	MnDOT	Savage	Road and Bridge Improvements	800
	MnDOT	St. Paul	3rd Street Kellogg Bridge - Gold Line BRT	25,000
	MnDOT	St. Paul Park	3rd Street Collector Roadway	7,000
	MnDOT	Sherburne County	Highway 169	2,000
	MnDOT	Washington County	TH36 & Lake Elmo Ave. Interchange	10,000
	PFA	Statewide	Water Infrastructure - Wastewater	52,000
	PFA	Statewide	Water Infrastructure - Drinking Water	35,200
	PFA	Statewide	Point Source Implementation Grants Program	80,000
	PFA	Arden Hills	Water and Sewer Improvements	510
	PFA	Babbitt	Water, Sewer, and Utility Improvements	2,000

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	PFA	Brainerd	Water Treatment Facility Improvements	5,000
	PFA	Clearbrook	Water Infrastructure Improvements	5,500
	PFA	Cloquet	Water Infrastructure Expansion	5,000
	PFA	East Gull Lake	Wastewater Treatment Facility Improvements	2,900
	PFA	Grand Rapids	Water Treatment Facility Renovation	2,500
	PFA	Monticello	Water Treatment Facility and Infrastructure	11,000
	PFA	South Haven	Drinking Water Improvements	3,500
	U of M	Statewide	HEAPR	43,350
	U of M	Minneapolis/St. Paul	Chemistry Undergraduate Teaching Lab	92,600
	Veterans Affairs	Hastings	Veterans Home Campus Upgrade	77,765
	Veterans Affairs	Statewide	Asset Preservation	12,360
	MMB	Statewide	Bond Sale Expenses	1,564
2024, Chapter 127				
	MnDOT	Statewide	Corridors of Commerce	15,000
	MnDOT	Statewide	State Road Construction	15,000
	MMB	Statewide	Bond Sale Expenses	30
Special Session 2025, Chapter 15				
	Administration	St. Paul	Capital Asset Preservation and Replacement	1,000
	Administration	St. Paul	Capitol Complex Physical Security Phase III	2,000
	Administration	St. Paul	Capitol Tunnel	8,500
	Amateur Sports	Systemwide	Asset Preservation	5,000
	Amateur Sports	Statewide	Mighty Ducks	1,000
	BWSR	Statewide	Local Govt Roads Wetland Replacement Program	5,000
	DCYF	Statewide	Early Childhood Learning Facilities Grants	1,000
	Corrections	Systemwide	Asset Preservation	33,000
	Corrections	Lino Lakes	Programming & Support Space	7,400
	DCT	Systemwide	Asset Preservation	7,500
	DCT	Anoka	Miller Building Replacement	55,000
	Education	Statewide	Library Construction Grants	750
	DEED	Statewide	Transportation Economic Development Infrastructure Grants	1,500
	DEED	Statewide	Greater MN Business Infrastructure Grants	1,500
	Met Council	Systemwide	Inflow & Infiltration Grants	15,000
	Met Council	Systemwide	Community Tree-Planting Grants	1,000

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	Historical Society	Statewide	Asset Preservation	4,000
	Historical Society	Statewide	County and Local Preservation Grants	1,000
	HFA	Statewide	Public Housing Rehabilitation	26,000
	HFA	Statewide	Coop Manufactured Housing Infrastructure Grants	3,000
	MSA	Faribault	Asset Preservation	1,000
	MN State	Statewide	HEAPR	60,000
	MN State	Alexandria Technical and CC	Construct Transportation Center Building	24,000
	MN Zoo	Apple Valley	Asset Preservation	2,740
	MN Zoo	Apple Valley	Animal Hospital	11,000
	DNR	Statewide	Accessibility: Parks and Recreation Areas	1,000
	DNR	Statewide	Asset Preservation	33,000
	DNR	Statewide	Flood Hazard Mitigation	9,000
	DNR	Statewide	Reforestation	1,000
	Perpich Center	Golden Valley	Asset Preservation	1,260
	PCA	Statewide	Drinking Water Contamination Mitigation Program	6,000
	PCA	Statewide	Capital Assistance Program Grants	6,000
	PFA	Statewide	Point Source Implementation Grants Program	32,000
	PFA	Statewide	Water Infrastructure - Wastewater	43,500
	PFA	Statewide	Water Infrastructure - Drinking Water	43,500
	PFA	Statewide	Emerging Contaminants Grant Program	18,000
	Public Safety	Mankato	BCA Office & Laboratory	67,000
	MnDOT	Statewide	Highway Rail Grade Crossings	1,000
	MnDOT	Statewide	Local Bridge Replacement Program	20,000
	MnDOT	Statewide	Local Road Improvement Program	42,000
	MnDOT	Statewide	Local Road Improvement Program, Township Grants	5,000
	MnDOT	Statewide	Major Local Bridge Replacement Program	11,000
	MnDOT	Statewide	MN Rail Service Improvement Program	1,000
	U of M	Statewide	HEAPR	60,000
	Veterans Affairs	Statewide	Asset Preservation	7,500
	MMB	Statewide	Bond Sale Expenses	715
2026, Chapter 130				
	Administration	St. Paul	Capital Asset Preservation and Replacement	10,000
	Administration	St. Paul	Capitol Area Trees	800

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	Agriculture	East Grand Forks	Asset Preservation: Potato Inspection Facility	1,380
	Amateur Sports	Blaine	Asset Preservation: National Sports Center	4,500
	Amateur Sports	Statewide	Mighty Ducks	750
	BWSR	Statewide	Local Govt Roads Wetland Replacement Program	4,500
	BWSR	Statewide	Reinvest in Minnesota Reserve Program	2,000
	DCYF	Statewide	Early Childhood Learning Facilities Grants	2,000
	Corrections	Systemwide	Asset Preservation	39,208
	Corrections	Statewide	Facility Consolidation Predesign	350
	Corrections	Faribault	Correctional Facility Vocational Program Expansion	10,712
	Corrections	Clay County	Juvenile Detention Facility	1,872
	Education	Statewide	Library Construction Grants	2,000
	Education	East Grand Forks	Education Learning Center	6,500
	DEED	Statewide	Greater MN Business Infrastructure Grants	2,000
	DEED	Statewide	Innovative Business Infrastructure Grants	2,000
	DEED	Statewide	Transportation Economic Development Infrastructure Grants	2,000
	DEED	Austin	Hormel Institute Bioimaging Center	4,000
	DEED	Breckenridge	Community Center	3,000
	DEED	Brooklyn Center	Opportunity Site Public Infrastructure	3,000
	DEED	Brooklyn Park	Northwest Metro Regional Athletic Facility	7,500
	DEED	Chanhassen	Community Center	2,500
	DEED	Columbia Heights	Public Works Facility	2,478
	DEED	Duluth	DECC Accessibility Improvements	4,900
	DEED	Hennepin County	Avivo Rehabilitation Services Facility	5,000
	DEED	Duluth	Mission Engagement Center	8,850
	DEED	Mahnomen	Skilled Nursing Facility	10,000
	DEED	Martin County	Veterans Office	300
	DEED	Northfield	Community Resource Center	3,000
	DEED	Olmsted County	History Center Museum	2,322
	DEED	Osseo	Central Avenue Streetscape	586
	DEED	Osseo	City Hall	214
	DEED	Osseo	Public Works Facility	800
	DEED	Plymouth	City Center	5,000
	DEED	Ranier	Public Works Building	554
	DEED	Robbinsdale	Public Works Facility	3,325
	DEED	Shakopee	Innovation Hub	4,000
	DEED	South St. Paul	Aquatic Facility	4,150

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	DEED	St. Cloud	5th Avenue Downtown Connection Project	3,400
	DEED	St. Cloud	Mississippi Riverwalk Connection	3,000
	DEED	St. Paul	Roy Wilkins Auditorium	40,000
	DEED	St. Paul	CHS Field	1,000
	DEED	St. Paul	Latino Museum	3,600
	DEED	West St. Paul	150 Thompson Park	1,000
	DEED	Woodbury	La Lake Park	2,000
	DHS	Statewide	Emergency Shelter Facilities Grants	10,000
	DHS	Hennepin County	St. David's Facility Expansion and Renovation	1,131
	DCT	Systemwide	Asset Preservation	23,000
	DNR	Statewide	Asset Preservation	30,000
	DNR	St. Paul	Betterment of Buildings	3,000
	DNR	Statewide	Betterment of Public Lands	1,400
	DNR	Brainerd	Aviation Infrastructure	2,000
	DNR	Statewide	Accessibility: Parks and Recreation Areas	1,000
	DNR	Statewide	Flood Hazard Mitigation Grant Assistance Program	9,000
	DNR	Moorhead-Clay County	Flood Hazard Rider	10,000
	DNR	Rice Creek Watershed District	Flood Hazard Rider	840
	DNR	Statewide	State Trail Renovation	2,000
	DNR	Statewide	Reforestation	3,500
	DNR	Anoka	Rum River Dam	4,696
	DNR	Brainerd	Cuyuna Lakes State Trail Segment	2,000
	DNR	Champlin	Mississippi River Crossings	350
	DNR	Fillmore County	Forestville Bridge	2,000
	DNR	Preston/Carimona	Root River State Trail	2,000
	DNR	Three Rivers Park District	Coon Rapids Dam	5,640
	HFA	Statewide	Public Housing Rehabilitation	17,500
	Historical Society	Statewide	Historic Sites Asset Preservation	5,000
	Historical Society	Statewide	County and Local Preservation Grants	1,000
	Met Council	Systemwide	Inflow and Infiltration Grants	15,000
	Met Council	Systemwide	Regional Parks and Trails Grants	10,000
	Met Council	Systemwide	Community Tree-Planting Grants	5,000
	Met Council	Champlin	Elm Creek Greenway	500
	Met Council	Minneapolis	North Commons Park	6,000
	Met Council	Minneapolis	Cedar Riverside Recreation Center	1,500
	Met Council	Minneapolis	Loring Park	1,800

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	Met Council	Ramsey County	Boulevard Trail	4,750
	Met Council	St. Paul	Como Zoo	9,350
	Met Council	Washington County	Brown's Creek State Trail Connection	2,931
	Met Council	Washington County	Hardwood Creek Regional Trail Extension	1,000
	Military Affairs	Duluth	Duluth Hangar	3,500
	Military Affairs	Systemwide	Asset Preservation	2,300
	MN State	Systemwide	Asset Preservation	64,612
	MN State	Alexandria Technical and CC	Phase 2 - Vacated Transportation Building Improvements	4,000
	MN State	SW Minnesota State University	Physical Education Gymnasium Renovation	1,200
	MSA	Faribault	Asset Preservation	1,700
	MN Zoo	Apple Valley	Asset Preservation	9,000
	MnDOT	Statewide	Local Road Improvement Program	47,000
	MnDOT	Statewide	Local Road Improvement Program, Township Grants	3,000
	MnDOT	Statewide	Local Bridge Replacement Program	25,000
	MnDOT	Statewide	Highway Rail Grade Crossings	1,000
	MnDOT	Statewide	Safe Routes to School	1,000
	MnDOT	Anoka County	TH 65 Interchange	4,300
	MnDOT	Benton County	CSAH 1 Improvements	3,000
	MnDOT	Columbus	Hornsby Street NE	250
	MnDOT	Cook County	Gunflint Trail Improvements	1,000
	MnDOT	Dakota County	County Road 50	6,000
	MnDOT	Douglas County	I-94 Interchange	1,500
	MnDOT	Faribault County	Welk Drive	500
	MnDOT	Forest Lake	CSAH 32	2,755
	MnDOT	Frazee	North River Drive	1,850
	MnDOT	Freeport	I-94 Interchange	6,000
	MnDOT	Fridley	BNSF Northtown Yard	2,000
	MnDOT	Independence	U.S. Highway 12	4,000
	MnDOT	Karlstad	Municipal Airport	6,500
	MnDOT	Lake Park	Local Road Improvements	2,000
	MnDOT	Minneapolis	Pedestrian Access and Safety Improv	115
	MnDOT	North Branch	I-35 Interchange	1,000
	MnDOT	Oakdale	Pedestrian Bridge	3,750
	MnDOT	Olmsted County	U.S. Highway 14 Intersection Improv	5,600
	MnDOT	Pope County	210th Avenue	5,000
	MnDOT	Redwood Falls	Historic Swayback Bridge	1,300
	MnDOT	Richfield/Hennepin County	Nicollet Avenue Reconstruction	2,000

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	MnDOT	Savage	Highway 13 Local Road Improvements	3,000
	MnDOT	Slayton	34th Street	2,000
	MnDOT	St. Louis Park	Local Street Improvements	5,100
	MnDOT	Stearns County	322nd Street	3,000
	MnDOT	Stewartville	15th Avenue NE Improvements	3,096
	MnDOT	Stillwater	Washington Avenue	4,300
	MnDOT	Waconia	TH 5 Reconstruction	4,700
	MnDOT	Washington County	County Road 19A Realignment	9,600
	MnDOT	Washington County	CSAH 18 and CSAH 19 Intersection	500
	Perpich Center	Golden Valley	Asset Preservation	1,300
	PCA	Statewide	Drinking Water Contamination Mitigation Program	1,500
	PCA	Statewide	Solid Waste Capital Assist Grant Program	10,514
	PFA	Statewide	Match for State Revolving Loan Programs	19,000
	PFA	Statewide	Water Infrastructure - Wastewater	26,000
	PFA	Statewide	Water Infrastructure - Drinking Water	30,000
	PFA	Statewide	Point Source Implementation Grants Program	30,000
	PFA	Statewide	Lead Service Line Replacement	15,000
	PFA	Statewide	Emerging Contaminants Grant Program	17,000
	PFA	Albertville/Hanover/St. Michael	Regional Water System	5,000
	PFA	Alexandria Lake Area Sanitary District	Reclamation Facility	5,000
	PFA	Apple Valley	Water Treatment Plant Improvements	3,000
	PFA	Big Lake	Wastewater Treatment Facility	3,500
	PFA	Bloomington	North Central Sanitary Sewer Project	4,000
	PFA	Burnsville	Water Treatment Plant	2,750
	PFA	Central Iron Range Sanitary Sewer District	Infrastructure Improvements and Betterments	1,400
	PFA	Chisago County	Shorewood Park Sanitary Sewer District Extension	820
	PFA	Cohasset	Public Infrastructure	3,000
	PFA	Cold Spring	Wastewater Treatment Facility	5,500
	PFA	Cook	Public Infrastructure	1,500
	PFA	Crystal	Douglas Drive Water Main	1,750
	PFA	Dayton	Water Tower	3,000
	PFA	Duluth	Lakewood Water Treatment Plant	4,268

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	PFA	Duluth North Shore Sanitary District	Sanitary Collection System Improvements	958
	PFA	Eagle Lake	Drinking Water Treatment Facility	6,000
	PFA	East Bethel	Elementary School Utility Connections	3,000
	PFA	Ely	Water Infrastructure	3,900
	PFA	Eveleth	Wastewater Treatment Facility	2,500
	PFA	Excelsior	Public Infrastructure	5,613
	PFA	Floodwood	Water and Sewer Infrastructure	1,500
	PFA	Ghent	Water Infrastructure	3,000
	PFA	Grand Marais	Wastewater Treatment Plant	1,908
	PFA	Hastings	Water Treatment Plant	17,500
	PFA	Holdingford	Lift Station	1,000
	PFA	International Falls	Water Treatment Facility	4,800
	PFA	Jordan	Wastewater Infrastructure	5,375
	PFA	Kandiyohi	Water Infrastructure	4,000
	PFA	Keewatin	Public Infrastructure	5,500
	PFA	Lafayette	Water Treatment Plant	3,087
	PFA	Lake Benton	Public Infrastructure	863
	PFA	Lake Lillian	Public Infrastructure	3,500
	PFA	Laketown Township	Wastewater Infrastructure	6,400
	PFA	Lonsdale	Water Tower and Water Main	4,851
	PFA	Loretto	Water and Sewer Infrastructure	2,700
	PFA	Minneapolis	Storm Sewer Project	8,000
	PFA	Minneapolis	Water Main Project	12,360
	PFA	Minneapolis	Water Distribution Facility	4,000
	PFA	Minnetonka Beach	Public Infrastructure	4,540
	PFA	Minnetrista	Water Treatment Plant	3,000
	PFA	Moose Lake	Sewer Lining	1,575
	PFA	Mountain Lake	Public Infrastructure	2,000
	PFA	New Germany	Wastewater Treatment Expansion	4,000
	PFA	New Ulm	Public Infrastructure	4,000
	PFA	Newport	Public Infrastructure	4,000
	PFA	North Zumbro Sanitary Sewer District	New Regional Wastewater Treatment Facility	12,000
	PFA	Oak Park Heights	Water Infrastructure	1,600
	PFA	Proctor	Utility Extension	3,500
	PFA	Rice Lake	Sewer and Water Infrastructure	3,800
	PFA	Rochester	Sanitary Sewer Expansion	13,224
	PFA	Russell	Public Infrastructure	1,000
	PFA	Silver Bay	Water Pressure Improvements	1,070
	PFA	Silver Lake	Public Infrastructure	3,000
	PFA	South Haven	Water and Sewer Infrastructure	3,500

Authorization	Agency	Location/Program	Project/Program Description	Total Project Appropriation ($ in thousands)
	PFA	Spicer	Public Infrastructure	2,100
	PFA	St. Francis	Water and Sewer Improvements	4,000
	PFA	St. Paul Regional Water Services	Fridley Pump Station Improvements	1,500
	PFA	St. Paul	West 7th Street Improvement Project	13,000
	PFA	Taylors Falls	Sewer System Improvements	1,500
	PFA	Thomson	Public Infrastructure	1,500
	PFA	Two Harbors	Public Infrastructure	2,000
	PFA	Waseca	Sanitary Sewer Infrastructure	8,900
	PFA	Waseca	Water Tower	1,000
	PFA	Norman County/Clay County/Polk County	West Central Regional Water System Phase 1	5,000
	PFA	West Union	Sewer Infrastructure	900
	PFA	Winona	Wastewater Treatment Facility	6,500
	PFA	Wrenshall	Public Infrastructure	1,500
	Public Safety	Eden Prairie	Public Safety Garage and Storage Facility	2,000
	Public Safety	Golden Valley	Construct Fire Station	2,000
	Public Safety	Hilltop	Emergency Shelter	2,500
	Public Safety	Lake of the Woods County	Law Enforcement and Government Facilities	6,000
	Public Safety	Mendota Heights	Public Safety and City Hall Facility	4,000
	Public Safety	Minnetonka	Reconstruct Fire Station	2,500
	U of M	Statewide	Asset Preservation	40,000
	U of M	St. Paul	Magrath Campus Center Phase 1	35,000
	Veterans Affairs	Statewide	Asset Preservation	15,000
	Veterans Affairs	Minneapolis	Veterans Home Mpls Bldg 16 Renov	17,200
	Veterans Affairs	Hastings	Veterans Home Hastings Campus Renovation	45,172
	MMB	Statewide	Bond Sale Expenses	1,270

DESCRIPTION OF RURAL FINANCE AUTHORITY PROGRAMS

The Rural Finance Authority (RFA) currently administers thirteen loan programs to provide affordable credit to eligible farmers, and one program to provide financial assistance to proposed methane digester projects.

Five programs are funded from the sale of general obligation bonds. They include: the Beginning Farmer Loan Program, the Seller-Sponsored Loan Program, the Agricultural Improvement Program, the Livestock Expansion and Modernization Loan Program and the Restructure II Loan Program.

Each of these five programs are participation programs whereby the RFA joins in partnership with local lending institutions to provide credit based upon certain pre-established rules. Over 450 financial facilities are included in master participation agreements.

General eligibility requirements for each of these five programs are: (1) a borrower must be a resident of Minnesota or a domestic family farm corporation or family farm partnership, as defined in Minnesota

Statutes, Section 500.24, subdivision 2; and (2) the borrower or one of the borrowers must be the principal operator of the farm with respect to which the loan is made.

Security for the bond funded loans must be a first mortgage on agricultural real estate. The interest rate for the RFA portion of a loan is set to meet the debt service requirements of the bonds sold to finance it. The maximum term for loan participations is ten (10) years unless otherwise stated by the RFA.

As of the date of this Official Statement, the Commissioner of Management and Budget has been authorized to issue up to $406.6 million in State general obligation bonds to finance certain programs of the RFA and has issued, including bonds from this sale, $406.6 million of these bonds for this purpose.

The following is a more extensive description of each of the five loan participation programs:

Beginning Farmer Loan Program

This program is aimed at younger, lower equity individuals who intend, over time, to become full time farmers. The purpose is to enable the beginning farmer to purchase farm real estate. The RFA participation is limited to 45 percent of the loan principal up to a maximum of $500,000. Each loan requires a minimum down payment of 10 percent of the purchase price. Loan amortization may be scheduled on a term of 15, 20, 25 or 30 years as negotiated among the lender, the borrower and the RFA. RFA participation is for a maximum of 10 years unless otherwise stated by the RFA. A Borrower must (1) have sufficient education, training or experience to succeed in the type of farming that they intend to pursue; (2) have a total net worth not exceeding $$1,069,000, indexed yearly for inflation; (3) agree to enroll in a farm business management program approved by the Commissioner of Agriculture; and (4) agree to obtain credit life insurance for the amount of the debt incurred unless a waiver is given.

Seller-Sponsored Loan Program

This program is very similar to the Beginning Farmer program with one exception. This program is designed to permit the sellers of a farm to fund a portion of the financing essential to the completion of the sale. The seller agrees to subordinate its financing to the lender/RFA. The lender and the RFA provide the balance of the funds with a first mortgage. The down payment is negotiable. The program rules do not, however, require one to be made. Each lender determines its own requirements based on the buyer's ability to repay the needed financing.

Agricultural Improvement Program

This program creates affordable financing for new, state-of-the-art improvements for agriculture production, including the purchase and construction or installation of improvements to land, buildings and other permanent structures, and equipment incorporated in or permanently affixed to the land, buildings or structures, which are useful for and intended for the purpose of improving a farm. The improvements can be for any farm related purpose including livestock facilities, grain handling facilities, machine storage, erosion control, wells and manure systems. The RFA participation is 45 percent of the loan principal to a maximum of $500,000. The RFA is restricted to participation in loans that do not exceed 80 percent of the appraised value of the real estate comprising collateral for the loan. A borrower must have a total net worth not exceeding $1,069,000, indexed for inflation.

Restructured II Loan Program

Under this program, the RFA works with local lenders to help farmers reorganize their debt. This program is for farmers who remain in good credit standing with their local lender, but who are having trouble with cash flow. Only debt of an agricultural nature is eligible. The RFA will participate on 45 percent of the loan principal up to $525,000. The loans may be amortized over a period of up to 25 years. Participation is restricted to loans that do not exceed 80 percent of the appraised value of real estate comprising collateral for the loan. A borrower must (1) have received at least 50 percent of average annual gross income from farming for the past three years; (2) have a net worth not exceeding $2,150,000, indexed for inflation; and (3) have projected annual expenses not exceeding 95 percent of projected annual income.

Livestock Expansion and Modernization Loan Program

This program is similar to the Agricultural Improvement program, but only for livestock related needs. It creates affordable financing for new, state-of-the-art improvements to land, buildings and other permanent structures, and equipment incorporated in or permanently affixed to the land, buildings or structures, which are useful for and intended for the purpose of raising livestock. The RFA may participate on a loan up to 45 percent of the loan principal to a maximum of $625,000. The RFA is restricted to participation in loans that do not exceed 80 percent of the appraised value of the real estate comprising collateral for the loan. A borrower must (1) be actively engaged in a livestock operation; (2) have the ability to repay the loan; and (3) have a total net worth not exceeding $2,226,500, indexed for inflation.

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SCHEDULE OF BONDS BEING REFUNDED

Various Purpose Refunding Bonds:

Proceeds of the Series 2026D Bonds will be used to refund the following bonds.

General Obligation State Various Purpose Bonds, Series 2016A dated August 11, 2016, maturing in the years and amounts and bearing interest at the annual rates set forth below. Bonds maturing on or after August 1, 2027, will be called for redemption and prepayment on October 22, 2026, at par plus accrued interest.

Maturing	Principal Amount	Interest Rate	CUSIP*
8/1/2027	$13,070,000	5.000%	60412AHE6
8/1/2028	$13,070,000	5.000%	60412AHF3
8/1/2029	$13,070,000	5.000%	60412AHG1
8/1/2030	$13,070,000	5.000%	60412AHH9
8/1/2031	$13,070,000	5.000%	60412AHJ5
8/1/2032	$13,070,000	5.000%	60412AHK2
8/1/2033	$13,070,000	5.000%	60412AHL0
8/1/2034	$13,070,000	5.000%	60412AHM8
8/1/2035	$13,065,000	5.000%	60412AHN6
8/1/2036	$13,065,000	5.000%	60412AHP1
Total	$130,690,000		

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

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APPENDIX E

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

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SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

RESIDENT POPULATION
(Thousands of Persons)

Year	U.S.	Minnesota	Minnesota Share of U.S.	% Change U.S.	% Change Minnesota
2015	320,739	5,484	1.71	0.7%	0.6%
2016	323,072	5,525	1.71	0.7%	0.8%
2017	325,122	5,569	1.71	0.6%	0.8%
2018	326,838	5,609	1.72	0.5%	0.7%
2019	328,330	5,640	1.72	0.5%	0.6%
2020	331,578	5,711	1.72	0.4%	0.4%
2021	332,100	5,714	1.72	0.2%	0.1%
2022	333,996	5,728	1.71	0.6%	0.2%
2023	336,755	5,753	1.71	0.8%	0.4%
2024	340,004	5,797	1.71	1.0%	0.8%
2025	341,785	5,830	1.71	0.5%	0.6%

Source: U.S. Department of Commerce, U.S. Census Bureau. www.census.gov/data/tables/2020/dec/2020-apportionment-data.html, www.census.gov/data/tables/time-series/demo/popest/intercensal-2000-2010-state
*Pre-2020 figures reflect Vintage 2020 postcensal estimates and year 2020 and later figures reflect Vintage 2025 estimates. Data extracted by MMB staff in June 2026.

NON-FARM EMPLOYMENT-MIX OF MINNESOTA AND UNITED STATES FOR 2025
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Total Private	2,592.4	85.6	134,948	85.2
Goods-Producing	463.6	15.3	21,514	13.6
Mining and Logging	6.3	0.2	614	0.4
Construction	142.4	4.7	8,267	5.2
Manufacturing Durables	202.0	6.7	7,832	4.9
Manufacturing Non-Durables	112.9	3.7	4,802	3.0
Private Service Providing	2,128.8	70.3	113,434	71.6
Wholesale Trade	133.0	4.4	6,059	3.8
Retail Trade	281.0	9.3	15,441	9.7
Transportation, Warehousing, Utilities	116.9	3.9	6,640	4.2
Information	41.2	1.4	2,862	1.8
Financial Activities	187.8	6.2	9,196	5.8
Professional and Business Services	368.8	12.2	22,416	14.1
Education and Health Services	609.7	20.1	27,338	17.3
Leisure and Hospitality	273.0	9.0	16,884	10.7
Other Services	117.3	3.9	5,997	3.8
Government	435.0	14.4	23,509.0	14.8
Total (Non-Farm)	**3,027.4**	**100.0**	**158,457.0**	**100.0**

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2026.

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EMPLOYMENT-MIX IN DURABLE GOODS INDUSTRIES OF UNITED STATES AND MINNESOTA FOR 2025
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Wood Products	12.9	6.4	404	5.2
Fabricated Metal Products	42.7	21.2	1,437	18.3
Machinery	34.9	17.3	1,089	13.9
Computers and Electronic Products	42.6	21.1	998	12.7
Transportation Equipment	38.3	18.9	1,743	22.3
Medical Equipment and Supplies	3.4	1.7	326	4.2
Other Durables	27.2	13.5	1,836	23.4
Total Durable Goods Manufacturing	202.0	100.0	7,832	100.0

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2026.

EMPLOYMENT-MIX IN NON-DURABLE GOODS INDUSTRIES OF UNITED STATES AND MINNESOTA FOR 2025
(Thousands of Jobs)

Industry	Minnesota	% of Total	U.S.	% of Total
Food Manufacturing	48.0	41.9	1,783	37.1
Other Non-Durables	66.6	58.1	3,019	62.9
Total Non-Durable Goods	114.5	100.0	4,802	100.0

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2026.

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

	Minnesota					United States				
				%Change					%Change	
Category	**2000**	**2010**	**2020**	**10-20**	**10-20**	**2000**	**2010**	**2020**	**10-20**	**10-20**
Total Private	2,275.5	2,221.3	2,379.6	(2.4)	7.1	111,222	107,854	120,200	(3.0)	11.4
Goods-Producing	523.7	386.3	439.4	(26.2)	13.7	24,649	17,737	19,983	(28.0)	12.7
Mining and Logging	8.1	6.0	6.2	(26.3)	3.8	599.0	705.0	600.0	17.7	(14.9)
Construction	118.9	87.6	124.0	(26.3)	41.5	6,787	5,518	7,257	(18.7)	31.5
Manufacturing Durables	255.6	183.4	198.8	(28.2)	8.4	10,877	7,050	7,533	(35.2)	6.9
Manufacturing Non-Durables	141.1	109.3	110.5	(22.5)	1.0	6,386	4,464	4,594	(30.1)	2.9
Private Service Providing	1,751.8	1,835.0	1,940.2	4.8	5.7	86,572	90,118	100,217	4.1	11.2
Wholesale Trade	126.6	119.2	125.3	(5.9)	5.1	5,888	5,387	5,633	(8.5)	4.6
Retail Trade	307.2	276.9	275.1	(9.9)	(0.7)	15,262	14,404	14,809	(5.6)	2.8
Transportation, Warehousing, Utilities	103.4	90.0	103.6	(12.9)	15.1	4,401	4,179	5,640	(5.0)	34.9
Information	69.3	53.1	42.9	(23.3)	(19.2)	3,630	2,707	2,721	(25.4)	0.5
Financial Activities	160.8	163.2	193.3	1.4	18.4	7,783	7,695	8,704	(1.1)	13.1
Professional and Business Services	323.7	325.5	361.4	0.6	11.0	16,725	16,839	20,416	0.7	21.2
Education and Health Services	324.5	457.8	534.3	41.1	16.7	15,252	19,975	23,275	31.0	16.5
Leisure and Hospitality	221.7	235.2	204.7	6.1	(13.0)	11,862	13,049	13,148	10.0	0.8
Other Services	114.7	114.1	99.7	(0.5)	(12.6)	5,168	5,330	5,329	3.1	(0.0)
Government	407.6	416.5	405.9	2.2	(2.6)	20,790	22,490	21,986	8.2	(2.2)
Total (Non-Farm)	**2,683.1**	**2,637.9**	**2,785.5**	**(1.7)**	**5.6**	**132,011**	**130,345**	**142,186**	**(1.3)**	**9.1**

Note: Columns may not add due to rounding.
Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff June 2026.

MINNESOTA AND UNITED STATES PER CAPITA PERSONAL INCOME

Year	Minnesota	U.S.	Minnesota as % of U.S.
2015	$51,602	$48,223	107.0
2016	$52,280	$49,168	106.3
2017	$54,181	$51,239	105.7
2018	$56,619	$53,587	105.7
2019	$58,384	$55,888	104.5
2020	$61,372	$59,151	103.8
2021	$67,730	$64,692	104.7
2022	$69,467	$66,303	104.8
2023	$72,674	$70,013	103.8
2024	$75,548	$73,227	103.2
2025	$78,538	$76,393	102.8

Note: Per capita personal income is total personal income divided by total midyear population estimates of the Census Bureau.
Note: Current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, https://www.bea.gov/regional/index.htm.
U.S. Department of Commerce, U.S. Census Bureau, www.census.gov/popest.
Data extracted by MMB staff June 2026.

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

State	2000 Personal Income (Millions)	2010 Personal Income (Millions)	2000-2010 Annual Compound Rate of Increase (%)	Regional Growth Rank 2000-2010	2020 Personal Income (Millions)	2010-2020 Annual Compound Rate of Increase (%)	Regional Growth Rank 2010-2020	2010 Census Population (Thousands)	2010 Per Capita Personal Income ($)	2010 Regional Rank	2020 Census Population (Thousands)	2020 Per Capita Personal Income ($)	2020 Regional Rank
Illinois	$411,221	$540,881	2.8	10	$788,153	3.8	9	12,845	$42,107	3	12,795	$61,597	1
Indiana	$171,032	$231,026	3.1	9	$351,576	4.3	4	6,491	$35,590	12	6,790	$51,776	12
Iowa	$80,083	$116,536	3.8	5	$168,098	3.7	11	3,051	$38,190	8	3,191	$52,677	10
Kansas	$75,871	$113,843	4.1	4	$162,277	3.6	12	2,859	$39,821	6	2,938	$55,229	7
Michigan	$301,060	$352,074	1.6	12	$532,020	4.2	5	9,880	$35,635	11	10,072	$52,820	9
Minnesota	**$159,595**	**$225,972**	**3.5**	**7**	**$350,470**	**4.5**	**3**	**5,312**	**$42,538**	**2**	**5,711**	**$61,372**	**2**
Missouri	$156,202	$221,760	3.6	6	$321,317	3.8	10	5,996	$36,984	9	6,155	$52,204	11
Nebraska	$49,570	$75,194	4.3	3	$111,734	4.0	6	1,830	$41,085	5	1,963	$56,911	5
North Dakota	$16,591	$29,759	6.0	1	$47,123	4.7	1	675	$44,081	1	780	$60,444	3
Ohio	$323,813	$422,204	2.7	11	$623,575	4.0	7	11,542	$36,580	10	11,799	$52,852	8
South Dakota	$20,201	$33,683	5.2	2	$52,909	4.6	2	816	$41,275	4	888	$59,595	4
Wisconsin	$158,494	$222,261	3.4	8	$327,298	3.9	8	5,692	$39,048	7	5,897	$55,499	6
Region	**$1,923,734**	**$2,585,192**	**3.0**		**$3,836,550**	**4.0**		**66,991**	**$38,590**		**68,980**	**$55,619**	
United States	**$8,620,234**	**$12,547,501**	**3.8**		**$19,613,059**	**4.6**		**309,379**	**$40,557**		**331,576**	**$59,151**	

Note: Per capita personal income is total personal income divided by Census population.
Note: Current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/index.htm.
U.S. Department of Commerce, U.S. Census Bureau, www.census.gov/popest.
Data extracted by MMB staff June 2026.

PERSONAL INCOME GROWTH IN TWELVE STATE NORTH CENTRAL REGION: 2024-2025
($'s in Millions)

Growth Rank	State	2024 Personal Income	2025 Personal Income	Percent Growth
1	South Dakota	$69,996	$74,150	5.9
2	Kansas	$195,633	$206,946	5.8
3	North Dakota	$57,153	$60,077	5.1
4	Nebraska	$145,799	$153,082	5.0
5	Iowa	$211,425	$221,266	4.7
6	**Minnesota**	**$437,982**	**$457,908**	**4.5**
7	Ohio	$766,046	$800,799	4.5
8	Missouri	$405,457	$423,809	4.5
9	Illinois	$947,183	$989,192	4.4
10	Michigan	$645,847	$674,071	4.4
11	Wisconsin	$403,888	$421,498	4.4
12	Indiana	$443,689	$462,279	4.2
	Region	**$4,730,098**	**$4,945,077**	**4.5**
	United States	**$24,897,613**	**$26,109,831**	**4.9**

Note: Columns may not add due to rounding
Note: Current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/index.htm
Data extracted by MMB staff June 2026.

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

State	2000 Non-Farm Employment	2010 Non-Farm Employment	2000-2010 Percent Increase	Regional Growth Rank 2000-2010	2020 Non-Farm Employment	2010-2020 Percent Increase	Regional Growth Rank 2010-2020
Illinois	6,042	5,610	(7.2)	10	5,699	1.6	12
Indiana	3,005	2,800	(6.8)	9	2,994	6.9	2
Iowa	1,481	1,469	(0.8)	4	1,509	2.7	10
Kansas	1,347	1,331	(1.2)	5	1,359	2.1	11
Michigan	4,678	3,867	(17.3)	12	4,040	4.5	7
Minnesota	**2,683**	**2,638**	**(1.7)**	**6**	**2,786**	**5.6**	**4**
Missouri	2,754	2,669	(3.1)	7	2,776	4.0	8
Nebraska	913	945	3.5	3	988	4.6	5
North Dakota	328	377	14.8	1	412	9.5	1
Ohio	5,625	5,037	(10.5)	11	5,264	4.5	6
South Dakota	378	403	6.6	2	426	5.9	3
Wisconsin	2,832	2,725	(3.8)	8	2,825	3.7	9
Region	**32,066**	**29,869**	**-6.9**		**31,078**	**4.0**	
U.S.	**132,011**	**130,345**	**-1.3**		**142,186**	**9.1**	

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Data extracted by MMB staff June 2026.

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NON-FARM EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION:
2023-2024 AND 2024-2025
(Thousands of Jobs)

State	2023 Non-Farm Employment	2024 Non-Farm Employment	2023-2024 Percent Increase	Regional Growth Rank 2023-2024	2025 Non-Farm Employment	2024-2025 Percent Increase	Regional Growth Rank 2024-2025
Illinois	6,120	6,145	0.4	11	6,156	0.2	4
Indiana	3,240	3,261	0.6	9	3,266	0.2	6
Iowa	1,593	1,599	0.4	12	1,589	(0.6)	12
Kansas	1,443	1,458	1.0	4	1,463	0.3	2
Michigan	4,461	4,487	0.6	10	4,484	(0.1)	9
Minnesota	2,985	3,016	1.0	3	3,027	0.4	1
Missouri	2,968	2,988	0.7	8	2,984	(0.1)	10
Nebraska	1,049	1,059	0.9	5	1,060	0.2	5
North Dakota	439	447	1.8	1	447	0.0	8
Ohio	5,618	5,658	0.7	7	5,665	0.1	7
South Dakota	462	468	1.3	2	469	0.3	3
Wisconsin	3,018	3,040	0.7	6	3,035	(0.2)	11
Region	**33,394**	**33,623**	**0.7**		**33,644**	**0.1**	
U.S.	**155,868**	**157,693**	**1.2**		**158,457**	**0.5**	

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.
Data extracted by MMB staff June 2026.

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MINNESOTA & UNITED STATES UNEMPLOYMENT RATES
(Percent)

	Annual Average	
Year	**Minnesota %**	**U.S. %**
2016	3.9	4.9
2017	3.5	4.4
2018	3.0	3.9
2019	3.3	3.7
2020	6.3	8.1
2021	3.7	5.4
2022	2.5	3.6
2023	2.8	3.6
2024	3.1	4.0
2025	3.8	4.2

	Monthly Figures (Seasonally Adjusted)	
Month	**Minnesota %**	**U.S. %**
2025		
January	3.4	4.0
February	3.5	4.1
March	3.6	4.2
April	3.6	4.2
May	3.7	4.2
June	3.8	4.1
July	3.8	4.2
August	3.9	4.3
September	4.1	4.4
October	**	**
November	4.2	4.5
December	4.2	4.4
2026		
January	4.4	4.3
February	4.5	4.4
March	4.5	4.3
April	4.5	4.3
May	4.4	4.3
June	4.4	4.2

**October 2025 data not available. Household survey data from the Current Population Survey were not collected due to a lapse in federal appropriations and will not be collected retroactively.

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov
Minnesota Department of Employment and Economic Development, http://mn.gov/deed/data/.
Data extracted by MMB staff July 2026.

MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500

($ in millions)

Rank 2025	Rank 2024	Company	Revenues	Assets	Profits	Industry Category	Industry Rank
3	3	UnitedHealth Group	$447,567.0	$12,056.0	$309,581.0	Health Care: Insurance and Managed Care	1
42	41	Target	$104,780.0	$3,705.0	$59,490.0	General Merchandisers	3
110	105	U.S. Bancorp	$42,861.0	$7,570.0	$692,345.0	Commercial Banks	8
113	108	Best Buy	$41,691.0	$1,069.0	$14,670.0	Specialty Retailers: Other	4
130	115	CHS (Cenex Harvest States)	$35,462.6	$597.9	$18,863.9	Food Production	3
183	174	Minnesota Mining & Manufacturing (3M)	$234,948.0	$3,250.0	$37,733.0	Chemicals	2
227	216	General Mills	$19,486.6	$2,295.2	$33,071.1	Food Consumer Products	4
230	230	Ameriprise Financial	$18,911.0	$3,563.0	$190,904.0	Diversified Financials	7
273	262	Land O'Lakes	$16,411.5	$259.7	$9,169.3	Food Consumer Products	5
277	233	C.H. Robinson Worldwide	$16,232.8	$587.1	$5,058.4	Transportation and Logistics	1
280	274	Ecolab	$16,081.2	$2,075.6	$24,696.3	Chemicals	4
306	319	Xcel Energy	$14,669.0	$2,018.0	$81,371.0	Utilities: Gas and Electric	11
363	352	Hormel Foods	$12,106.2	$478.2	$13,393.1	Food Consumer Products	6
387	388	Thrivent Financial for Lutherans	$11,179.1	$748.1	$124,153.9	Insurance: Life, Health (Mutual)	8
457	464	Securian Financial Group	$8,663.4	$310.0	$76,784.8	Insurance: Life, Health (stock)	11
468	462	Solventum	$8,325.0	$1,556.0	$14,294.0	Medical Productions and Equipment	11
475	492	Fastenal	$8,200.5	$1,257.4	$5,052.9	Wholesalers: Diversified	9
486	-	APi Group	$7,911.0	$302.0	$8,936.0	Engineering and Construction	8

Source: Fortune Magazine, https://fortune.com/ranking/fortune500/?statename=Minnesota
Data extracted by MMB staff, June 2026.

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APPENDIX F
SELECTED STATE FINANCIAL STATEMENTS
For the Fiscal Year
Ended June 30, 2025

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APPENDIX F
SELECTED STATE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025
Table of Contents

BASIC FINANCIAL STATEMENTS

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

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OLA | OFFICE OF THE LEGISLATIVE AUDITOR

Judy Randall, Legislative Auditor
State of Minnesota

Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Walz, Governor

Erin Campbell, Commissioner, Minnesota Management and Budget

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the state's basic financial statements as listed in the Table of Contents.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund, and the Minnesota State Lottery, which is a nonmajor proprietary fund, and which cumulatively represent 55 percent, 47 percent, and 45 percent, respectively, of the total assets, total net position, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, Minnesota Sports Facilities Authority, Office of Higher Education, Public Facilities Authority, Minnesota Climate Innovation Finance Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, total net position, and operating revenues of the total discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

Room 140 Centennial Building, 658 Cedar Street, St. Paul, MN 55155-1603 • Phone: 651-296-4708 • Fax: 651-296-4712
E-mail: legislative.auditor@state.mn.us • Website: www.auditor.leg.state.mn.us • Minnesota Relay: 1-800-627-3529 or 711

Basis for Opinions

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

Emphasis of Matter

As discussed in Notes 1 and 20 to the financial statements, the State of Minnesota has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, for the year ended June 30, 2025. Accordingly, the State of Minnesota reported a restatement for the change in accounting principle (see Note 20). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities of the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such

procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Minnesota's ability to continue as a going concern for a reasonable period of time.

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

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

Required Supplementary Information

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

Supplementary Information

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

with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Lori Leysen, CPA	Zach Yzermans, CPA
Deputy Legislative Auditor	Audit Director

December 18, 2025

MINNESOTA

2025 Annual Comprehensive Financial Report

Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2025, and identifies changes in the financial position of the state that occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

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

The financial section of this annual report has four parts:

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

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

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

Government-wide Financial Statements

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

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

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

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

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

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

Governmental Activities

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

Business-type Activities

The business-type activities of the state normally are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. The operations of the Family and Medical Benefit Insurance, Unemployment Insurance, the State Colleges and Universities, and the Lottery are examples of business-type activities.

Discretely Presented Component Units

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. Discretely presented component units are shown separately from the primary government. Component units are legally separate organizations for which the state is financially accountable, or the nature and significance of the unit's relationship with the state is such that exclusion of the unit would cause the state's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's governing body, and either a) the ability of the state to impose its will, or b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government.

The state's 12 component units are reported as discretely presented component units and reported in two categories: major and nonmajor. This categorization is based on the relative size of an individual component unit's assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses in relation to the total of all component units and the primary government.

The state's three major component units are:

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

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

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

State Fund and Component Unit Financial Statements

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

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

The state's funds are divided into three categories:

Governmental Funds

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

Governmental funds are accounted for using the modified accrual basis of accounting, which recognizes revenues when they are available and measurable. Expenditures are generally recognized in the accounting period when the fund liability is incurred, if measurable. This approach is known as the flow of current financial resources measurement focus. These statements provide a detailed short-term view of the state's finances that assist in determining whether there are more or less resources available and whether these financial resources will be adequate to meet the current needs of the state. Governmental funds include the General, special revenue, capital projects, Debt Service, and Permanent funds.

The focus of governmental funds is narrower than that of the Government-wide Financial Statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By comparing this financial information, readers may better understand the long-term impact of the state's short-term financing decisions.

The basic financial statements include a reconciliation of governmental funds to governmental activities. These reconciliations follow the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

The state maintains 23 individual state governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General and Federal funds, which are reported as major funds. Information from the remaining funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

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

Proprietary Funds

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

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

The state maintains 17 individual proprietary funds. The Family and Medical Benefit Insurance, State Colleges and Universities, and Unemployment Insurance funds, which are considered major funds, are presented separately in the proprietary funds Statement of Net Position and in the proprietary funds Statement of Revenues, Expenses, and Changes in Net Position. Information from the eight nonmajor enterprise funds and the six internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

Fiduciary Funds

Fiduciary funds are used to report activities when the state acts as a trustee or fiduciary to hold resources for the benefit of parties outside the state. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The Government-wide Financial Statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the state to finance its operations. The state must ensure that the assets reported in fiduciary funds are used for their intended purposes.

The state maintains 21 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which account for the transactions, assets, liabilities, and fund equity of the external investment pools), and the Custodial Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements in this report.

Component Units

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

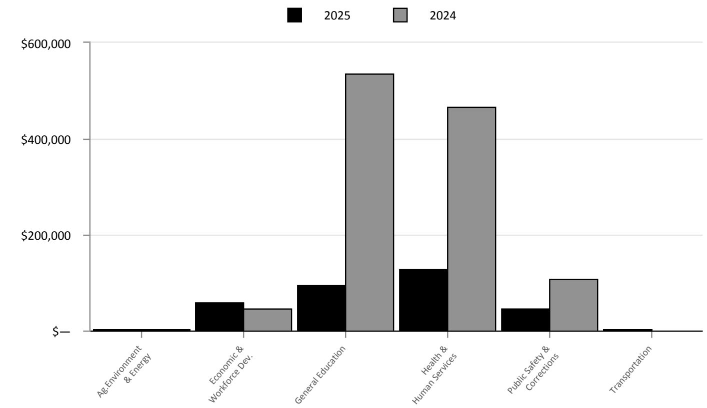
Other supplementary information includes Combining and Individual Fund Financial Statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial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

COVID-19 Pandemic Impact on Current Year Governmental Financial Activity

The spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has had a material impact on global, national, and state economies. The President declared a national emergency and the Governor declared a Peacetime Emergency related to COVID-19 on March 13, 2020. The Peacetime Emergency ended July 1, 2021 and the national emergency ended on May 11, 2023. The COVID-19 pandemic significantly disrupted economic activity and increased public and private health emergency response costs during this time. The impacts of COVID-19 are diminishing, but pandemic-related response activities still have impacts in the Federal Fund during fiscal year 2025.

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

Functional Expenditures by Fund Related to COVID-19
Governmental Funds - Federal Fund
Fiscal Years Ended June 30, 2025 and 2024
(In Thousands)



The Federal Fund expenditures related to COVID-19 decreased in the majority of the remaining functions as federal funding for COVID-19 winds down. The largest decrease is related to general education expenditures due to the continued reductions in aid to school districts as federal COVID programs end. Health and human services expenditures also had significant decreases which were primarily related to the complete elimination of the enhanced federal participation rate for medical assistance, which caused the expenditures to shift back to the state, as well as continued reductions in expenditures for vaccines, vaccine incentives, testing, and emergency hospital staff. The elimination of the grants to hospitals related to COVID-19 funding from the Federal Emergency Management Agency (FEMA) caused the decrease in public safety and corrections expenditures. The only increase was in the economic and workforce development expenditures as a result of an increase in expenditures for investments in broadband under the federal Coronavirus Capital Projects Fund.

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

Government-wide Financial Analysis

Net position serves as a useful indicator of a government's financial position over time. The state's combined net position (governmental and business-type activities) totaled $43.6 billion at the end of fiscal year 2025, compared to $44.1 billion at the beginning of the year.

Net Position
June 30, 2025 and 2024
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current Assets	$ 38,318,798	$ 37,992,690	$ 3,827,525	$ 4,033,550	$ 42,146,323	$ 42,026,240
Noncurrent Assets:						
Capital Assets, including Right-to-Use Capital Assets	22,731,354	21,766,887	2,053,675	2,028,861	24,785,029	23,795,748
Other Assets	1,540,213	1,171,530	98,000	57,293	1,638,213	1,228,823
Total Assets	$ 62,590,365	$ 60,931,107	$ 5,979,200	$ 6,119,704	$ 68,569,565	$ 67,050,811
Deferred Outflows of Resources[1]	$ 1,418,692	$ 2,010,618	$ 176,411	$ 213,753	$ 1,595,103	$ 2,224,371
Current Liabilities[1]	$ 10,703,564	$ 9,421,352	$ 572,869	$ 587,189	$ 11,276,433	$ 10,008,541
Noncurrent Liabilities	11,967,539	12,253,779	895,319	997,513	12,862,858	13,251,292
Total Liabilities	$ 22,671,103	$ 21,675,131	$ 1,468,188	$ 1,584,702	$ 24,139,291	$ 23,259,833
Deferred Inflows of Resources[1]	$ 2,191,939	$ 1,764,268	$ 240,550	$ 147,388	$ 2,432,489	$ 1,911,656
Net Position:						
Net Investment in Capital Assets[1]	$ 18,594,404	$ 17,786,131	$ 1,673,505	$ 1,630,442	$ 20,267,909	$ 19,416,573
Restricted	10,373,940	9,655,203	1,681,166	1,830,594	12,055,106	11,485,797
Unrestricted[1]	10,177,671	12,060,992	1,092,202	1,140,331	11,269,873	13,201,323
Total Net Position	$ 39,146,015	$ 39,502,326	$ 4,446,873	$ 4,601,367	$ 43,592,888	$ 44,103,693

[1] 2024 governmental activities has been restated for error corrections. See Note 20 – Change in Accounting Principle, Change in Accounting Estimate, Error Correction, and Change in Reporting Entity.

The largest portion, $20.3 billion of $43.6 billion, of the state's net position reflects investment in capital assets such as land, buildings, equipment, infrastructure (pavement, bridges, and other immovable assets, and right-to-use) less any related outstanding debt or lease/subscription obligations used to acquire those assets. The state uses these capital assets, including right-to-use capital assets, to provide services to Minnesotans. These assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt or lease/subscription obligations related to these assets. Therefore, the resources needed to repay this debt related to capital assets, including right-to-use capital assets, must be provided from other sources.

Approximately $12.1 billion of the state's net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used. Additional information on the state's net position restrictions is located in Note 15 – Equity in the notes to the financial statements. The remaining net position balance represents unrestricted net position of $11.3 billion.

The state's combined net position for governmental and business-type activities decreased $102.9 million (0.2 percent) over the course of this fiscal year. This resulted from a $29.5 million (0.1 percent) decrease in net position of governmental activities, and a $73.5 million (1.6 percent) decrease in net position of business-type activities.

Changes in Net Position
For Fiscal Years Ended June 30, 2025 and 2024
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues:						
Charges for Services	$ 2,041,144	$ 1,908,449	$ 3,313,621	$ 3,046,692	$ 5,354,765	$ 4,955,141
Operating Grants and Contr.[1]	19,945,356	19,221,033	603,288	534,605	20,548,644	19,755,638
Capital Grants	202,451	151,399	—	—	202,451	151,399
General Revenues:						
Individual Income Taxes	18,138,683	16,740,695	—	—	18,138,683	16,740,695
Corporate Income Taxes	3,051,184	3,223,930	—	—	3,051,184	3,223,930
Sales Taxes	8,958,996	8,803,443	—	—	8,958,996	8,803,443
Property Taxes	764,304	721,648	—	—	764,304	721,648
Motor Vehicle Taxes	2,143,197	2,043,105	—	—	2,143,197	2,043,105
Fuel Taxes	946,242	889,206	—	—	946,242	889,206
Other Taxes	3,781,821	3,592,615	—	—	3,781,821	3,592,615
Tobacco Settlement	151,351	183,713	—	—	151,351	183,713
Investment/Interest Earnings[1]	906,159	1,161,610	109,331	114,499	1,015,490	1,276,109
Other Revenues	132,046	182,180	963	749	133,009	182,929
Total Revenues	$ 61,162,934	$ 58,823,026	$ 4,027,203	$ 3,696,545	$ 65,190,137	$ 62,519,571
Expenses						
Agricultural, Environmental and Energy Resources	$ 2,092,577	$ 1,719,682	$ —	$ —	$ 2,092,577	$ 1,719,682
Economic and Workforce Dev.	1,869,749	2,014,315	—	—	1,869,749	2,014,315
General Education	14,025,258	13,402,311	—	—	14,025,258	13,402,311
General Government	2,105,935	2,745,406	—	—	2,105,935	2,745,406
Health and Human Services	29,032,573	26,811,914	—	—	29,032,573	26,811,914
Higher Education	1,306,409	1,216,259	—	—	1,306,409	1,216,259
Intergovernmental Aid	3,000,434	2,758,543	—	—	3,000,434	2,758,543
Public Safety and Corrections	1,841,112	1,749,108	—	—	1,841,112	1,749,108
Transportation	4,825,943	4,258,157	—	—	4,825,943	4,258,157
Interest[1]	267,997	239,583	—	—	267,997	239,583
Family & Medical Benefit Ins.	—	—	19,452	1,093	19,452	1,093
State Colleges and Universities	—	—	2,371,807	2,182,883	2,371,807	2,182,883
Unemployment Insurance	—	—	1,342,708	1,209,236	1,342,708	1,209,236
Lottery	—	—	546,461	582,117	546,461	582,117
Other Expenses	—	—	644,659	614,224	644,659	614,224
Total Expenses	$ 60,367,987	$ 56,915,278	$ 4,925,087	$ 4,589,553	$ 65,293,074	$ 61,504,831
Excess (Deficiency) Before Transfers	$ 794,947	$ 1,907,748	$ (897,884)	$ (893,008)	$ (102,937)	$ 1,014,740
Transfers	(824,401)	(1,458,611)	824,401	1,458,611	—	—
Changes in Net Position	$ (29,454)	$ 449,137	$ (73,483)	$ 565,603	$ (102,937)	$ 1,014,740
Net Position, Beginning[1]	$ 39,502,326	$ 39,051,708	$ 4,601,367	$ 4,037,245	$ 44,103,693	$ 43,088,953
Change in Accounting Principle	(326,857)	—	(81,011)	—	(407,868)	—
Change in Reporting Entity	—	1,481	—	(1,481)	—	—
Net Position, Beginning, as Restated	$ 39,175,469	$ 39,053,189	$ 4,520,356	$ 4,035,764	$ 43,695,825	$ 43,088,953
Net Position, Ending	$ 39,146,015	$ 39,502,326	$ 4,446,873	$ 4,601,367	$ 43,592,888	$ 44,103,693

[1] 2024 governmental activities has been restated for error corrections. See Note 20 – Change in Accounting Principle, Change in Accounting Estimate, Error Correction, and Change in Reporting Entity.

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

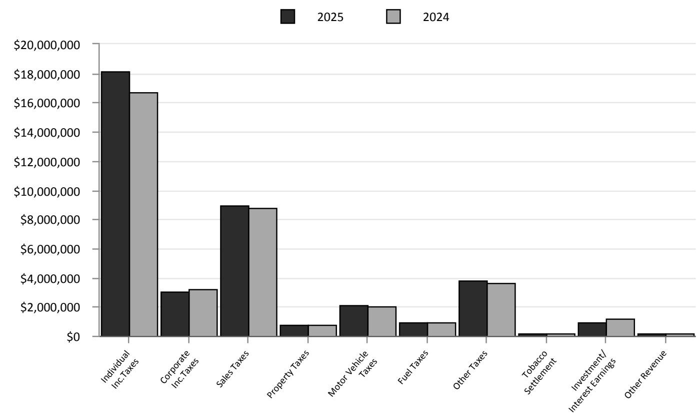
The state's expenses cover a range of services. The largest expenses were for general education and health and human services.

Governmental Activities

Governmental activities decreased the state's net position by $29.5 million in the current year compared to an increase of $449.1 million in the prior year.

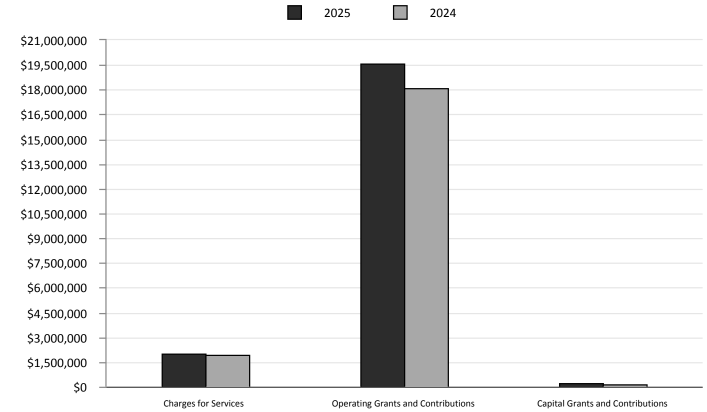
Revenues increased $2.3 billion (4.0 percent) over the prior year. The following graphs show revenues for the current year and prior year separating general revenues from program revenues. The program revenues graph is net of the COVID-19 revenue.

General Revenues - Governmental Activities
Fiscal Years Ended June 30, 2025 and 2024
(In Thousands)



The state's largest general revenues relate to sales and income taxes. The economy has remained relatively stable between the current year and the prior year. The increase in individual income taxes is the result of an increase in wages, while the decrease in corporate income taxes is the result of a decrease in corporate taxes on foreign income. Even though individual wages increased, sales taxes decreased slightly due to one-time refunds issued for exempt data centers. This was partially offset by increases due to a full year of sales taxes from the Twin Cities Metropolitan Area sales taxes, which funds and supports transportation, transit, and housing projects and provides state rent assistance in the metropolitan area that started during the prior year. The motor vehicle taxes increase was due to a full year of an increase in the vehicle registration tax rate which started in January 2024, while the fuel taxes increase was due to an increase in the rate starting in January 2025. The increase in other taxes was primarily due to an increase in estate taxes and taxes charged to medical providers, wholesale distributors, and hospitals.

Program Revenues, Net of COVID-19 - Governmental Activities
Fiscal Years Ended June 30, 2025 and 2024
(In Thousands)

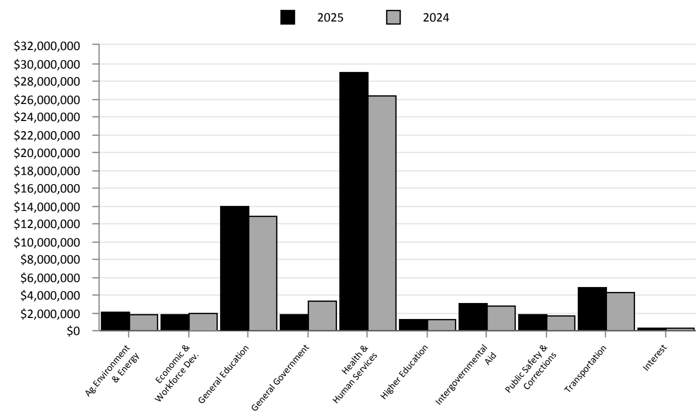


The operating grants and contributions, net of the COVID-19 revenue, increased over the prior year. This was primarily due to an increase of federal funding for medical assistance, general and special education aid to school districts, and transportation projects under the Infrastructure Investment and Jobs Act.

There was a $3.5 billion (6.1 percent) increase in governmental activities expenses compared to the prior year. This included an increase in expenses of $608.9 million related to the impacts of pension reporting, a decrease in expenses of $828.2 million related to COVID-19, and an increase in non-pension related expenses of $3.7 billion. Pension reporting impacted all functional expenses except higher education and intergovernmental aid. See the chart on the Changes in Net Pension Liability and Related Deferred Inflows and Outflows for the impact by functional expenses. COVID-19 impacted primarily health and human services and general education expenses.

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

Functional Expenses, Net of Pension and COVID-19 Impacts
Governmental Activities
Fiscal Years Ended June 30, 2025 and 2024
(In Thousands)



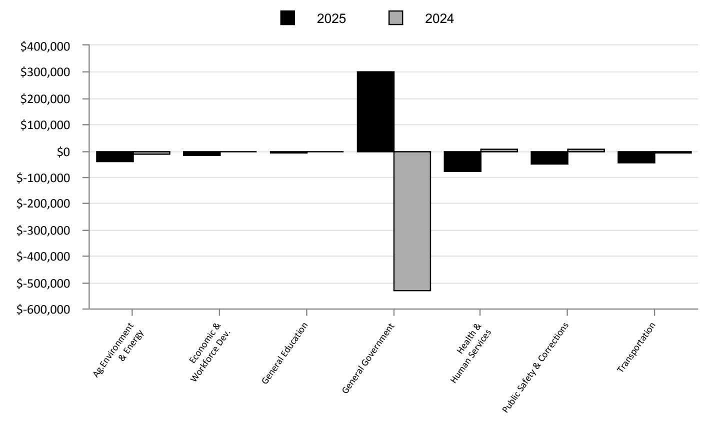
The majority of the functional expenses, net of the impacts of pension and COVID-19 expenses, increased during the current fiscal year. The most significant increase related to health and human services expenses, which primarily was due to a 20 percent increase in the average cost per participant, especially in long-term care. In addition, many types of health and human services grants increased, such as adult mental health as the per participant rate increased, housing support as more individuals qualified due to a modification of income, and basic sliding fee childcare assistance as the average payment per child increased. Health and human services expenses also increased due to an increased focus on community awareness and health promotion of areas such as sex trafficking, stroke awareness, cancer prevention, and suicide and crisis lifeline awareness. General education expenses also had a large increase due to an increase in aid to school districts for both general and special education. The increase in general education was primarily due to the two percent per pupil formula increase. Several other functions had smaller increases. The agricultural, environment, and energy expenses increased due to an increased focus on water remediation projects with increased grants to local governments and watershed districts, grants to communities for climate and resilience initiatives, one-time projects and grants to enhance parks in Minnesota, and grants to communities impacted by flooding in southern Minnesota. The higher education expenses increase is due to an increase in grants to the Office of Higher Education (component unit) for a financial aid program and grants to both the Office of Higher Education and the University of Minnesota (component unit) for capital projects. The intergovernmental aid expenditures increased due to an increase in general aid to local governments and tribal nations, as well as grants to local governments to provide housing as spending of the Twin Cities Metropolitan sales taxes that started in the prior year increased. These increases were partially offset by a reduction in aid to local governments for public safety as these were one-time grants in the prior year. The public safety and corrections expenses increased due to an increase in staffing and/or space for correctional facilities, state patrol, and capital security as well as an increase in grants for public

safety and communities. The transportation expenses increase is due to the increase in expenses related to the federal Infrastructure Investment and Jobs Act as well as increased grants to local units of governments and Metropolitan Council (component unit) for spending of the Twin Cities Metropolitan sales tax on transportation support and transit projects in the metropolitan areas. These increases were offset by a decrease in general and capital project grants to the Metropolitan Council.

Both general government and economic and workforce development expenses decreased during the current year. The largest decrease in general government was primarily due to the one-time rebates of the surplus funds to individuals and funding a tax forfeiture lawsuit settlement against a county in Minnesota in the prior year as well as a decrease in one-time transfers to many of the pension plans. These decreases were slightly offset by an increase in staffing and technology spending for the trial courts in the current year. The economic and workforce development expenses decrease is due to the one-time grants to the Housing Finance Agency (component unit) for housing projects in the prior year. This was partially offset by new one-time grants and aid to businesses to support community training and development in new or expanding industries and broadband for unserved or underserved communities, as well increases in grants to the Minnesota Climate Innovation Finance Authority, Public Facilities Authority (component units), and local units of government, and increases in expenses to grow clean energy and technology under the federal Inflation Reduction Act.

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

Net Pension Expense (Income)
Governmental Activities
Fiscal Years Ended June 30, 2025 and 2024
(In Thousands)



Business-type Activities

Net position for the state's business-type activities decreased by $73.5 million during the current year compared to an increase of $565.6 million in the prior year. The impacts of pension related reporting on business-type activities resulted in a decrease in expenses of $9.8 million during the current year. See chart on expenses net of pension impact - business-type activities for changes in expenses net of these pension reporting impacts.

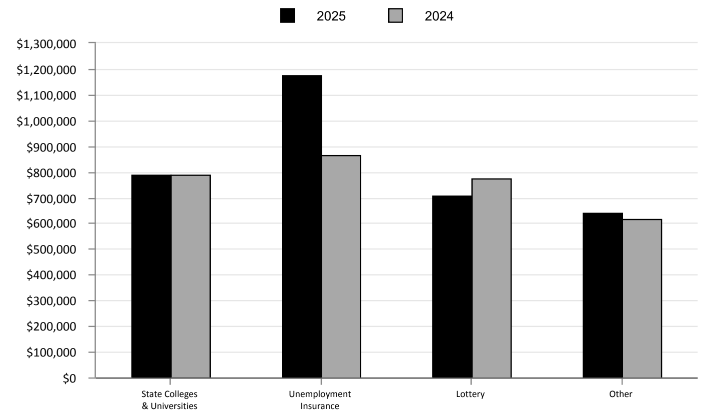
The decrease in the net position of the state's business-type activities primarily resulted from a $8.8 million increase in net position in the Family and Medical Benefit Insurance Fund, a $43.1 million increase in net position in the State Colleges and Universities Fund, and a $175.9 million decrease in net position in the Unemployment Insurance Fund.

The Family and Medical Benefit Insurance Fund's net position increased $8.8 million during the current year compared to an increase of $695.9 million in the prior year. This fund started in the prior year with a one-time transfer of start-up funds from the General Fund and investment income on these start-up funds. During the current year, this fund continued to earn investment income on these start-up funds, and is increasing staff and preparing for the start of this program. This fund will start receiving contributions from employers for paid family and medical benefit insurance in January 2026 to be used to pay family and medical benefits to eligible individuals.

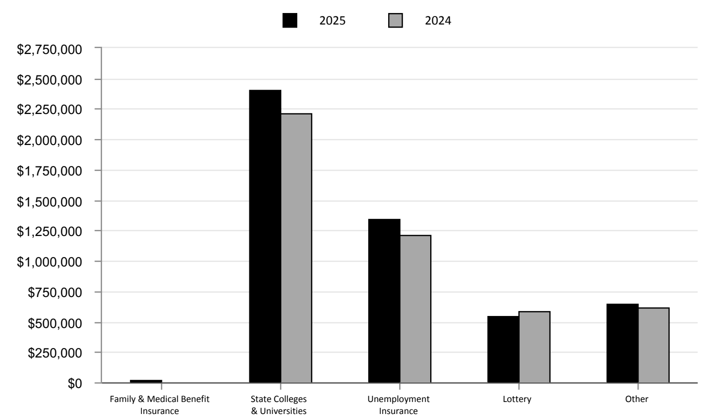
The State Colleges and Universities Fund's net position increased $43.1 million during the current year compared to an increase of $108.9 million in the prior year. The increase in net position during the current year was less than the prior year increase. This was the result of increases in salaries and fringe benefit expenses, net of the pension expense decrease of $3.2 million, which was offset by an increase in federal grants due to a change in the eligibility criteria which resulted in more students qualifying for the award. The student financial aid expenses increases were offset by the increased grants and subsidies as a result of the North Star Promise program grants from the Office of Higher Education (component unit) which provides free college tuition to eligible residents.

The Unemployment Insurance Fund's net position decreased $175.9 million during the current year compared to a decrease of $273.9 million in the prior year. The decrease in net position resulted from the increase in unemployment benefits due to the rise in benefits paid resulting from an increase in the number of layoffs during the current year and growth from the change in eligibility to cover educational employees that started in the prior year. In addition, federal grants decreased as a result of the federal pandemic unemployment compensation program ending. This was partially offset by an increase in insurance premiums due to a growth in taxable wages along with an increase in the base tax rate.

Charges for Services - Business-type Activities
Fiscal Years Ended June 30, 2025 and 2024
(In Thousands)



Expenses Net of Pension Impact - Business-type Activities
Fiscal Years Ended June 30, 2025, and 2024
(In Thousands)



Long-Term Liabilities

The state's total long-term liabilities decreased by $304.2 million (2.1 percent) during the current fiscal year. This decrease is primarily attributable to a decrease in the Net Pension Liability of $1.1 billion, which was offset by an increase associated with the issuance of state general obligation bonds for trunk highway projects and other various state purposes. For additional information on long-term liabilities see Note 11 – Long-Term Liabilities - Primary Government.

State Funds Financial Analysis

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term cash inflows and outflows during the fiscal year and balances of spendable resources as of fiscal year end. Such information is useful in assessing the state's financial condition. The unassigned fund balance serves as a useful measure of the state's net resources available for future spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of $27.0 billion, a decrease of $449.3 million over the prior year.

The General Fund is the main operating fund of the state. At the end of the current fiscal year, the fund balance of the General Fund was $15.7 billion, a decrease of $1.1 billion during the current year.

Because the General Fund is the main operating fund of the state, many of the same variances impacting Governmental Activities impacted the General Fund. As previously noted, the economy remained relatively stable between the current year and prior year. Individual income taxes increased as a result of wage increases, while corporate income taxes decreased due to a decrease in corporate taxes on foreign income. Sales taxes decreased slightly due to one-time refunds issued for exempt data centers, which was partially offset by the increase due to a full year of sales taxes from the Twin Cities Metropolitan Area sales taxes which started during the prior year. The increase in other taxes was primarily due to increases in estate taxes, and taxes charged to medical providers, wholesale distributors, and hospitals.

The General Fund expenditures, net of expenditures related to COVID-19, increased over the prior year. The health and human services expenditures increased due to an increase in medical assistance due to a 20 percent increase in the average cost per participant and decrease in the federal participation rate, which also shifted some additional costs from the Federal Fund to the General Fund. As stated previously, many types of health and human services grants increased, such as adult mental health, housing support, and basic sliding fee childcare assistance, as well as an increased focus on community awareness and health promotion of areas such as sex trafficking, stroke awareness, cancer prevention, suicide and crisis lifeline awareness, etc. The general education expenditures increase was primarily due to the two percent per pupil formula increase, which was slightly offset by a slight decrease in the number of pupils. The increase in agricultural, environmental, and energy resources expenditures was due to one-time projects and grants to enhance parks in Minnesota, and one-time grants to communities for climate and resilience initiatives. The increase in higher education expenditures was due to an increase in grants to the Office of Higher Education (component unit) for a financial aid program. The increase in intergovernmental aid expenditures is the result of increases in grants to local governments and tribal nations, partially offset by a reduction in aid to local governments for public safety as these were one-time grants in the prior year. The increase in public safety and corrections expenditures was due to an increase in staffing and/or space for correctional facilities, state patrol, and capital security as well as an increase in public safety and community grants. The transportation expenditures increase is due to the increase in expenditures related to the state match for

the federal Infrastructure Investment and Jobs Act, offset by a decrease in grants to the Metropolitan Council (component unit). These increases in expenditures were offset by decreases in both the general government and workforce development expenditures. The decrease in general government was primarily due to the one-time rebates of the surplus funds to individuals and funding a tax forfeiture lawsuit settlement against a county in Minnesota in the prior year as well as a decrease in one-time transfers to many of the pension plans. These decreases were slightly offset by an increase in staffing and technology spending for the trial courts in the current year. The economic and workforce development expenses decrease is due to the one-time grants to the Housing Finance Agency (component unit) for housing projects in the prior year. This was partially offset by new one-time grants and aid to businesses to support community training and development in new or expanding industries and broadband for unserved or underserved communities, as well increases in grants to the Minnesota Climate Innovation Finance Authority (component unit).

The Federal Fund expenditures, net of expenditures related to COVID-19, increased over the prior year. The increase in health and human services expenditures was primarily due to the increase in medical assistance due to the 20 percent increase in the average cost per participant, offset by a reduction in the federal share. The increase in general education was due to an increase in aid to school districts for both general and special education. The increase in transportation expenditures was due to increased spending on transportation projects under the Infrastructure Investment and Jobs Act. The increase in economic and workforce development expenditures was due to increased spending to grow clean energy and technology under the Inflation Reduction Act.

During the current year, the motor vehicle taxes increase was due to a full year of an increase in the vehicle registration tax that started in January 2024, while the fuel taxes increase was due to an increase in the rate starting in January 2025. These increases impacted the Trunk Highway, Municipal State-aid Street, and County State-aid funds (special revenue funds). The increase in sales taxes resulted from a full year of the Twin Cities Metropolitan Area sales tax that started in the prior year to fund and support transportation and transit projects in the metropolitan area in both the Miscellaneous Special Revenue and the Housing Assistance funds (special revenue funds). This caused an increase in transportation expenditures due to an increase in grants to Metropolitan Council (component unit) in the Miscellaneous Special Revenue Fund as well as an increase in economic and workforce development expenditures due to an increase in grants to Housing Finance Agency (component unit), and intergovernmental aid expenditures due to an increase in grants to local units of government to provide housing support in the Housing Assistance Fund. The increase in other revenues was due to a reimbursement of the counties' share of medical assistance grants in the Miscellaneous Special Revenue Fund (special revenue fund). The increase in transportation expenditures was due to increased spending on transportation projects under the federal Infrastructure Investment and Jobs Act in the Trunk Highway Fund (special revenue fund), which was reimbursed by the federal government causing federal revenue to increase. The increase in agricultural, environmental, and energy resources expenditures resulted from an increased focus on water remediation projects in the Environmental and Remediation Fund, grants to local governments and watershed districts in the Heritage Fund, and grants to communities for energy programs in the Miscellaneous Special Revenue Fund (special revenue funds), as well as grants to communities impacted by flooding in southern Minnesota for capital projects in the Building Fund (capital project fund). The increase in economic and workforce development expenditures was due to increases in grants to Public Facilities Authority (component unit) for capital projects in both the General Projects and Building Funds (capital project funds), as well as an increase in infrastructure grants in the General Projects Fund. The higher education expenditures increase is due to an increase in grants to the University of Minnesota (component unit) for capital projects in the Building Fund. The public safety and corrections expenditures increased due to an increase in state patrol staffing and space in the Trunk Highway Fund (special revenue fund).

Proprietary Funds – Enterprise and Internal Service Funds

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

Enterprise Funds

The state's enterprise funds are included in the Business-type Activities column of the Statement of Activities. Enterprise funds net position decreased by $73.5 million during the current year. This primarily resulted from a $8.8 million increase in net position of the newly created Family and Medical Benefit Insurance Fund, a $43.1 million increase in net position of the State Colleges and Universities Fund, and a $175.9 million decrease in net position of the Unemployment Insurance Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

Internal Service Funds

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

The implementation of the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions," which required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions, has caused a nonmajor enterprise fund to end the fiscal year in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and state Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due. For these reasons, the state does not include the pension-related liabilities or deferred inflow and outflows of resources in the rate-setting process for managing nonmajor enterprise and internal service funds as long as the funds are contributing the statutory required contributions. The amounts will continue to be monitored by the retirement systems administering these plans and the state Legislature.

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2025. These are material to understanding changes in General Fund balances that occurred in fiscal year 2025. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes 16A.152 require that the budget be balanced for the biennium. The following highlights material actions taken by the state Legislature and the Governor affecting fiscal year 2025.

Actions Establishing the Fiscal Year 2025 Budget

The 2023 Legislature established the 2024-25 biennial budget based on the February 2023 Budget and Economic Forecast, which showed a projected balance in the General Fund of $17.455 billion for that biennium. Revenues and other current resources at the time of enactment were projected to be $58.818 billion while appropriations for the enacted budget totaled $69.518 billion. Offsetting the difference between revenue and spending for the biennium was the $12.283 billion projected balance carried forward from the 2022-23 biennium. Additionally, reserves for the 2024-25 biennium at the time of enactment were $2.852 billion in the budget reserve and $350 million in the cash flow account, both unchanged from the previous forecast. The General Fund unreserved budgetary balance for the biennium was projected to be $1.583 billion.

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

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

Budget and Forecast Actions Impacting Fiscal Year 2025

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

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

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

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

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

The February 2025 Budget and Economic Forecast projected an unreserved budgetary balance in the General Fund of $3.742 billion for the 2024-25 biennium, $10 million less than prior projections. Total revenues for the biennium were forecast to be $61.728 billion, $294 million more than in the prior forecast. Spending in the 2024-25 biennium was estimated to be $70.975 billion, $304 million higher than previous estimates. The budget reserve balance of $3.177 billion and the cash flow account balance of $350 million were unchanged.

The 2025 regular and special legislative sessions resulted in minor changes to General Fund revenues and expenditures for the 2024-25 biennium. Revenue was estimated to be $61.729 billion, $1 million more than prior estimates. Appropriation reductions of $195 million decreased total projected spending for the biennium to $70.780 billion. No changes were made that impacted the balance of the budget reserve or cash flow account. At the end of the 2025 legislative sessions, the General Fund was expected to end the 2024-25 biennium with an unreserved budgetary balance of $3.937 billion.

The 2024-25 biennium closed with a General Fund unreserved budgetary balance of $4.878 billion, $941 million higher than estimated at the end of the 2025 legislative sessions. Final total current resources, including taxes, other revenue, and accounting adjustments from prior fiscal years, was $63.042 billion for the biennium, $1.313 billion higher than estimates. General Fund actual spending was $69.285 billion, $1.495 billion lower than prior estimates; however, $1.859 billion in unspent appropriations from fiscal year 2025 carried forward and are available to be spent in fiscal year 2026. The General Fund budget reserve closed the biennium with a balance of $3.186 billion, a $9 million increase compared to prior estimates. The cash flow account balance of $350 million remained unchanged compared to prior estimates.

Actions Establishing the 2026-27 Biennial Budget

The 2025 regular and special legislative sessions ended with the enactment of the 2026-27 Biennial Budget, which contained significant changes to base level revenues and spending projected in prior forecasts. Upon enactment of the General Fund biennial budget, it was estimated that $7.464 billion in reserves and unrestricted balance would balance forward from fiscal year 2025, revenues and other current resources would be $64.823 billion, and appropriated spending would total $66.874 billion. The General Fund budget reserve was estimated to total $3.177 billion and the cash flow account was projected to remain at $350 million. After these legislatively enacted changes, the General Fund was projected to have an unreserved budgetary balance of $1.886 billion at the end of the 2026-27 biennium.

With the release of the November 2025 Budget and Economic Forecast, the projected surplus in the 2026-27 biennium is $2.465 billion, an improvement of $579 million. A larger closing balance in the previous biennium and an increased revenue forecast are partially offset by increases to estimated spending and an allocation to the budget reserve.

Total General Fund revenues for the 2026-27 biennium are forecasted to be $66.262 billion, $1.440 billion more than in the prior estimates. Total tax revenues for the biennium are projected to be $63.191 billion, $1.188 billion above the prior forecast. The forecasts for individual income taxes and other smaller tax revenue types are higher than previously estimated. These higher forecasts offset lower forecasts for corporate income tax revenues, sales tax revenues, and statewide property tax revenues.

Total General Fund expenditures for the 2026-27 biennium are projected to be $70.299 billion, $3.425 billion higher than previously forecasted. However, $1.859 billion of the spending increase is attributable to appropriations left unspent in the prior biennium that have legislative authority to carryforward and be spent in the 2026-27 biennium. Estimated expenditures in the 2026-27 biennium without the addition of these carryforward appropriations increase by $1.565 billion in the November forecast compared to estimates at the time of the biennial budget enactment. Driving this change is an increased forecast for health and human services spending, which is estimated to be $1.406 billion higher than prior estimates. Increased health and human services spending estimates are primarily due to higher projected rates for medical assistance rate payments for managed care as well as higher costs for long term care obligations.

Minnesota Statutes 16A.152 directs Minnesota Management and Budget to allocate funds to the General Fund budget reserve account up to the recommended budget reserve level when there is a projected surplus in the current biennium in the November Budget and Economic Forecast. In September 2025, Minnesota Management and Budget, in accordance with Minnesota Statutes section 16A.152 subd.8, recommended a budget reserve target of 5.2 percent. When calculated using the updated revenue forecast contained in the November 2025 Budget and Economic Forecast, the budget reserve target level is $3.422 billion. Because the reserve balance at the close of 2024-25 biennium was below the new target level, $236 million from the projected surplus was allocated to the reserve so that the balance meets the target level of $3.422 billion. The cash flow account balance is unchanged at $350 million.

Budget and GAAP Based Financial Outlook

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made, with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Expenditures are recognized when a liability occurs.

On a budgetary basis, the state's General Fund ended fiscal year 2025 with a balance of $5.534 billion. On a GAAP basis, the General Fund reported a balance of $15.684 billion for fiscal year 2025, a difference of $10.150 billion from the budgetary General Fund balance. The difference between the General Fund budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of $5.327 billion. The difference between the GAAP basis and budgetary basis fund balance of the General Fund, excluding these additional funds not reported in the budgetary fund balance, was $4.823 billion. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 17 – Budgetary Basis vs. GAAP of the notes to the financial statements.

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

Capital Assets, including Right-to-Use Capital Assets

The state's investment in capital assets, including right-to-use capital assets for governmental and business-type activities as of June 30, 2025, was $31.5 billion, less accumulated depreciation/amortization of $6.7 billion, resulting in a net book value of $24.8 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures, internally generated computer software, equipment, leased assets, and IT subscriptions. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets, including Right-to-Use Capital Assets
June 30, 2025 and 2024
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Capital Assets not Depreciated:						
Land	$ 3,166,753	$ 3,059,643	$ 94,521	$ 93,817	$ 3,261,274	$ 3,153,460
Buildings, Structures, Improvements	342,252	342,252	—	—	342,252	342,252
Construction in Progress	462,619	230,928	126,036	80,205	588,655	311,133
Development in Progress	306,464	291,902	12,887	4,402	319,351	296,304
Infrastructure	14,259,292	13,748,699	—	—	14,259,292	13,748,699
Easement/Other Intangibles	642,275	598,220	596	596	642,871	598,816
Art and Historical Treasures	12,290	12,290	—	—	12,290	12,290
Total Capital Assets not Depreciated	$ 19,191,945	$ 18,283,934	$ 234,040	$ 179,020	$ 19,425,985	$ 18,462,954
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 4,094,417	$ 3,909,044	$ 4,236,372	$ 4,170,429	$ 8,330,789	$ 8,079,473
Infrastructure	633,161	609,713	46,986	30,733	680,147	640,446
Easements	6,109	5,932	—	—	6,109	5,932
Library Collections	—	—	31,700	31,920	31,700	31,920
Internally Generated Computer Software	558,932	507,780	76,280	73,618	635,212	581,398
Equipment, Furniture, Fixtures	1,184,045	1,087,737	395,011	381,616	1,579,056	1,469,353
Total Capital Assets Depreciated	$ 6,476,664	$ 6,120,206	$ 4,786,349	$ 4,688,316	$ 11,263,013	$ 10,808,522
Less: Accumulated Depreciation	(3,232,754)	(3,048,053)	(3,044,783)	(2,913,433)	(6,277,537)	(5,961,486)
Total Capital Assets Depreciated, Net	$ 3,243,910	$ 3,072,153	$ 1,741,566	$ 1,774,883	$ 4,985,476	$ 4,847,036
Right-to-Use Capital Assets Amortized:						
Leased Buildings, Structures, Improvements	$ 419,695	$ 514,704	$ 76,961	$ 60,638	$ 496,656	$ 575,342
Leased Easements	4,292	3,955	—	—	4,292	3,955
Leased Equipment, Furniture, Fixtures	21,720	20,447	18,374	19,286	40,094	39,733
IT Subscriptions	174,690	127,285	53,446	52,213	228,136	179,498
Total Right-to-Use Capital Assets Amortized	$ 620,397	$ 666,391	$ 148,781	$ 132,137	$ 769,178	$ 798,528
Less: Accumulated Amortization	(324,898)	(255,591)	(70,712)	(57,179)	(395,610)	(312,770)
Total Right-to-Use Capital Assets Amortized, Net	$ 295,499	$ 410,800	$ 78,069	$ 74,958	$ 373,568	$ 485,758
Total Capital Assets, including Right-to-Use Capital Assets, Net	$ 22,731,354	$ 21,766,887	$ 2,053,675	$ 2,028,861	$ 24,785,029	$ 23,795,748

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meets certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated, and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 3,000 bridges that are maintained by the Minnesota Department of Transportation (MnDOT).

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2024, indicated that the average PQI for principal arterial pavement was 3.6 and 3.4 for all other pavements. The state has maintained a stable condition of pavement over the past several years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2024, indicated that 94.1 percent of principal arterial system bridges and 92.5 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

During the current year, expenditures were fairly consistent with budget; however, projects under the federal Infrastructure Investment and Jobs Act started slightly slower than expected causing expenditures to be less than the budget. The increase in expenditures on bridges in the current year was due the several new major projects, such as the Stone Arch Bridge in Minneapolis, and several stretches of bridges along major interstates in Minnesota.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 – Capital Assets, including Right-to-Use Capital Assets of the notes to the financial statements and in the required supplementary information, respectively.

Debt Administration

The authority of the state to incur general obligation debt is described in Article XI, Sections 5 and 7, of the state's constitution. General obligation bonds, issued by the state, are backed by the full faith, credit, and taxing powers of the state.

The state's general obligation bonds were rated on June 30, 2025, as follows:

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

The Legislature also statutorily authorizes other types of debt.

The state issued revenue bonds, which are payable solely from rentals, revenues, and other income, and charges and monies that were pledged for repayment.

The state issued state General Fund appropriation refunding bonds to refund bonds issued by a blended component unit, Tobacco Securitization Authority, which no longer exists. The state also issued state General Fund appropriation bonds to finance the Lewis and Clark Regional Water System project, the Duluth regional exchange district, the environmental response PCA superfund, public television equipment, and electric vehicle infrastructure.

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

Outstanding Bonded Debt and Unamortized Premium
June 30, 2025 and 2024
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
General Obligation	$ 7,696,791	$ 6,997,312	$ 153,468	$ 150,805	$ 7,850,259	$ 7,148,117
Revenue	114,467	64,101	154,989	173,053	269,456	237,154
State Appropriation Bonds	378,652	428,269	—	—	378,652	428,269
Certificate of Participation	527,381	545,441	—	—	527,381	545,441
Total	$ 8,717,291	$ 8,035,123	$ 308,457	$ 323,858	$ 9,025,748	$ 8,358,981

During fiscal year 2025, the state issued the following bonds:

- $879.6 million in general obligation state various purpose bonds
- $352.8 million in general obligation state trunk highway bonds
- $30.0 million in general obligation taxable state various purpose bonds
- $190.2 million in state various purpose refunding bonds
- $141.2 million in state trunk highway refunding
- $48.0 million in revenue bonds for grants for capital improvements in the taconite assistance area

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

Requests for Information

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

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

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

STATE OF MINNESOTA

STATEMENT OF NET POSITION
JUNE 30, 2025
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 26,266,143	$ 3,176,825	$ 29,442,968	$ 3,336,645
Investments	4,907,486	29,506	4,936,992	2,638,053
Accounts Receivable	4,173,337	634,908	4,808,245	867,242
Due from Component Units	28,034	—	28,034	—
Due from Primary Government	—	—	—	396,200
Accrued Investment/Interest Earnings	89,238	2	89,240	67,900
Federal Aid Receivable	2,650,533	56,324	2,706,857	27,989
Inventories	67,606	26,377	93,983	65,240
Loans and Notes Receivable	27,171	821	27,992	311,682
Leases Receivable	2,820	3,040	5,860	32,290
Internal Balances	103,538	(103,538)	—	—
Other Assets	2,892	3,260	6,152	33,573
Total Current Assets	$ 38,318,798	$ 3,827,525	$ 42,146,323	$ 7,776,814
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ —	$ 81,505	$ 81,505	$ 2,576,353
Investments-Restricted	—	—	—	5,897,438
Accounts Receivable-Restricted	—	—	—	222,992
Due from Primary Government-Restricted	—	—	—	25,284
Due from Primary Government	—	—	—	1,002
Due from Component Units	114,052	—	114,052	—
Investments	—	—	—	7,042,559
Derivative Instrument-Rate Swap	—	—	—	40,447
Accounts Receivable	1,172,889	2,720	1,175,609	397,519
Loans and Notes Receivable	231,871	2,183	234,054	3,485,071
Leases Receivable	5,178	11,592	16,770	586,350
Investment in Land	15,943	—	15,943	—
Right-to-Use Capital Assets (Net)	295,499	78,069	373,568	250,368
Depreciable Capital Assets (Net)	3,243,910	1,741,566	4,985,476	6,623,344
Nondepreciable Capital Assets	4,932,653	234,040	5,166,693	4,394,790
Infrastructure (Not depreciated)	14,259,292	—	14,259,292	—
Other Assets	280	—	280	9,337
Total Noncurrent Assets	$ 24,271,567	$ 2,151,675	$ 26,423,242	$ 31,552,854
Total Assets	$ 62,590,365	$ 5,979,200	$ 68,569,565	$ 39,329,668
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Derivative Instruments	$ —	$ —	$ —	$ 8,185
Bond Refunding	8,114	943	9,057	2,674
Deferred Outflows	—	—	—	4,096
Deferred Pension Outflows	1,279,150	149,303	1,428,453	236,101
Deferred Other Postemployment Benefits Outflows	131,428	26,165	157,593	33,866
Total Deferred Outflows of Resources	$ 1,418,692	$ 176,411	$ 1,595,103	$ 284,922
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 8,451,957	$ 342,108	$ 8,794,065	$ 959,867
Due to Component Units	362,715	12	362,727	—
Due to Primary Government	—	—	—	33,318
Unearned Revenue	235,209	84,358	319,567	126,238
Accrued Interest Payable	130,874	—	130,874	146,642
Bonds and Notes Payable	690,036	37,666	727,702	787,819
Lease/Subscription Payable	85,491	20,935	106,426	30,582
Certificates of Participation Payable	17,170	—	17,170	—
Claims Payable	221,181	20,841	242,022	396,170
Compensated Absences Payable	467,717	47,352	515,069	141,419
Other Postemployment Benefits	41,214	6,745	47,959	21,489
Other Liabilities	—	12,852	12,852	5,455
Total Current Liabilities	$ 10,703,564	$ 572,869	$ 11,276,433	$ 2,648,999

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ —	$ —	$ —	$ 189,629
Unearned Revenue-Restricted	—	—	—	239,694
Accrued Interest Payable-Restricted	—	—	—	12,321
Accounts Payable	—	—	—	29,843
Due to Primary Government	—	—	—	114,052
Unearned Revenue	160,981	—	160,981	6,025
Interest Rate Swap Agreements	—	—	—	6,860
Bonds and Notes Payable	7,636,197	291,067	7,927,264	10,306,296
Lease/Subscription Payable	196,941	56,614	253,555	148,548
Due to Component Units	1,002	—	1,002	—
Certificates of Participation Payable	510,211	—	510,211	—
Claims Payable	765,102	1,164	766,266	503,250
Compensated Absences Payable	402,658	232,889	635,547	46,397
Net Pension Liability	1,612,481	213,893	1,826,374	32,802
Other Postemployment Benefits	681,966	97,174	779,140	302,944
Funds Held in Trust	—	—	—	587,416
Other Liabilities	—	2,518	2,518	120,085
Total Noncurrent Liabilities	$ 11,967,539	$ 895,319	$ 12,862,858	$ 12,646,162
Total Liabilities	$ 22,671,103	$ 1,468,188	$ 24,139,291	$ 15,295,161
DEFERRED INFLOWS OF RESOURCES				
Accumulated Increase in Fair Values of Derivative Instruments	$ —	$ —	$ —	$ 40,447
Bond Refunding	206,774	5,169	211,943	23,608
Deferred Leases	7,998	15,253	23,251	563,995
Deferred Revenue	422,024	—	422,024	46,128
Deferred Pension Inflows	1,490,426	196,638	1,687,064	340,852
Deferred Other Postemployment Benefits Inflows	64,717	23,490	88,207	85,668
Total Deferred Inflows of Resources	$ 2,191,939	$ 240,550	$ 2,432,489	$ 1,100,698
NET POSITION				
Net Investment in Capital Assets	$ 18,594,404	$ 1,673,505	$ 20,267,909	$ 7,786,564
Restricted to:				
Improve Agricultural, Environmental and Energy Resources	$ 4,000,148	$ —	$ 4,000,148	$ —
Enhance Arts and Culture	36,152	—	36,152	—
Acquire, Maintain, and Improve Land and Buildings	—	657	657	—
Retire Indebtedness	511,488	152,786	664,274	—
Develop Economy and Workforce	530,299	7,369	537,668	—
Enhance E-12 Education	23,592	—	23,592	—
Enhance State Government	64,945	—	64,945	—
Enhance Health and Human Services	235,260	55,625	290,885	—
Enhance Higher Education	639	22,259	22,898	—
Enhance 911 Services and Increase Safety	16,771	149,873	166,644	—
School Aid-Expendable	15,551	—	15,551	—
School Aid-Nonexpendable	2,330,113	—	2,330,113	—
Construct Highways and Improve Infrastructure	2,608,982	—	2,608,982	—
Unemployment Benefits	—	1,173,149	1,173,149	—
Other Purposes	—	119,448	119,448	—
Component Units	—	—	—	13,246,763
Total Restricted	$ 10,373,940	$ 1,681,166	$ 12,055,106	$ 13,246,763
Unrestricted	$ 10,177,671	$ 1,092,202	$ 11,269,873	$ 2,185,404
Total Net Position	$ 39,146,015	$ 4,446,873	$ 43,592,888	$ 23,218,731

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(IN THOUSANDS)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBU-TIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBU-TIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNITS
Primary Government:								
Governmental Activities:								
Agricultural, Environmental and Energy Resources	$ 2,092,577	$ 555,776	$ 753,350	$ 42,355	$ (741,096)		$ (741,096)	
Economic and Workforce Development	1,869,749	82,122	349,972	—	(1,437,655)		(1,437,655)	
General Education	14,025,258	23,960	1,502,177	3,417	(12,495,704)		(12,495,704)	
General Government	2,105,935	373,352	140,319	—	(1,592,264)		(1,592,264)	
Health and Human Services	29,032,573	655,920	15,634,649	—	(12,742,004)		(12,742,004)	
Higher Education	1,306,409	26	131	—	(1,306,252)		(1,306,252)	
Intergovernmental Aid	3,000,434	—	—	—	(3,000,434)		(3,000,434)	
Public Safety and Corrections	1,841,112	275,046	276,366	—	(1,289,700)		(1,289,700)	
Transportation	4,825,943	74,942	1,288,392	156,679	(3,305,930)		(3,305,930)	
Interest	267,997	—	—	—	(267,997)		(267,997)	
Total Governmental Activities	$ 60,367,987	$ 2,041,144	$ 19,945,356	$ 202,451	$ (38,179,036)		$ (38,179,036)	
Business-type Activities:								
Family and Medical Benefit Insurance	$ 19,452	$ —	$ —	$ —		$ (19,452)	$ (19,452)	
State Colleges and Universities	2,371,807	790,476	599,997	—		(981,334)	(981,334)	
Unemployment Insurance	1,342,708	1,173,353	3,291	—		(166,064)	(166,064)	
Lottery	546,461	708,337	—	—		161,876	161,876	
Others	644,659	641,455	—	—		(3,204)	(3,204)	
Total Business-type Activities	$ 4,925,087	$ 3,313,621	$ 603,288	$ —		$ (1,008,178)	$ (1,008,178)	
Total Primary Government	$ 65,293,074	$ 5,354,765	$ 20,548,644	$ 202,451	$ (38,179,036)	$ (1,008,178)	$ (39,187,214)	
Component Units:								
Housing Finance	$ 958,617	$ 49,401	$ 725,677	$ —				$ (183,539)
Metropolitan Council	1,457,527	398,084	724,283	535,236				200,076
University of Minnesota	5,523,353	1,592,909	2,516,086	100,482				(1,313,876)
Others	1,143,346	153,189	569,179	4,309				(416,669)
Total Component Units	$ 9,082,843	$ 2,193,583	$ 4,535,225	$ 640,027				$ (1,714,008)
General Revenues:								
Taxes:								
Individual Income Taxes					$ 18,138,683	$ —	$ 18,138,683	$ —
Corporate Income Taxes					3,051,184	—	3,051,184	—
Sales Taxes					8,958,996	—	8,958,996	426,641
Property Taxes					764,304	—	764,304	92,572
Motor Vehicle Taxes					2,143,197	—	2,143,197	—
Fuel Taxes					946,242	—	946,242	—
Other Taxes					3,781,821	—	3,781,821	—
Tobacco Settlement					151,351	—	151,351	—
Unallocated Investment/Interest Earnings					906,159	109,331	1,015,490	1,517,727
Other Revenues					132,046	963	133,009	479,158
State Grants Not Restricted					—	—	—	1,313,814
Transfers					(824,401)	824,401	—	—
Total General Revenues and Transfers					$ 38,149,582	$ 934,695	$ 39,084,277	$ 3,829,912
Change in Net Position					$ (29,454)	$ (73,483)	$ (102,937)	$ 2,115,904
Net Position, Beginning, as Reported					$ 39,963,338	$ 4,601,367	$ 44,564,705	$ 21,105,325
Change in Accounting Principle					(326,857)	(81,011)	(407,868)	(2,498)
Error Correction					(461,012)	—	(461,012)	—
Net Position, Beginning, as Restated					$ 39,175,469	$ 4,520,356	$ 43,695,825	$ 21,102,827
Net Position, Ending					$ 39,146,015	$ 4,446,873	$ 43,592,888	$ 23,218,731

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 16,671,207	$ 57,671	$ 8,980,000	$ 25,708,878
Investments	2,056,610	—	2,850,876	4,907,486
Accounts Receivable	4,506,534	365,914	465,942	5,338,390
Interfund Receivables	325,619	157	703,795	1,029,571
Due from Component Units	23,978	—	118,108	142,086
Accrued Investment/Interest Earnings	77,170	—	12,068	89,238
Federal Aid Receivable	—	2,576,780	73,753	2,650,533
Inventories	—	2,459	64,738	67,197
Loans and Notes Receivable	48,780	8,788	201,474	259,042
Leases Receivable	—	—	4,725	4,725
Investment in Land	—	—	15,943	15,943
Total Assets	$ 23,709,898	$ 3,011,769	$ 13,491,422	$ 40,213,089
LIABILITIES				
Accounts Payable	$ 4,858,455	$ 2,605,097	$ 1,056,416	$ 8,519,968
Interfund Payables	6,231	67,428	792,180	865,839
Due to Component Units	182,252	137,886	42,257	362,395
Unearned Revenue	144,723	194,484	50,168	389,375
Total Liabilities	$ 5,191,661	$ 3,004,895	$ 1,941,021	$ 10,137,577
DEFERRED INFLOWS OF RESOURCES				
Deferred Leases	$ —	$ —	$ 4,725	$ 4,725
Deferred Revenue	2,833,814	—	224,825	3,058,639
Total Deferred Inflows of Resources	$ 2,833,814	$ —	$ 229,550	$ 3,063,364
FUND BALANCES				
Nonspendable	$ 2,085,671	$ —	$ 2,394,851	$ 4,480,522
Restricted	199,708	6,874	6,887,367	7,093,949
Committed	131,708	—	1,226,757	1,358,465
Assigned	4,848,685	—	811,876	5,660,561
Unassigned	8,418,651	—	—	8,418,651
Total Fund Balances	$ 15,684,423	$ 6,874	$ 11,320,851	$ 27,012,148
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 23,709,898	$ 3,011,769	$ 13,491,422	$ 40,213,089

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 27,012,148
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets, including right-to-use capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Infrastructure	$ 14,259,292	
Nondepreciable Capital Assets	4,932,392	
Depreciable Capital Assets	6,204,285	
Accumulated Depreciation	(3,068,371)	
Right-to-Use Capital Assets	547,930	
Accumulated Amortization	(280,888)	
		22,594,640
Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end.		2,636,615
Net Deferred Outflows (Inflows) resulting from the refunding of debt included in the Statement of Net Position.		(198,660)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		412,096
Deferred pension outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.		(202,440)
Deferred other postemployment benefits outflows (inflows) resulting primarily from actuarial gains and losses to be amortized are included in the Statement of Net Position.		65,828
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Accrued Interest Payable	$ (130,720)	
General Obligation Bonds Payable	(6,748,671)	
State Appropriation Bonds Payable	(362,960)	
Revenue Bonds Payable	(104,730)	
Loans and Notes Payable	(46,877)	
Bond Premium Payable	(973,549)	
Due to Component Units	(1,322)	
Lease/Subscription Payable	(254,183)	
Certificates of Participation Payable	(497,935)	
Certificates of Participation Premium Payable	(29,446)	
Claims Payable	(860,871)	
Compensated Absences Payable	(837,617)	
Net Pension Liability	(1,611,529)	
Other Postemployment Benefits	(713,802)	
		(13,174,212)
Net Position of Governmental Activities		$ 39,146,015

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 17,785,593	$ —	$ —	$ 17,785,593
Corporate Income Taxes	3,056,349	—	—	3,056,349
Sales Taxes	7,475,214	—	1,411,658	8,886,872
Property Taxes	750,842	—	—	750,842
Motor Vehicle Taxes	441,408	—	1,702,032	2,143,440
Fuel Taxes	—	—	945,693	945,693
Other Taxes	3,520,418	—	289,790	3,810,208
Tobacco Settlement	152,891	—	3,750	156,641
Federal Revenues	84,413	18,099,921	837,675	19,022,009
Licenses and Fees	286,788	4,333	519,152	810,273
Departmental Services	200,560	6,637	236,252	443,449
Investment/Interest Earnings	1,108,205	8,006	595,083	1,711,294
Other Revenues	616,180	78,699	364,017	1,058,896
Net Revenues	$ 35,478,861	$ 18,197,596	$ 6,905,102	$ 60,581,559
Expenditures:				
Agricultural, Environmental and Energy Resources	$ 624,479	$ 350,816	$ 1,094,787	$ 2,070,082
Economic and Workforce Development	853,759	374,427	617,572	1,845,758
General Education	12,661,467	1,239,359	117,479	14,018,305
General Government	1,287,599	19,259	157,762	1,464,620
Health and Human Services	13,361,362	15,332,858	292,165	28,986,385
Higher Education	1,196,290	—	109,764	1,306,054
Intergovernmental Aid	2,951,642	—	48,791	3,000,433
Public Safety and Corrections	1,181,789	232,114	388,112	1,802,015
Transportation	701,411	561,865	3,504,712	4,767,988
Total Current Expenditures	$ 34,819,798	$ 18,110,698	$ 6,331,144	$ 59,261,640
Capital Outlay	181,074	65,509	1,032,634	1,279,217
Debt Service	113,854	5,961	1,007,826	1,127,641
Total Expenditures	$ 35,114,726	$ 18,182,168	$ 8,371,604	$ 61,668,498
Excess of Revenues over (under) Expenditures	$ 364,135	$ 15,428	$ (1,466,502)	$ (1,086,939)
Other Financing Sources (Uses):				
Bond Issuance	$ 48,010	$ —	$ 1,241,397	$ 1,289,407
Loan Issuance	—	—	574	574
Right-to-Use Issuance	46,090	607	5,916	52,613
Issuance of Refunding Bonds	—	—	331,410	331,410
Payment to Refunded Bonds Escrow Agent	—	—	(331,410)	(331,410)
Bond Issuance Premium	5,476	—	197,097	202,573
Transfers-In	354,327	1,576	1,169,740	1,525,643
Transfers-Out	(1,868,171)	(17,879)	(547,073)	(2,433,123)
Net Other Financing Sources (Uses)	$ (1,414,268)	$ (15,696)	$ 2,067,651	$ 637,687
Net Change in Fund Balances	$ (1,050,133)	$ (268)	$ 601,149	$ (449,252)
Fund Balances, Beginning, as Reported	$ 16,856,480	$ 7,142	$ 10,719,702	$ 27,583,324
Error Correction	(121,924)	—	—	(121,924)
Fund Balances, Beginning, as Restated	$ 16,734,556	$ 7,142	$ 10,719,702	$ 27,461,400
Fund Balances, Ending	$ 15,684,423	$ 6,874	$ 11,320,851	$ 27,012,148

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds		$ (449,252)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets, including right-to-use capital assets are allocated over their estimated useful lives or lease/subscription terms as applicable as depreciation/amortization. This is the amount by which capital outlay exceeded the depreciation/amortization in the current period.		
Capital Outlay	$ 1,279,217	
Depreciation/Amortization	(323,149)	
		956,068
Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported.		14,327
Net changes in capital assets due to the transfer of capital assets between governmental-type activities and business-type activities.		(11,677)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds activities is reported in governmental activities but not included in governmental funds.		(76,937)
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.		439,013
Bond, loan, certificates of participation, and lease/subscription proceeds provide current financial resources to governmental funds; however, issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Position.		(1,897,440)
Net changes due to the additions and amortization of deferred inflows and outflows related to the refunding of debt is reported in the Statement of Activities but not included in governmental funds.		(29,116)
Net changes in the net pension liability and the additions and amortization of deferred inflows and outflows related to pensions is reported in the Statement of Activities but not included in governmental funds.		(81,022)
Net changes in the other postemployment benefits liability and the additions and amortization of deferred inflows and outflows related to other postemployment benefits is reported in the Statement of Activities but not included in governmental funds.		(22,452)
Repayment of bonds, loans, certificates of participation, and leases/subscriptions are reported as expenditures in governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.		1,253,683
Net changes in expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.		(124,649)
Change in Net Position of Governmental Activities		$ (29,454)

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2025
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 15,986,000	$ 15,552,979	$ 16,655,774
Corporate Income Taxes	3,147,465	3,304,391	3,192,096
Sales Taxes	7,764,458	7,528,992	7,403,624
Property Taxes	743,297	744,389	745,305
Other Taxes	3,342,919	3,345,744	3,379,621
Tobacco Settlement	170,971	166,111	152,891
Licenses and Fees	255,038	273,880	279,813
Departmental Services	97,034	98,648	110,526
Investment/Interest Earnings	241,828	714,708	746,846
Other Revenues	356,851	440,163	502,533
Net Revenues	$ 32,105,861	$ 32,170,005	$ 33,169,029
Expenditures:			
Agricultural, Environmental and Energy Resources	$ 536,885	$ 536,751	$ 535,558
Economic and Workforce Development	935,614	940,578	758,962
General Education	12,313,876	12,538,565	12,522,748
General Government	1,478,846	1,468,476	1,448,332
Health and Human Services	11,829,046	11,940,714	11,877,279
Higher Education	1,076,072	1,077,847	1,077,393
Intergovernmental Aid	2,615,514	2,615,620	2,614,962
Public Safety and Corrections	1,171,731	1,172,513	1,167,012
Transportation	283,284	283,309	282,577
Total Expenditures	$ 32,240,868	$ 32,574,373	$ 32,284,823
Excess of Revenues over (under) Expenditures	$ (135,007)	$ (404,368)	$ 884,206
Other Financing Sources (Uses):			
Transfers-In	$ 25,807	$ 32,241	$ 60,832
Transfers-Out	(3,194,894)	(3,194,894)	(3,194,894)
Net Other Financing Sources (Uses)	$ (3,169,087)	$ (3,162,653)	$ (3,134,062)
Net Change in Fund Balances	$ (3,304,094)	$ (3,567,021)	$ (2,249,856)
Fund Balances, Beginning, as Reported	$ 12,782,742	$ 12,782,742	$ 12,782,742
Prior Period Adjustments	—	—	437,538
Fund Balances, Beginning, as Restated	$ 12,782,742	$ 12,782,742	$ 13,220,280
Budgetary Fund Balances, Ending	$ 9,478,648	$ 9,215,721	$ 10,970,424
Less: Appropriation Carryover	—	—	1,885,594
Less: Reserved for Long-Term Receivables	—	—	14,769
Less: Budgetary Reserve	—	—	3,535,932
Unassigned Fund Balance, Ending	$ 9,478,648	$ 9,215,721	$ 5,534,129

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025
(IN THOUSANDS)

	ENTERPRISE FUNDS					
	FAMILY & MEDICAL BENEFIT INSURANCE	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$ 713,658	$ 1,167,165	$ 832,577	$ 463,425	$ 3,176,825	$ 557,265
Investments	—	28,375	—	1,131	29,506	—
Accounts Receivable	—	77,368	516,526	41,014	634,908	135,000
Interfund Receivables	—	20,242	—	3,299	23,541	13
Accrued Investment/Interest Earnings	—	—	—	2	2	—
Federal Aid Receivable	—	52,688	3,636	—	56,324	—
Inventories	—	10,905	—	15,472	26,377	409
Loans and Notes Receivable	—	821	—	—	821	—
Leases Receivable	—	2,792	—	248	3,040	1,366
Prepaid Expenses	—	2,708	—	552	3,260	2,892
Total Current Assets	$ 713,658	$ 1,363,064	$ 1,352,739	$ 525,143	$ 3,954,604	$ 696,945
Noncurrent Assets:						
Cash and Cash Equivalents-Restricted	$ —	$ 81,505	$ —	$ —	$ 81,505	$ —
Accounts Receivable	—	—	—	2,720	2,720	—
Loans and Notes Receivable	—	2,183	—	—	2,183	—
Leases Receivable	—	11,592	—	—	11,592	1,907
Right-to-Use Capital Assets (Net)	354	60,174	—	17,541	78,069	28,457
Depreciable Capital Assets (Net)	—	1,606,268	—	135,298	1,741,566	107,996
Nondepreciable Capital Assets	—	201,431	—	32,609	234,040	261
Prepaid Expenses	—	—	—	—	—	280
Total Noncurrent Assets	$ 354	$ 1,963,153	$ —	$ 188,168	$ 2,151,675	$ 138,901
Total Assets	$ 714,012	$ 3,326,217	$ 1,352,739	$ 713,311	$ 6,106,279	$ 835,846
DEFERRED OUTFLOWS OF RESOURCES						
Bond Refunding	$ —	$ 943	$ —	$ —	$ 943	$ —
Deferred Pension Outflows	145	126,361	—	22,797	149,303	26,410
Deferred Other Postemployment Benefits Outflows	107	22,132	—	3,926	26,165	1,736
Total Deferred Outflows of Resources	$ 252	$ 149,436	$ —	$ 26,723	$ 176,411	$ 28,146
LIABILITIES						
Current Liabilities:						
Accounts Payable	$ 3,348	$ 183,762	$ 69,661	$ 85,337	$ 342,108	$ 59,360
Interfund Payables	4,500	2,253	93,315	27,011	127,079	60,000
Due to Component Units	—	—	—	12	12	—
Unearned Revenue	—	58,185	16,614	9,559	84,358	6,815
Accrued Interest Payable	—	—	—	—	—	154
Bonds and Notes Payable	—	37,666	—	—	37,666	28,275
Lease/Subscription Payable	42	16,638	—	4,255	20,935	11,664
Claims Payable	—	2,069	—	18,772	20,841	125,412
Compensated Absences Payable	419	30,473	—	16,460	47,352	16,240
Other Postemployment Benefits	33	5,491	—	1,221	6,745	535
Other Liabilities	—	12,852	—	—	12,852	—
Total Current Liabilities	$ 8,342	$ 349,389	$ 179,590	$ 162,627	$ 699,948	$ 308,455

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025
(IN THOUSANDS)

	ENTERPRISE FUNDS					
	FAMILY & MEDICAL BENEFIT INSURANCE	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Noncurrent Liabilities:						
Bonds and Notes Payable	$ —	$ 291,067	$ —	$ —	$ 291,067	$ 61,171
Lease/Subscription Payable	324	42,441	—	13,849	56,614	16,585
Claims Payable	—	1,164	—	—	1,164	—
Compensated Absences Payable	142	223,468	—	9,279	232,889	16,518
Net Pension Liability	6	205,303	—	8,584	213,893	952
Other Postemployment Benefits	551	76,446	—	20,177	97,174	8,843
Other Liabilities	—	2,518	—	—	2,518	—
Total Noncurrent Liabilities	$ 1,023	$ 842,407	$ —	$ 51,889	$ 895,319	$ 104,069
Total Liabilities	$ 9,365	$ 1,191,796	$ 179,590	$ 214,516	$ 1,595,267	$ 412,524
DEFERRED INFLOWS OF RESOURCES						
Bond Refunding	$ —	$ 5,169	$ —	$ —	$ 5,169	$ —
Deferred Leases	—	15,005	—	248	15,253	3,273
Deferred Pension Inflows	194	167,835	—	28,609	196,638	35,246
Deferred Other Postemployment Benefits Inflows	51	21,522	—	1,917	23,490	853
Total Deferred Inflows of Resources	$ 245	$ 209,531	$ —	$ 30,774	$ 240,550	$ 39,372
NET POSITION						
Net Investment in Capital Assets	$ —	$ 1,506,161	$ —	$ 167,344	$ 1,673,505	$ 19,019
Restricted for:						
Acquire, Maintain, and Improve Land and Buildings	$ —	$ 657	$ —	$ —	$ 657	$ —
Retire Indebtedness	—	152,786	—	—	152,786	—
Develop Economy and Workforce	—	—	—	7,369	7,369	—
Enhance Health and Human Services	—	—	—	55,625	55,625	—
Enhance Higher Education	—	22,259	—	—	22,259	—
Enhance 911 Services and Increase Safety	—	—	—	149,873	149,873	—
Unemployment Benefits	—	—	1,173,149	—	1,173,149	—
Other Purposes	—	—	—	119,448	119,448	—
Total Restricted	$ —	$ 175,702	$ 1,173,149	$ 332,315	$ 1,681,166	$ —
Unrestricted	$ 704,654	$ 392,463	$ —	$ (4,915)	$ 1,092,202	$ 393,077
Total Net Position	$ 704,654	$ 2,074,326	$ 1,173,149	$ 494,744	$ 4,446,873	$ 412,096

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025
(IN THOUSANDS)

	ENTERPRISE FUNDS					
	FAMILY & MEDICAL BENEFIT INSURANCE	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:						
Tuition and Fees	$ —	$ 670,429	$ —	$ —	$ 670,429	$ —
Restricted Student Payments, Net	—	103,268	—	—	103,268	—
Net Sales	—	—	—	1,053,209	1,053,209	388,233
Insurance Premiums	—	—	1,131,206	245,995	1,377,201	1,321,795
Other Income	—	16,779	42,147	50,588	109,514	17,077
Total Operating Revenues	$ —	$ 790,476	$ 1,173,353	$ 1,349,792	$ 3,313,621	$ 1,727,105
Less: Cost of Goods Sold	—	—	—	537,553	537,553	—
Gross Margin	$ —	$ 790,476	$ 1,173,353	$ 812,239	$ 2,776,068	$ 1,727,105
Operating Expenses:						
Purchased Services	$ 9,504	$ 282,906	$ —	$ 105,045	$ 397,455	$ 249,716
Salaries and Fringe Benefits	7,079	1,553,427	—	222,259	1,782,765	160,841
Student Financial Aid	—	147,229	—	—	147,229	—
Unemployment Benefits	—	—	1,338,457	—	1,338,457	—
Claims	—	—	—	233,366	233,366	1,318,508
Depreciation and Amortization	51	163,830	—	19,151	183,032	40,527
Supplies and Materials	301	125,589	—	5,844	131,734	12,282
Repairs and Maintenance	—	22,574	—	2,159	24,733	14,942
Indirect Costs	1,087	—	—	14,194	15,281	5,049
Other Expenses	1	49,573	—	6,182	55,756	2,868
Total Operating Expenses	$ 18,023	$ 2,345,128	$ 1,338,457	$ 608,200	$ 4,309,808	$ 1,804,733
Operating Income (Loss)	$ (18,023)	$ (1,554,652)	$ (165,104)	$ 204,039	$ (1,533,740)	$ (77,628)
Nonoperating Revenues (Expenses):						
Investment/Interest Earnings	$ 32,854	$ 32,786	$ 32,209	$ 11,482	$ 109,331	$ 25,673
Federal Grants	—	361,603	3,291	—	364,894	—
Private Grants	—	38,760	—	—	38,760	—
Grants and Subsidies	—	199,634	—	—	199,634	—
Interest and Financing Costs	(16)	(9,733)	—	(220)	(9,969)	(4,778)
Grants, Aids and Subsidies	(1,413)	(16,946)	(4,251)	(30,199)	(52,809)	—
Other Nonoperating Expenses	—	—	—	(14,948)	(14,948)	(373)
Gain (Loss) on Disposal of Capital Assets including Right-to-Use Capital Assets	—	1,071	—	(108)	963	2,502
Total Nonoperating Revenues (Expenses)	$ 31,425	$ 607,175	$ 31,249	$ (33,993)	$ 635,856	$ 23,024
Income (Loss) Before Transfers and Contributions	$ 13,402	$ (947,477)	$ (133,855)	$ 170,046	$ (897,884)	$ (54,604)
Capital Contributions	—	—	—	11,677	11,677	—
Transfers-In	—	990,594	—	30,474	1,021,068	640
Transfers-Out	(4,616)	—	(42,078)	(161,650)	(208,344)	(22,973)
Change in Net Position	$ 8,786	$ 43,117	$ (175,933)	$ 50,547	$ (73,483)	$ (76,937)
Net Position, Beginning, as Reported	$ 695,938	$ 2,102,520	$ 1,349,082	$ 453,827	$ 4,601,367	$ 500,955
Change in Accounting Principle	(70)	(71,311)	—	(9,630)	(81,011)	(11,922)
Net Position, Beginning, as Restated	$ 695,868	$ 2,031,209	$ 1,349,082	$ 444,197	$ 4,520,356	$ 489,033
Net Position, Ending	$ 704,654	$ 2,074,326	$ 1,173,149	$ 494,744	$ 4,446,873	$ 412,096

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025
(IN THOUSANDS)

	ENTERPRISE FUNDS					
	FAMILY & MEDICAL BENEFIT INSURANCE	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:						
Receipts from Customers	$ —	$ 797,423	$ 963,495	$ 1,297,780	$ 3,058,698	$ 1,685,968
Receipts from Other Revenues	—	—	42,147	49,610	91,757	17,077
Receipts from Repayment of Program Loans	—	881	—	—	881	—
Financial Aid Disbursements	—	(147,229)	—	—	(147,229)	—
Payments to Claimants	—	—	(1,319,741)	(684,258)	(2,003,999)	(1,304,301)
Payments to Suppliers	(10,893)	(471,420)	—	(167,817)	(650,130)	(273,209)
Payments to Employees	(3,373)	(1,560,487)	—	(228,834)	(1,792,694)	(168,473)
Payments to Others	—	—	—	(62,185)	(62,185)	(373)
Net Cash Flows from Operating Activities	$ (14,266)	$ (1,380,832)	$ (314,099)	$ 204,296	$ (1,504,901)	$ (43,311)
Cash Flows from Noncapital Financing Activities:						
Grant Receipts	$ —	$ 572,958	$ 614	$ —	$ 573,572	$ —
Grant Disbursements	(1,413)	(29,368)	(135)	(30,199)	(61,115)	—
Transfers-In	—	928,671	—	30,474	959,145	640
Transfers-Out	(116)	—	(7,596)	(165,444)	(173,156)	(22,973)
Repayment of Advances from Others	—	—	(59,512)	—	(59,512)	—
Net Cash Flows from Noncapital Financing Activities	$ (1,529)	$ 1,472,261	$ (66,629)	$ (165,169)	$ 1,238,934	$ (22,333)
Cash Flows from Capital and Related Financing Activities:						
Transfers-In	$ —	$ 77,568	$ —	$ —	$ 77,568	$ —
Investment in Capital Assets	—	(138,917)	—	(26,290)	(165,207)	(50,844)
Proceeds from Disposal of Capital Assets	—	5,501	—	427	5,928	8,382
Proceeds from Capital Bonds	—	23,967	—	—	23,967	—
Proceeds from Loans	—	—	—	—	—	51,255
Lease/Subscription Payments	(39)	(21,208)	—	(4,954)	(26,201)	(12,948)
Repayment of Loan Principal	—	(1,453)	—	—	(1,453)	(25,893)
Repayment of Bond Principal	—	(35,024)	—	—	(35,024)	—
Interest Paid	(16)	(4,439)	—	(220)	(4,675)	(4,729)
Net Cash Flows from Capital and Related Financing Activities	$ (55)	$ (94,005)	$ —	$ (31,037)	$ (125,097)	$ (34,777)
Cash Flows from Investing Activities:						
Proceeds from Sales and Maturities of Investments	$ —	$ 5,000	$ —	$ —	$ 5,000	$ —
Purchase of Investments	—	(9,457)	—	—	(9,457)	—
Investment/Interest Earnings	32,854	33,863	32,209	10,861	109,787	25,673
Net Cash Flows from Investing Activities	$ 32,854	$ 29,406	$ 32,209	$ 10,861	$ 105,330	$ 25,673
Net Increase (Decrease) in Cash and Cash Equivalents	$ 17,004	$ 26,830	$ (348,519)	$ 18,951	$ (285,734)	$ (74,748)
Cash and Cash Equivalents, Beginning, as Reported	$ 696,654	$ 1,221,840	$ 1,181,096	$ 444,474	$ 3,544,064	$ 632,013
Cash and Cash Equivalents, Ending	$ 713,658	$ 1,248,670	$ 832,577	$ 463,425	$ 3,258,330	$ 557,265

CONTINUED

PROPRIETARY FUNDS (CONTINUED)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025
(IN THOUSANDS)

	ENTERPRISE FUNDS					
	FAMILY & MEDICAL BENEFIT INSURANCE	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:						
Operating Income (Loss)	$ (18,023)	$ (1,554,652)	$ (165,104)	$ 204,039	$ (1,533,740)	$ (77,628)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:						
Depreciation and Amortization	$ 51	$ 163,830	$ —	$ 19,151	$ 183,032	$ 40,527
Miscellaneous Nonoperating Expenses	—	—	—	(14,948)	(14,948)	(373)
Loan Principal Repayments	—	881	—	—	881	—
Provision for Loan Defaults	—	49	—	—	49	—
Loans Forgiven	—	51	—	—	51	—
Change in Assets, Liabilities, Deferred Outflows and Inflows of Resources:						
Accounts Receivable	—	(488)	(134,833)	(5,635)	(140,956)	(23,191)
Leases Receivable	—	(396)	—	—	(396)	—
Inventories	—	1,728	—	(1,187)	541	45
Other Assets	—	—	—	154	154	1,381
Deferred Outflows of Resources	(252)	33,109	—	4,485	37,342	6,018
Accounts Payable	2,632	(3,661)	14,098	8,700	21,769	10,222
Claims Payable	—	—	—	(2,492)	(2,492)	14,207
Compensated Absences Payable	491	24,183	—	1,555	26,229	3,078
Unearned Revenue	—	7,830	(28,326)	3,189	(17,307)	(869)
Net Pension Liability	6	(136,684)	—	(20,752)	(157,430)	(26,222)
Other Postemployment Benefits	584	(11,214)	—	597	(10,033)	269
Other Liabilities	—	9,337	66	—	9,403	—
Deferred Inflows of Resources	245	85,265	—	7,440	92,950	9,225
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 3,757	$ 173,820	$ (148,995)	$ 257	$ 28,839	$ 34,317
Net Cash Flows from Operating Activities	$ (14,266)	$ (1,380,832)	$ (314,099)	$ 204,296	$ (1,504,901)	$ (43,311)
Noncash Investing, Capital and Financing Activities:						
Donated Capital Assets	$ —	$ 1,889	$ —	$ —	$ 1,889	$ —
Capital Contributions	—	—	—	11,677	11,677	—
Leases Receivable Additions	—	—	—	258	258	1,941
Right-to-Use Capital Assets Acquired through Lease/Subscription	405	26,951	—	13,145	40,501	774
Right-to-Use Capital Assets Remeasurement Additions	—	—	—	1,261	1,261	538
Right-to-Use Capital Assets Remeasurement Deletions	—	—	—	(10,822)	(10,822)	—
Bond Premium Amortization	—	4,344	—	—	4,344	—

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	CUSTODIAL
ASSETS			
Cash and Cash Equivalent Investments	$ 77,204	$ —	$ 318,955
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 4,948,022	$ 50,855	$ —
Investments:			
Equity	$ 90,776,311	$ 1,091,145	$ —
Fixed Income	23,641,725	378,761	—
Total Investments	$ 114,418,036	$ 1,469,906	$ —
Accrued Interest and Dividends	283,607	3,150	—
Securities Trade Receivable (Payable)	(728,997)	(7,332)	—
Total Investment Pool Participation	$ 118,920,668	$ 1,516,579	$ —
Receivables:			
Accounts Receivable	$ —	$ —	$ 4,755
Interfund Receivables	20,437	—	—
Taxes Receivable	—	—	89,154
Other Receivables	122,331	—	—
Total Receivables	$ 142,768	$ —	$ 93,909
Securities Lending Collateral	$ 3,751,395	$ —	$ —
Right-to-Use Capital Assets (Net)	731	—	—
Depreciable Capital Assets (Net)	18,880	—	—
Nondepreciable Capital Assets	8,695	—	—
Total Assets	$ 122,920,341	$ 1,516,579	$ 412,864
LIABILITIES			
Accounts Payable	$ 88,375	$ —	$ 358,737
Interfund Payables	20,644	—	—
Lease/Subscription Payable	738	—	—
Compensated Absences Payable	7,793	—	—
Securities Lending Liabilities	3,751,395	—	—
Other Liabilities	3,293	—	—
Total Liabilities	$ 3,872,238	$ —	$ 358,737
NET POSITION			
Net Position Restricted for Pensions, Pooled Investments and Individuals, Organizations, and Other Governments	$ 119,048,103	$ 1,516,579	$ 54,127

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2025
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	CUSTODIAL
Additions:			
Contributions:			
Employer	$ 2,017,265	$ —	$ —
Member	2,246,040	—	—
Contributions From Other Sources	10,461	—	—
Participating Plans	—	9,361	—
Total Contributions	$ 4,273,766	$ 9,361	$ —
Net Investment Income (Loss):			
Investment Income (Loss)	$ 12,283,973	$ 185,920	$ —
Less: Investment Expenses	(372,800)	(736)	—
Net Investment Income (Loss)	$ 11,911,173	$ 185,184	$ —
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 213,726	$ —	$ —
Securities Lending Rebates and Fees	(196,444)	—	—
Net Securities Lending Revenue	$ 17,282	$ —	$ —
Total Investment Income (Loss)	$ 11,928,455	$ 185,184	$ —
Tax Collections for Other Governments	$ —	$ —	$ 1,023,284
Beneficiary Deposits - Child Support	—	—	501,850
Beneficiary Deposits - Corrections	—	—	26,377
Beneficiary Deposits - Regional Treatment Centers	—	—	6,372
Beneficiary Deposits - Veterans Homes	—	—	1,863
Employee Insurance Trust	—	—	46,869
Courts Interest Held for Other Governments and Individuals	—	—	32,377
Legal Settlements for External Parties	—	—	8,100
Miscellaneous	—	—	5,469
Other Additions	56,173	—	—
Transfers-In	142,099	—	—
Total Additions	$ 16,400,493	$ 194,545	$ 1,652,561

STATE OF MINNESOTA

FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET POSITION
YEAR ENDED JUNE 30, 2025
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	CUSTODIAL
Deductions:			
Benefits	$ 6,432,763	$ —	$ —
Refunds and Withdrawals	733,406	164,554	—
Administrative Expenses	86,888	213	1,396
Tax Payments to Other Governments	—	—	1,023,174
Beneficiary Payments - Child Support	—	—	501,850
Beneficiary Payments - Corrections	—	—	26,870
Beneficiary Payments - Regional Treatment Centers	—	—	5,945
Beneficiary Payments - Veterans Homes	—	—	1,999
Employee Insurance Trust	—	—	44,612
Court Payments to Other Governments and Individuals	—	—	31,237
Legal Settlements Paid to External Parties	—	—	8,001
Miscellaneous	—	—	1,485
Transfers-Out	25,010	—	—
Total Deductions	$ 7,278,067	$ 164,767	$ 1,646,569
Net Increase (Decrease)	$ 9,122,426	$ 29,778	$ 5,992
Net Position Restricted for Pensions, Pooled Investments, and Individuals, Organizations, and Other Governments Beginning, as Reported	$ 109,908,842	$ 1,504,772	$ 48,135
Change in Accounting Principle	(1,136)	—	—
Change in Reporting Entity	17,971	(17,971)	—
Net Position Restricted for Pensions, Pooled Investments, and Individuals, Organizations, and Other Governments, Beginning, as Restated	$ 109,925,677	$ 1,486,801	$ 48,135
Net Position Restricted for Pensions, Pooled Investments, and Individuals, Organizations, and Other Governments, Ending	$ 119,048,103	$ 1,516,579	$ 54,127

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2024 and JUNE 30, 2025
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 97,469	$ 844,861	$ 1,190,398	$ 1,203,917	$ 3,336,645
Investments	—	488,448	1,877,693	271,912	2,638,053
Accounts Receivable	6,958	133,947	670,252	56,085	867,242
Due from Primary Government	99	99,270	34,409	262,422	396,200
Accrued Investment/Interest Earnings	33,710	4,600	7,330	22,260	67,900
Federal Aid Receivable	3,921	10,115	—	13,953	27,989
Inventories	—	42,724	22,478	38	65,240
Loans and Notes Receivable	62,149	129	6,301	243,103	311,682
Leases Receivable	—	19,797	4,540	7,953	32,290
Other Assets	474	2,210	25,780	5,109	33,573
Total Current Assets	$ 204,780	$ 1,646,101	$ 3,839,181	$ 2,086,752	$ 7,776,814
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 1,396,762	$ 645,688	$ 256,368	$ 277,535	$ 2,576,353
Investments-Restricted	5,663,496	—	209,235	24,707	5,897,438
Accounts Receivable-Restricted	—	221,765	—	1,227	222,992
Due from Primary Government-Restricted	—	25,284	—	—	25,284
Due from Primary Government	—	—	—	1,002	1,002
Investments	—	316,282	6,726,277	—	7,042,559
Interest Rate Swap Agreements	40,447	—	—	—	40,447
Accounts Receivable	—	—	122,066	275,453	397,519
Loans and Notes Receivable	1,230,508	27,365	36,561	2,190,637	3,485,071
Leases Receivable	—	—	283,871	302,479	586,350
Right-to-Use Capital Assets (Net)	5,089	11,319	228,702	5,258	250,368
Depreciable Capital Assets (Net)	1,255	3,370,992	2,527,406	723,691	6,623,344
Nondepreciable Capital Assets	—	3,739,061	613,245	42,484	4,394,790
Other Assets	974	—	7,092	1,271	9,337
Total Noncurrent Assets	$ 8,338,531	$ 8,357,756	$ 11,010,823	$ 3,845,744	$ 31,552,854
Total Assets	$ 8,543,311	$ 10,003,857	$ 14,850,004	$ 5,932,496	$ 39,329,668
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated Decrease in Fair Value of Derivative Instruments	$ 6,860	$ 1,325	$ —	$ —	$ 8,185
Bond Refunding	—	—	244	2,430	2,674
Deferred Outflows	—	—	4,096	—	4,096
Deferred Pension Outflows	6,603	89,700	137,069	2,729	236,101
Deferred Other Postemployment Benefits Outflows	461	15,764	17,503	138	33,866
Total Deferred Outflows of Resources	$ 13,924	$ 106,789	$ 158,912	$ 5,297	$ 284,922

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2024 and JUNE 30, 2025
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 56,266	$ 102,850	$ 738,987	$ 61,764	$ 959,867
Due to Primary Government	—	675	—	32,643	33,318
Unearned Revenue	—	35,119	74,386	16,733	126,238
Accrued Interest Payable	113,930	2,622	18,742	11,348	146,642
Bonds and Notes Payable	178,161	193,850	348,614	67,194	787,819
Lease/Subscription Payable	1,965	1,139	27,229	249	30,582
Claims Payable	—	17,827	58,722	319,621	396,170
Compensated Absences Payable	4,087	38,505	97,070	1,757	141,419
Other Postemployment Benefits	144	16,328	4,974	43	21,489
Other Liabilities	—	—	5,350	105	5,455
Total Current Liabilities	$ 354,553	$ 408,915	$ 1,374,074	$ 511,457	$ 2,648,999
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ —	$ 158,047	$ 29,416	$ 2,166	$ 189,629
Unearned Revenue-Restricted	—	239,694	—	—	239,694
Accrued Interest Payable-Restricted	—	12,321	—	—	12,321
Accounts Payable	29,843	—	—	—	29,843
Due to Primary Government	—	—	—	114,052	114,052
Unearned Revenue	—	—	5,991	34	6,025
Interest Rate Swap Agreements	6,860	—	—	—	6,860
Bonds and Notes Payable	6,354,703	1,489,545	1,537,831	924,217	10,306,296
Lease/Subscription Payable	3,024	10,324	130,216	4,984	148,548
Claims Payable	—	16,720	12,057	474,473	503,250
Compensated Absences Payable	3,519	11,037	29,785	2,056	46,397
Net Pension Liability	238	17,634	14,832	98	32,802
Other Postemployment Benefits	2,386	243,252	56,593	713	302,944
Funds Held in Trust	84,141	—	503,275	—	587,416
Other Liabilities	—	—	115,519	4,566	120,085
Total Noncurrent Liabilities	$ 6,484,714	$ 2,198,574	$ 2,435,515	$ 1,527,359	$ 12,646,162
Total Liabilities	$ 6,839,267	$ 2,607,489	$ 3,809,589	$ 2,038,816	$ 15,295,161
DEFERRED INFLOWS OF RESOURCES					
Accumulated Increase in Fair Value of Derivative Instruments	$ 40,447	$ —	$ —	$ —	$ 40,447
Bond Refunding	—	—	23,608	—	23,608
Deferred Leases	—	19,564	259,656	284,775	563,995
Deferred Revenue	19,038	—	1,344	25,746	46,128
Deferred Pension Inflows	8,813	139,139	189,235	3,665	340,852
Deferred Other Postemployment Benefits Inflows	227	77,382	7,991	68	85,668
Total Deferred Inflows of Resources	$ 68,525	$ 236,085	$ 481,834	$ 314,254	$ 1,100,698
NET POSITION					
Net Investment in Capital Assets	$ 1,355	$ 5,417,373	$ 1,609,804	$ 758,032	$ 7,786,564
Restricted-Expendable	2,356,309	1,573,156	4,734,828	2,564,582	11,228,875
Restricted-Nonexpendable	—	—	2,017,888	—	2,017,888
Unrestricted	(708,221)	276,543	2,354,973	262,109	2,185,404
Total Net Position	$ 1,649,443	$ 7,267,072	$ 10,717,493	$ 3,584,723	$ 23,218,731

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2024 and JUNE 30, 2025
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 958,617	$ 1,457,527	$ 5,523,353	$ 1,143,346	$ 9,082,843
Program Revenues:					
Charges for Services	$ 49,401	$ 398,084	$ 1,592,909	$ 153,189	$ 2,193,583
Operating Grants and Contributions	725,677	724,283	2,516,086	569,179	4,535,225
Capital Grants and Contributions	—	535,236	100,482	4,309	640,027
Net (Expense) Revenue	$ (183,539)	$ 200,076	$ (1,313,876)	$ (416,669)	$ (1,714,008)
General Revenues:					
Taxes:					
Sales Taxes	$ —	$ 424,262	$ —	$ 2,379	$ 426,641
Property Taxes	—	92,572	—	—	92,572
Investment/Interest Earnings	443,580	133,232	857,988	82,927	1,517,727
Other Revenues	—	767	470,974	7,417	479,158
Total General Revenues before Grants	$ 443,580	$ 650,833	$ 1,328,962	$ 92,723	$ 2,516,098
State Grants Not Restricted	—	—	787,118	526,696	1,313,814
Total General Revenues	$ 443,580	$ 650,833	$ 2,116,080	$ 619,419	$ 3,829,912
Change in Net Position	$ 260,041	$ 850,909	$ 802,204	$ 202,750	$ 2,115,904
Net Position, Beginning, as Reported	$ 1,391,896	$ 6,416,163	$ 9,915,289	$ 3,381,977	$ 21,105,325
Change in Accounting Principle	(2,494)	—	—	(4)	(2,498)
Net Position, Beginning, as Restated	$ 1,389,402	$ 6,416,163	$ 9,915,289	$ 3,381,973	$ 21,102,827
Net Position, Ending	$ 1,649,443	$ 7,267,072	$ 10,717,493	$ 3,584,723	$ 23,218,731

The notes are an integral part of the financial statements.

Index of Notes to the Financial Statements

Notes to the Financial Statements

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

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statements and Implementation Guides for the fiscal year ended June 30, 2025:

- GASB Statement No. 101 "Compensated Absences" was issued June 2022. This statement updates the recognition and measurement guidance for compensated absences. See Note 11 – Long-Term Liabilities - Primary Government and Note 20 – Change in Accounting Principle, Change in Accounting Estimate, Error Correction, and Change in Reporting Entity for details of the impact from this statement.
- GASB Statement No. 102 "Certain Risk Disclosures" was issued December 2023. This statement provides users with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement did not have a material impact to the state.

Financial Reporting Entity of the State of Minnesota

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

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

Discretely Presented Component Units

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

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

- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission (MASC), consisting of 14 members, 9 of whom are appointed by the state, contracts with NSCF to operate various sports facilities, including the National Sports Center. The facilities are used primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The MASC appoints all foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The fiscal year for NSCF ends December 31. The most recently available audited financial information for NSCF and included in this report is as of December 31, 2023.
- Office of Higher Education (OHE) – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE's name with limitations set by the Minnesota Legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints the OHE director with the advice and consent of the senate.
- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. The state provides funding and administrative services for PFA. PFA is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.
- Rural Finance Authority (RFA) – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of the Department of Agriculture, who is a member of the board. The state has issued general obligation bond debt for RFA programs.
- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.

A discretely presented component unit is classified as major or nonmajor, depending on its significance relative to other component units and the nature and significance of the component unit's relationship to the primary government. HFA, MC, and U of M are classified as major component units for this report.

Additional information is available from the component unit's separately-issued financial statements. Because AEDB and RFA do not issue separately audited financial statements, the combining financial statements include a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows for each of these component units.

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

- Housing Finance Agency, 400 Wabasha Street, Suite 400, St. Paul, Minnesota 55102, *www.mnhousing.gov*
- Metropolitan Council, 390 Robert Street North, St. Paul, Minnesota 55101-1805, *www.metrocouncil.org*

- University of Minnesota, Office of the Controller, 205 West Bank Office Building, 1300 South Second Street, Minneapolis, Minnesota 55454-1075, *www.twin-cities.umn.edu*
- Minnesota Climate Innovation Authority, Department of Commerce, 85 7th Place East, Suite 280, St. Paul, Minnesota 55101, *https://mn.gov/commerce/energy/consumer/energy-programs/climate-innovation.jsp*
- Minnesota Comprehensive Health Assoc., 1650 West End Boulevard, Suite 100, St. Louis Park, Minnesota 55416, *www.mchamn.com*
- Minnesota Sports Facilities Authority, 1005 4th Street South, Minneapolis, Minnesota 55415-1752, *www.msfa.com*
- National Sports Center Foundation, National Sports Center, 1750 105th Avenue Northeast, Blaine, Minnesota 55449-4500, *www.nscsports.org*
- Office of Higher Education, 1450 Energy Park Drive, Suite 350, St. Paul, Minnesota 55108-5227, *www.ohe.state.mn.us*
- Public Facilities Authority, Department of Employment & Economic Development, 1st National Bank Building, 332 Minnesota Street, Suite W820, St. Paul, Minnesota 55101-1378, *www.mn.gov/deed/pfa*
- Workers' Compensation Assigned Risk Plan, Affinity Insurance Services, Inc., 8200 Tower, Suite 1100, 5600 West 83rd Street, Minneapolis, Minnesota 55437-1062, *www.mwcarp.org*

Related Entities – These are entities for which the state is accountable because the state appoints a voting majority of the board but does not have financial accountability or the ability to impose the state's will on the entity. The following are related entities, but are not included in the reporting entity:

- Higher Education Facilities Authority (HEFA) – The governor appoints a majority of the board. HEFA can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of HEFA.
- Joint Underwriting Association – The state commissioner of the Department of Commerce appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.
- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.
- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

The following organizations, which are included in the primary government, prepare and publish separate financial reports, which may contain differences in presentation resulting from differing reporting emphasis. These financial reports may be obtained directly from each organization.

- Minnesota State Lottery, 2645 Long Lake Road, Roseville, Minnesota 55113-1117, *www.mnlottery.com*
- Minnesota State Retirement System, 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103-3000, *www.msrs.state.mn.us*

- State Board of Investment, 60 Empire Drive, Suite 355, St. Paul, Minnesota 55103-3555, *www.msbi.us*
- Teachers Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-1889, *www.minnesotatra.org*
- Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088*, www.mnpera.org*
- Minnesota State Colleges and Universities, Financial Reporting Unit, 500 Wells Fargo Place, 30 East 7th Street, St. Paul, Minnesota 55101-7804, *www.minnstate.edu*

The financial reports, available from the State Board of Investment, report on investments in investment pools, which include the majority of the state's fiduciary funds.

Financial Reporting Structure of the State of Minnesota

The basic financial statements include government-wide and fund financial statements. The Government-wide Financial Statements report on the overall financial operations for the state, while the Fund Financial Statements emphasize major individual funds and fund types. Both types of statements categorize activities as either governmental or business-type. Governmental expenditures are classified by function. Each of the state's departments and agencies is included in a functional classification based on its primary mission and objectives.

Government-wide Financial Statements

The Government-wide Financial Statements (Statement of Net Position and Statement of Activities) display information about the overall reporting for the state, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and its discretely presented component units. Eliminations have been made in the statement of activities so that certain allocated expenses are recorded only once in the function for which the expenses were made. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the general government function.

The focus of the Government-wide Financial Statements is on financial information of the state as an entity and the change in the overall financial position of the state as a result of the activities of the fiscal year. Government-wide Financial Statements are presented using the economic resources measurement focus and the full accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting government, both current and long-term, are reported in the Government-wide Financial Statements. Under the full accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Amounts paid to acquire capital assets, including right-to-use capital assets are capitalized as assets in the Government-wide Financial Statements. These amounts are reported as expenditures in the Governmental Fund Financial Statements. Long-term debt is recorded as a liability in the Government-wide Financial Statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liabilities rather than as expenditures.

In the Government-wide Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis by column. The statement includes long-term assets and receivables as well as long-term debt and obligations.

The Government-wide Statement of Activities reports how much of the cost of each functional category (public safety and corrections, transportation, etc.) is supported by general government revenues (sales taxes, income taxes, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues, and by operating and capital grants and contributions.

Program revenues must be directly associated with, or derived directly from, the function or a business-type activity. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Program revenues are applied against program expenses in the statement of activities to report the net cost of each program.

General revenues normally cover the net costs (program expenses less program revenues) of all activities. Taxes represent the majority of general revenues. Internally dedicated resources are reported as general revenues, rather than program revenues.

Fund Financial Statements

Fund Financial Statements report on the financial operations and position of governmental, proprietary, and fiduciary funds even though fiduciary funds are excluded from the Government-wide Financial Statements. The emphasis in Fund Financial Statements is on the major funds in the governmental or enterprise categories. All remaining governmental, proprietary, and fiduciary funds are aggregated and reported as nonmajor funds.

Governmental funds, including the general, special revenue, capital projects, debt service, and permanent funds, are presented on a current financial resource measurement focus and modified accrual basis of accounting in the Fund Financial Statements. This presentation is deemed most appropriate to demonstrate compliance with legal and bond covenant requirements, the source and use of financial resources, and how the state's actual spending conforms to the budget. Because the Governmental Fund Financial Statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the Government-wide Financial Statements, reconciliations explaining the adjustments required to restate the fund-based financial statements for the government-wide governmental activities column are included.

Proprietary funds, including the enterprise and internal service funds, are presented on the economic resource measurement focus and full accrual basis of accounting in the Fund Financial Statements. This is the same measurement focus and basis of accounting as the Government-wide Financial Statements.

The state's fiduciary funds are presented on the economic resource measurement focus and full accrual basis of accounting in the Fund Financial Statements by type (pension trust, investment trust, or custodial). These assets are held for the benefit of others and cannot be used for activities or obligations of the government; therefore, the funds are excluded from the Government-wide Financial Statements.

The Fund Financial Statements are presented after the Government-wide Financial Statements. These statements display information about major funds individually, and nonmajor funds in the aggregate, for governmental, enterprise, and internal service funds.

Classification of Funds

The financial position and results of state operations are organized using individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The state uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

Governmental Fund Types – These funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. The fund types included in this category are the General Fund plus special revenue, capital project, debt service, and permanent funds.

- The General Fund accounts for all financial resources not accounted for and reported in another fund. This fund encompasses many of the primary government's functions.
- Special revenue funds account for revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.
- Capital project funds account for financial resources that are restricted, committed, or assigned to capital expenditures, including the acquisition or construction of capital facilities and other capital assets, including right-to-use capital assets. The state's capital expenditures are reported as capital outlay, whereas capital expenditures for other entities are reported as grant expenditures. Capital project funds exclude capital-related outflows financed by proprietary funds or for assets that will be held in trust.
- The Debt Service Fund accounts for the accumulation of resources for, and the payment of, most long-term debt principal and interest.
- Permanent Funds account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs. The state has only one permanent fund, the Permanent School Fund. Minnesota Constitution, Article XI, Section 8 allows for the distribution of net interest and dividends to school districts. The change in investment value is recorded on the face of the financial statements as "Investment/Interest Earnings." Amounts that can be authorized for expenditure are classified as restricted on the face of the statements.

The state has two major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund is the state's only major special revenue fund. It receives and disburses federal government grants, reimbursements, recoveries, and premiums.

Proprietary Fund Types – These funds focus on determining net income, changes in net position, financial position, and cash flows. Generally accepted accounting principles, similar to those used by private sector businesses, are followed in accounting for these funds. The fund types included in this category are the enterprise and internal service funds.

- Enterprise funds account for activities that charge a fee to external users for goods or services. Activities of enterprise funds are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.
- Internal service funds account for the financing of goods or services provided by one agency to primarily other state agencies on a cost reimbursement or other basis. The activities reported as internal service funds include motor pool, central services, employee insurance, technology services, plant management, and risk management.

The state has three major enterprise funds, the Family and Medical Benefit Insurance Fund, the State Colleges and Universities Fund and the Unemployment Insurance Fund. The Family and Medical Benefit Insurance Fund will receive contributions from employers starting January 1, 2026 for paid family and medical insurance and pay family and medical benefits to eligible individuals. The State Colleges and Universities Fund accounts for the activities of the Minnesota State Colleges and Universities (Minn State) system, which is the largest higher education system in the state. The Unemployment Insurance Fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

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

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

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

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

Tax Revenues – Tax revenues, excluding property taxes, are recognized in the period they become both measurable and available to finance expenditures of the current period. Measurable means that taxpayer liability is supported by sufficient documentation and can be reasonably estimated. The state's liability for anticipated refunds of such taxes is estimated and recorded as reductions in revenue in the period when the related tax is recognized.

Property Tax Revenues – Minnesota Statutes 275.025 establishes a state general tax (property tax) against commercial/industrial and seasonal residential recreational properties. Counties, as agents for the state, assess the state general tax. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. Levies are determined based on the formula contained in the laws. The state preliminarily certifies the state general levy rate to each county no later than November 1 of each year for taxes payable in the following calendar year. The state certifies the final state general tax levy on January 1 of each year to each county. Property taxes are due to counties in two installments for each year – May 15 and October 15. The counties pay the state general tax to the state on three dates – June 30, December 1, and a final date of January 25 for any adjustments or changes. Property tax is recognized, net of uncollectible amounts, in the period for which the taxes are levied and the taxes are available.

Federal Revenues – Federal revenues, earned by incurring allowable obligations, are recognized at the same time the related obligation is recognized, with one exception. Trunk Highway Fund (special revenue fund) expenditures incurred by June 30, but not converted to Federal funding by the close of the federal fiscal year, are not recognized as federal revenues until the year they are converted.

Proprietary, pension trust, custodial, and investment trust funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for defined benefit and defined contribution pension plans.

Proprietary funds distinguish operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expense, and depreciation/amortization of capital assets, including right-to-use capital assets. All other revenues and expenses are reported as nonoperating items.

Cash Equivalents and Investments

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

Investments – Investments are reported at fair value, which is defined as the exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The state measures the fair value of investments based on a hierarchy of valuation inputs. Investments in derivative instruments are generally made to manage the overall risk of the individual manager's portfolios to a level satisfactory to the investment management firm and in accordance with the firm's contract with the State Board of Investment. See Note 2 – Cash, Investments, and Derivative Instruments for additional information regarding cash, investments, and derivative instruments.

Inventories

Generally, inventories for governmental funds are recorded as expenditures when purchased and are not a resource available for appropriation. The exception primarily relates to the Trunk Highway Fund (special revenue fund) and inventories are valued using weighted-average cost. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of proprietary funds are valued using the first-in, first-out, average cost, or specific cost methods.

Securities Lending

Securities on loan for cash collateral and the liabilities resulting from the security lending transactions are reported on the statement of net position or the balance sheet, as appropriate, for the particular fund type or level of reporting. Securities lending income and rebate and management fees are reported separately on the statement of revenues, expenditures, and changes in fund balances; the statement of revenues, expenses and changes in net position; or the statement of changes in net position, as appropriate for the particular fund type.

Restricted Net Position

Mandatory asset segregations required by bond covenants and other external restrictions are presented in enterprise funds and discretely presented component units as restricted net position. After liabilities from restricted assets are paid, any remaining restricted assets in the enterprise funds will be used for debt service.

Income Tax Credits

The Minnesota Department of Revenue processes several types of tax credits through the individual income tax system. For financial reporting purposes, income tax credits that are limited by the amount of the individual's tax liability (before considering such credits) are reported as revenue reductions. In contrast, credits for Education, Working Family, Stillborn Child, Child and Dependent Care, and Renter's Property Tax may be received even if they exceed the individual's tax liability. These types of credits are reported as expenditures, rather than revenue reductions, because the income tax system is, essentially, being used as a filing and payment mechanism to make grant payments to individuals.

Grant Expenditures and Liabilities Recognition

Grants are defined as nonexchange transactions because the state gives (or receives) value to another party without receiving (or giving) equal value in return. Grants are normally paid on either a reimbursement basis or an entitlement basis.

Reimbursement type grants may be awarded for specific services provided to eligible recipients or may be made for eligible types of reimbursements. Grants paid on the reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of providing specific services to eligible recipients or makes eligible types of expenditures.

Entitlement type grants may be based on services provided by the grantee. The intent of the grant is to help fund such services, but the grant amount is not based on the cost of providing the service(s). Expenditures and the related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed can be reasonably estimated soon after the end of the state's fiscal year. Other types of entitlement grants are not based on the services provided or action taken by the grantee. Expenditures and the related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Resources received in advance of meeting all eligibility requirements, excluding time requirements, are recorded as liabilities.

Compensated Absences

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are paid in cash only when an employee uses the leave or upon termination from state employment. Leave balances are liquidated on a first-in, first-out basis. The current and noncurrent compensated absences liabilities for governmental funds are reported only in the Government-wide Statement of Net Position. All other fund types report the liability for compensated absences as a liability of the specific fund.

Capital Assets, including Right-to-Use Capital Assets

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

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

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

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

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

Current and Noncurrent Assets

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

Deferred Outflows of Resources

In the Government-wide Financial Statements, the differences between the net carrying amounts and the reacquisition price on refunding bonds are reported as a deferred outflow of resources when the net carrying amount exceeds the reacquisition price. These amounts are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In addition, contributions to pension plans and transactions to other postemployment benefit (OPEB) plans subsequent to the measurement date of the net pension liability and the total OPEB liability before the fiscal year end are reported as deferred outflows of resources. In addition, amounts related to the increases in the net pension liability and the total OPEB liability due to changes in assumptions, changes in the primary government's proportionate share of the net pension liability, differences between expected and actual experience, and net differences between projected and actual investment earnings for pensions are reported as deferred outflows of resources. These amounts are amortized as pension or OPEB expense as applicable over the average of the expected remaining service lives of all employees of the applicable plan, with the exception of the difference between projected and actual earnings, which is amortized over five years.

Current and Noncurrent Liabilities

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

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

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

Deferred Inflows of Resources

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

Deferred Compensation Plan

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

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

The difference between fund total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is "Net Position" on the Government-wide, Proprietary, and Fiduciary fund statements and "Fund Balances" on Governmental Fund statements.

Net Investment in Capital Assets consists of capital assets, including right-to-use capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of bonds, mortgages, notes, lease/subscription payables or other debt attributable to the acquisition, construction, or improvement of such assets as well as deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of these assets or related debt. Significant unspent related debt proceeds are included in Restricted for Capital Projects.

Restricted Net Position represents the portion of net position that is constrained either externally by parties such as creditors or grantors, or legally through constitutional provisions or enabling legislation. Restricted net position is determined at the fund level. For a fund with more than one revenue stream, restricted net position is determined by the materiality of any restricted revenue in the fund.

In the Fund Financial Statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the state is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Minnesota Legislature by passing a bill, which is signed by the Governor, are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Minnesota Legislature removes or changes the specified use by taking the same type of action it employed to commit those amounts. Amounts that are constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed, are classified as assigned fund balances. Intent is expressed by agency heads to whom the Governor has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

The state's policy is that restricted amounts are spent first when expenditures are incurred for purposes for which both restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the state's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by Minnesota Management and Budget and presented to the Minnesota Legislature for approval. Specific appropriations are required for the majority of the expenditures from the General Fund. The accounts not requiring specific appropriations are considered perspective differences in the budgetary basis vs. GAAP reconciliation. Specific appropriations are also required for all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Douglas J. Johnson Economic Protection Trust, Endowment, Housing Assistance, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

Budgetary control is essentially maintained at the departmental level except for certain programs where control is at the program level. In most departments, upon notifying the governor and legislative leadership, department heads are permitted to revise budgets by transferring amounts between programs within their departments.

Unencumbered appropriation balances generally cancel to the fund at the end of the fiscal year. However, if specifically provided by law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The accounting system maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting point for the financial statements. The second ledger tracks information on a budgetary basis of accounting, which approximates a cash basis with the exception that, at year-end, encumbered amounts are included as expenditures of the year appropriated for budgetary reporting. The budget ledger controls expenditures by appropriation line item as established in the legally adopted appropriation bills. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from Minnesota Management and Budget (https://mn.gov/mmb/accounting/reports/budgetary-control.jsp).

Interfund Activity and Balances

Generally, internal service fund activity has been eliminated from the Government-wide Financial Statements. Internal service fund activity from external customers is reported under governmental activities in the Government-wide Financial Statements. Interfund receivables and payables have been eliminated from the Government-wide Statement of Net Position, except for residual amounts between governmental and business-type activities. See Note 5 – Interfund Transactions and Balances with Component Units for additional information.

Note 2 – Cash, Investments, and Derivative Instruments

Primary Government

Cash and Cash Equivalents

The majority of the primary government's cash is held in the state treasury and commingled in state bank accounts, while the majority of component unit cash is held in separate bank accounts. Cash in individual funds may be invested separately where permitted by statutes; however, cash in most funds is invested as part of an investment pool. A fund's investment with the primary government's cash pools is reported as a cash equivalent. Where provided by statutes, investment earnings of the primary government's pools are allocated to the individual funds. Earnings for all other participants are credited to the General Fund.

Deposits

Minnesota Statutes 9.031 requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state's name by an agent of the state. The statutes further require that the insurance and collateral shall be in an amount sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amounts and the fair value of the collateral.

Investments

The State Board of Investment (SBI) manages the majority of the state's investments. All investments undertaken by SBI are governed by the standards codified in Minnesota Statutes 11A and 356A. Minnesota Statutes 11A.24 broadly restricts investments of the primary government to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds. Investments are broken down by type for the pension and investment trust funds on the Statement of Net Position. Equity investments can be further broken down by private and public equities. Private equities totaled $22,232,798,000 in the pension trust funds and public equities totaled $68,543,513,000 and $1,091,145,000 in the pension trust funds and investment trust funds, respectively, as of June 30, 2025. Funds not invested by SBI are primarily from the Minnesota State Colleges and Universities. Investments for these funds must also conform to the above statutes and may be further restricted by bond indentures.

Generally, when applicable, the statutes limit investments to those rated by a nationally recognized rating agency within the top four quality ratings categories. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

SBI is authorized to establish, and has established, combined investment funds used by participating public retirement and nonretirement funds. Retirement and nonretirement funds should not be commingled. Each investment fund has its own characteristics, including investment objective and risk characteristics. Within statutory requirements and based on detailed analysis of each fund, SBI has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

Land Held for Investment

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation consisting of 2,510,666 total acres as of June 30, 2025.

Investment Derivative Instruments

Minnesota Statutes 11A.24 provides that any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. This provision applies to foreign currency forward contracts used to offset the currency risk of a security. All other derivative instruments are exchange traded. The purpose of the SBI derivative instrument activity is to equitize cash in the portfolio, to adjust the duration of the portfolio, or to offset current futures positions. For accounting purposes, derivative instruments are considered to be investments and not hedges.

The cash inflows, cash outflows, and changes in fair value of investment derivative instruments are reported as investment income. The June 30, 2025 fair value of investment derivative instruments is reported as investments.

Synthetic Guaranteed Investment Contract (SGIC): SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Fund (SIF) - Stable Value Fund of the pension and investment trust funds' portfolio. The investment objective of the Supplemental Investment Fund (SIF) is to protect investors from loss of their original investment and to provide a competitive interest rate. On June 30, 2025, the Supplemental Investment Fund (SIF) - Stable Value Fund had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of $1,423,496,000 that is $33,120,000 below the value protected by the wrap contract. The Supplemental Investment Fund (SIF) - Stable Value Fund also includes liquid investment pools with a combined fair value of $30,323,000.

The following table summarizes, by derivative instrument type, the investment derivative instrument activity, and June 30 positions for fiscal year 2025.

Primary Government
Derivative Instrument Activity for the Year Ended June 30, 2025
By Derivative Instrument Type
(In Thousands)

Derivative Instrument Type	Change in Fair Value	Year End Fair Value	Notional Amount
Governmental Activities:			
Futures	$ 3,464	$ —	$ 8,205
Total Governmental Activities	$ 3,464	$ —	$ 8,205
Business-type Activities:			
Futures	$ 1	$ —	$ 1
Total Business-type Activities	$ 1	$ —	$ 1
Fiduciary Activities:			
Futures	$ 44,545	$ —	$ 436,198
Fixed Income Options Written	227	(440)	(332,437)
Futures Options Bought	(3,636)	—	—
Futures Options Written	1,989	—	—
Fixed Income Options Bought	(13)	456	110,106
FX Forwards	(161,202)	(78,050)	34,425,139
Warrants/Stock Rights	183	135	193
Credit Default Swaps Bought	(176)	—	—
Credit Default Swaps Written	1,401	7,066	208,336
Pay Fixed Interest Rate Swaps	(4,163)	(642)	361,712
Receive Fixed Interest Rate Swaps	775	(303)	111,036
Total Return Swaps Equity	162	17	(1,000)
Total Fiduciary Activities	$ (119,908)	$ (71,761)	$ 35,319,283

Credit Risk: Minnesota is exposed to credit risk through twenty-five counterparties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state's FX Forward counterparties combined exposes the state to a maximum loss of $812,007,000 should these counterparties fail to perform. These counterparties have S&P Global Ratings (S&P) credit ratings of A- or better. The primary government, excluding pension and investment trust funds, had no exposure to counterparty risk.

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

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

Credit Risk of Debt Security Investments

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

Unrated Corporate Obligations

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

Corporate Stock

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

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

Primary Government
Governmental, Proprietary, and Custodial Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2025
(In Thousands)

Quality Rating	Fair Value
AAA	$ 2,778,788
AA	7,025,698
A	1,003,404
BBB	425,080
BB	92,248
CCC	5,904
Agencies	4,538
U.S. Governments	9,183
Unrated	21,035,363
Total Debt Securities	$ 32,380,206

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Credit Risk Exposure
As of June 30, 2025
(In Thousands)

Quality Rating	Fair Value
AAA	$ 1,024,566
AA	15,955,053
A	1,069,979
BBB	2,672,436
BB	1,423,344
B	1,207,442
CCC	652,427
CC	30,484
C	952
D	5,527
Unrated	4,617,936
Total Debt Securities	$ 28,660,146

Interest Rate Risk – Investments

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

Primary Government
Governmental, Proprietary, and Custodial Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
As of June 30, 2025
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
Asset-Backed Securities	$ 3,003,111	1.75
Collateralized Mortgage Obligations	277,668	3.58
Corporate Debt	1,637,804	3.70
Mortgage-Backed Securities	450,746	7.47
Short-Term Investment Securities	26,193,577	0.00
State or Local Government Bonds	120,621	5.59
U.S. Agencies	201,622	0.89
U.S. Treasury	406,922	11.31
Yankee Bonds	88,135	5.53
Total Debt Securities	$ 32,380,206	

Primary Government
Pension and Investment Trust Funds
Investments and Cash Equivalent Investments
Interest Rate Risk
As of June 30, 2025
(In Thousands)

Security Type	Fair Value	Weighted Average Maturity in Years
Debt Securities:		
Asset-Backed Securities	$ 1,179,536	5.15
Bank Loans	328,074	4.87
Collateralized Mortgage Obligations	1,149,782	9.55
Corporate Debt	4,448,745	5.42
Foreign Country Bonds	399,297	7.34
Mortgage-backed Securities	2,397,234	7.68
Short-Term Investment Securities	4,967,807	0.00
State or Local Government Bonds	59,348	16.01
U.S. Agencies	327,221	8.48
U.S. Treasury	11,994,350	12.35
Yankee Bonds	1,408,752	8.22
Total Debt Securities	$ 28,660,146	

Fair Value Reporting

GASB Statement No. 72 "Fair Value Measurement and Application" sets forth the framework for measuring the fair value of investments based on a hierarchy of valuation inputs. The statement defines fair value as the exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The hierarchy has three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs for Level 2 include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs reflect SBI's assumptions about the inputs that market participants would use in pricing an asset or liability.

Investments that do not have a readily determinable fair value are measured using the net asset value (NAV) per share (or its equivalent) as a practical expedient, and not classified in the fair value hierarchy.

All non-cash investments, including derivative instrument investments that are not hedging derivative instruments, are required to be measured at fair value on a recurring basis. SBI maintains investment pools in which participants own a proportionate share of the investment pools. The fair value of the investment pools is priced daily by SBI's custodian, when a daily price is available, by using independent pricing sources.

Level 3 investments primarily consist of assets where the asset is distressed or there is not an active market. The fair value of the assets measured at the NAV has been determined using the March 31, 2025 values, adjusted for cash flows. The investments measured at the NAV are typically not eligible for redemption. Distributions received as underlying investments within the funds are liquidated over the life of the investment. The typical liquidation period for alternative investments including private equity, real estate, real assets and private credit ranges from three to twelve years. The majority of the distribution is received during the liquidation period, however it is not uncommon for a minimal amount of the fund to remain open while waiting final close from the investor. Cash and a portion of the short-term investments are not leveled under GASB Statement No. 72 "Fair Value Measurement and Application".

As of June 30, 2025 the alternative investments are not expected to be sold at an amount different from the NAV value of the SBI's interest in partner's capital. SBI has a total of $11,549,777,000 in unfunded commitments to the invested value of the NAV. Unfunded commitments is money that has been committed to an investment, but not yet transferred to the investor.

The private equity investment strategy is to establish and maintain a broadly diversified private equity portfolio composed of investments that provide diversification by industry type, stage of corporate development, and location.

The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio composed of investments that provide overall diversification by property type and location. The main components of this portfolio consist of investments in closed-end commingled funds. The remaining portion of the portfolio may include investments in less diversified, more focused (specialty) commingled funds and Real Estate Investment Trusts (REITs).

The strategy for real assets investments is to establish and maintain a portfolio of real assets investment vehicles that provide an inflation hedge and additional diversification. Real assets investments will include energy and infrastructure investments that are diversified by geographic area as well as by type.

The strategy for private credit investments is to target funds that typically provide a current return and may have an equity component. Structures such as subordinated debt investments and mezzanine investments are typical private credit investments.

Primary Government
Governmental, Proprietary, and Custodial Funds
Fair Value of Investments
As of June 30, 2025
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Cash Equivalent Investments:				
Short Terms	$ 7,078,504	$ —	$ 7,078,504	$ —
Total Cash Equivalent Investments	$ 7,078,504	$ —	$ 7,078,504	$ —
Equity:				
Common Stock	$ 2,945,933	$ 2,945,798	$ 135	$ —
Real Estate Investment Trust	57,246	57,246	—	—
Total Equity	$ 3,003,179	$ 3,003,044	$ 135	$ —
Fixed Income:				
Asset-backed Securities	$ 3,036,100	$ —	$ 2,510,679	$ 525,421
Mortgage-backed Securities	695,410	—	695,410	—
Corporate Bonds	1,694,988	—	1,694,988	—
Government Issues	2,063,449	13,741	2,049,708	—
Total Fixed Income	$ 7,489,947	$ 13,741	$ 6,950,785	$ 525,421
Total Investments by Fair Value	$ 17,571,630 [1]	$ 3,016,785	$ 14,029,424	$ 525,421

[1] Total investments by fair value are less than the cash, cash equivalent investments, and investments shown on the financial statements. Cash and a portion of the short term investments are not leveled under GASB Statement No. 72 "Fair Value Measurement and Application" and are not included in this table.

Primary Government
Pension and Investment Trust Funds
Fair Value of Investments
As of June 30, 2025
(In Thousands)

Investments	Fair Value	Level 1	Level 2	Level 3
Cash Equivalent Investments:				
Short Terms	$ 773,412	$ —	$ 773,412	$ —
Total Cash Equivalent Investments	$ 773,412	$ —	$ 773,412	$ —
Equity:				
Common Stock	$ 51,367,046	$ 51,349,822	$ 16,754	$ 470
Real Estate Investment Trust	870,738	870,737	—	1
Other Equity	1,207,919	822,119	3,104	382,696
Total Equity	$ 53,445,703	$ 53,042,678	$ 19,858	$ 383,167
Fixed Income:				
Asset-backed Securities	$ 1,485,530	$ —	$ 1,478,645	$ 6,885
Mortgage-backed Securities	3,920,201	—	3,915,640	4,561
Corporate Bonds	6,278,884	—	6,275,717	3,167
Government Issues	13,765,826	—	13,765,826	—
Other Debt Instruments	1,045,020	—	1,045,020	—
Total Fixed Income	$ 26,495,461	$ —	$ 26,480,848	$ 14,613
Investment Derivatives:				
Options, Rights, Warrants	$ 135	$ 135	$ —	$ —
Total Investment Derivatives	$ 135	$ 135	$ —	$ —
Total Investments by Fair Value	$ 80,714,711	$ 53,042,813	$ 27,274,118	$ 397,780

Investments Measured at Net Asset Value (NAV):	NAV	Number of Investments	Percent of NAV Value	Unfunded Commitments
Private Equity	$ 16,291,901	194	73 %	$ 8,362,268
Real Estate	2,266,877	35	10 %	1,300,532
Real Assets	1,901,044	31	9 %	606,080
Private Credit	1,760,368	42	8 %	1,280,897
Total Investments at NAV	$ 22,220,190	302	100 %	$ 11,549,777
Total Investments by Fair Value and NAV	$ 102,934,901 [1]			

[1] Total investments by fair value and NAV are less than the cash, cash equivalent investments, and investments shown on the financial statements. Cash and a portion of the short term investments are not leveled under GASB Statement No. 72 "Fair Value Measurement and Application" and are not included in this table.

Concentration of Credit Risk – Investments

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

The state did not have exposure to any one single issuer that equaled or exceeded five percent of the overall portfolio as of June 30, 2025.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SBI has established guidelines to be used by investment managers. Managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts to avoid currency losses.

The primary government, excluding pension and investment trust funds, had no exposure to foreign currency risk as of June 30, 2025. The following table shows the foreign currency risk for the pension and investment trust funds.

Pension and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2025
(In Thousands)

Currency	Cash	Equity	Fixed Income
Australian Dollar	$ 3,290	$ 672,209	$ 579
Brazilian Real	1,124	221,239	24,276
Canadian Dollar	7,627	1,295,617	937
Danish Krone	2,323	260,251	—
Euro Currency	21,524	5,944,001	172,449
Hong Kong Dollar	4,438	1,165,484	—
Indian Rupee	55	256,057	15,826
Japanese Yen	38,101	2,383,274	—
New Taiwan Dollar	177	796,763	—
Pound Sterling	15,148	1,726,436	19,963
Singapore Dollar	987	176,465	—
South Korean Won	418	630,495	—
Swedish Krona	1,132	306,855	—
Swiss Franc	1,802	979,754	—
Yuan Renminbi	920	153,921	8,939
Others	2,925	831,297	162,983
Total	$ 101,991	$ 17,800,118	$ 405,952

Custodial Risk – Investments

Custodial risk for investments is the risk that, in the event of a failure of the counterparty, the state will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are held in the state's name and collateral for repurchase agreements is held in the state's name by third party agents. The primary government does not have a formal policy for custodial credit risk.

Securities Lending

Minnesota Statutes do not prohibit the state from participating in securities lending transactions. The state has, by a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to act as agent in lending state securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, State Street lent, on behalf of the state, certain securities held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the federal government. State Street does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to at least 100 percent of the fair value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the state in the event of default by a borrower. There were no failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the state and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a collective investment pool. As of June 30, 2025, the investment pool had an average duration of one day and an average weighted maturity of 111.01 days for U.S. dollar collateral.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2025, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

The fair value of collateral held and the fair value of securities on loan for the state as of June 30, 2025, were $6,252,070,000 and $6,019,173,000, respectively. Securities received as collateral for which the state does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Cash collateral of $3,751,395,000 is reported in the Fiduciary Funds Statement of Net Position as an asset and corresponding liability.

Primary Government
Pension and Investment Trust Funds
Securities Loaned
As of June 30, 2025
(In Thousands)

Investment Type		Fair Value
Domestic Equities	$	4,147,842
U.S. Government Bonds		895,246
International Equities		639,543
Domestic Corporate Bonds		336,542
Total	$	6,019,173

Component Units

Housing Finance Agency

As of June 30, 2025, the Housing Finance Agency (HFA) had $1,494,231,000 of cash and cash equivalents and $5,663,496,000 of investments. As of June 30, 2025, $1,494,015,000 of deposits and $5,588,712,000 of investment securities were subject to custodial credit risk. The following table shows the weighted average maturity for cash and cash equivalents and investments:

Major Component Unit
Housing Finance Authority
Fair Value of Investments
As of June 30, 2025
(In Thousands)

Fair Value of Portfolio		Investment Maturities
Less Than 1 Year	$	2,007,151
1-5 Year(s)		17,474
5-10 Years		2,015
10+ Years		5,129,928
Total	$	7,156,568

HFA cash equivalents included $216,000 of investment agreements, which are generally uncollateralized, interest-bearing contracts.

HFA investments had an estimated fair value of $5,663,496,000 as of June 30, 2025. Included in these investments were US Treasuries (not rated) with a par value of $514,295,000, and $5,149,201,000 in U.S. Agencies, also at par value, having an S&P rating of AA+ and Moody's rating of Aa1.

HFA measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." HFA measured investments of $503,622,000 and $5,159,874,000 using Level 1 and Level 2 inputs, respectively.

HFA had investments in single issuers as of June 30, 2025, excluding investments issued or explicitly guaranteed by the U.S. Government that exceeded five percent or more of total investments. These investments of $2,903,000,000 were issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and U.S. Agencies.

HFA entered into interest rate swap agreements that were considered to be derivative instruments under GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments." These interest rate swap agreements have been determined to be effective hedges and were reported at fair value as of June 30, 2025, as both an asset and liability called "interest rate swap agreements." The inception-to-date change in fair value as of June 30, 2025, was reported in deferred outflows of resources as "accumulated decrease in fair value of derivative instruments" and in deferred inflows of resources as "accumulated increase in fair value of derivative instruments."

As of June 30, 2025, HFA had interest rate swap agreements with the following counterparties: the Bank of New York Mellon (ten agreements), Royal Bank of Canada (ten agreements), Wells Fargo (two agreements), and Bank of America (nine agreements) for total notional amounts of $292,690,000, $296,585,000, $61,255,000, and $244,670,000 and fair values of $21,532,000, $9,679,000, $2,781,000, and $591,000 respectively. For these counterparties, the fair values for the fiscal year ended June 30, 2025, decreased $4,365, decreased $10,216,000, decreased $2,033,000, and decreased $1,258,000 respectively.

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, the Bank of New York Mellon, Royal Bank of Canada, Wells Fargo, and Bank of America have been rated by Moody's as Aa2, Aa2, Aa2, and Aa2 respectively, and by S&P as AA-, AA-, A+, and A+ respectively.

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

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

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

Metropolitan Council

As of December 31, 2024, the Metropolitan Council (MC) had $1,490,549,000 in cash and cash equivalents and $804,730,000 in investments. Of this amount, $691,743,000 was subject to rating. Using the Moody's rating scale, $294,993,000 of these investments ranged from Aaa-A1, while $396,750,000 were not rated. The remaining amount of $1,603,536,000 was not subject to rating.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. MC has a custodial credit risk exposure of $2,000,000 because the related securities are held by a custodial agent in the broker's name.

MC measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 "Fair Value Measurement and Application." MC measured investments of $860,585,000 and $418,709,000 using Level 1 and Level 2 inputs, respectively. MC measured another $736,758,000 of investments at the net asset value, and $24,000,000 at the amortized cost. The remaining $6,193,000 was cash and cash equivalents. MC also held $238,070,000 in the Non-Retirement Equity Fund and $10,964,000 in the Non-Retirement Money Market Fund with the State Board of Investment (SBI) established as a trust account to pay other post-employment benefits (OPEB).

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

Major Component Unit
Metropolitan Council
Fair Value of Investments
As of December 31, 2024
(In Thousands)

Fair Value of Portfolio	Estimated Fair Value
Less Than 1 Year	$ 1,978,994
1-5 Year(s)	302,827
5+ Years	13,458
Total	$ 2,295,279

MC has used commodity futures as an energy forward pricing mechanism permitted by Minnesota Statutes 473.1293. Statutorily, MC may not hedge more than 100 percent of the projected consumption of any of its commodities and only up to 23 months into the future. Since 2004, MC has hedged most of its annual diesel fuel consumption. The hedging transactions are separate from fuel purchase transactions. For calendar year 2024, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2024, MC had 217 New York Mercantile Exchange (NYMEX) heating oil futures contracts (9.11 million gallons) acquired from April 4, 2024 through December 19, 2024, to terminate on dates from January 31, 2025, through October 31, 2026. As of December 31, 2024, the ultra-low sulfur diesel futures contracts had a fair value of $20,307,000.

MC is using NYMEX heating oil futures to hedge its diesel fuel consumption. MC will be exposed to basis risk if the prices significantly deviate from each other. Historically, there has been a strong correlation between the two products.

University of Minnesota

As of June 30, 2025, the University of Minnesota (U of M), including its discretely presented component units, had $1,446,766,000 of cash and cash equivalents and $8,813,205,000 of investments. U of M’s discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of $1,239,044,000 and investments of $3,642,778,000.

As of June 30, 2025, U of M’s bank balance of $123,376,000 was uninsured and uncollateralized.

U of M maintains centralized management for substantially all of its cash and investments. The Board of Regents establishes U of M’s investment policies and objectives. U of M uses internal investment pools designed to meet respective investment objectives within established risk parameters for each pool.

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

portfolio construction. U of M uses S&P ratings and duration as a measure of a debt investment’s exposure to fair value changes arising from changing interest rates.

As of June 30, 2025, $1,012,396,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $903,257,000 was rated AA or better
- $92,391,000 was rated BBB to A
- $13,828,000 was rated BB or lower
- $2,920,000 was not rated

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

- $837,833,000 in government agencies with weighted average maturities of 1.5 to 2.7 years
- $29,822,000 in mortgage-backed securities with a weighted average maturity of 9.2 years
- $10,684,000 in other asset-backed securities with a weighted average maturity of 2.5 years
- $98,647,000 in corporate bonds with a weighted average maturity of 1.1 years
- $2,249,000 in foreign governmental bonds with a weighted average maturity of 1.3 years
- $33,161,000 in other fixed income funds with a weighted average maturity of 7.8 years

As of June 30, 2025, U of M had $141,637,000 of equity investments subject to foreign currency risk. The two components of this amount are $103,795,000 in Euro Currency and $37,842,000 in British Pound Sterling.

As of June 30, 2025, none of the U of M's investment holdings are subject to custodial credit risk because the investment securities are held by the University and not by a counterparty.

U of M measured the fair value of its investments using the three-tier hierarchy of input quality specified by GASB Statement No. 72 “Fair Value Measurement and Application.” U of M measured investments of $241,449,000, $982,901,000, and $26,748,000 using Level 1, 2 and 3 inputs, respectively. U of M measured another $2,391,680,000 of investments at the net asset value.

Nonmajor Component Units

Nonmajor Component Units
Cash, Cash Equivalents, and Investments
As of December 31, 2024 or June 30, 2025, as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 1,303	$ 24,707
Minnesota Climate Innovation Finance Authority	90,996	—
Minnesota Comprehensive Health Association	108	—
Minnesota Sports Facilities Authority	78,442	—
National Sports Center Foundation	4,956	—
Office of Higher Education	625,994	—
Public Facilities Authority	643,739	—
Rural Finance Authority	25,839	—
Workers’ Compensation Assigned Risk Plan	10,075	271,912
Total	$ 1,481,452	$ 296,619

Note 3 – Disaggregation of Receivables

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2025
(In Thousands)

Description	Governmental Activities			
	General Fund[2]	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 1,905,876	$ —	$ —	$ 1,905,876
Sales and Use	1,018,972	—	106,734	1,125,706
Property	373,447	—	—	373,447
Health Care Provider	597,865	—	—	597,865
Motor Vehicle/Fuel	—	—	81,193	81,193
Others	104,526	—	43,162	147,688
Child Support	15,510	14,453	131	30,094
Workers' Compensation	—	—	8,671	8,671
Others	490,545	351,461	233,680	1,075,686
Net Receivables	$ 4,506,741	$ 365,914	$ 473,571	$ 5,346,226

Description	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	$ —	$ 516,526	$ —	$ 516,526
Tuition and Fees[3]	77,368	—	—	77,368
Others	—	—	43,734	43,734
Net Receivables	$ 77,368	$ 516,526	$ 43,734	$ 637,628
Total Government-wide Net Receivables				$ 5,983,854

[1] Includes $135.000 million for Internal Service Funds, less Internal Service Fund eliminations of $127.371 million among Governmental Activities.

[2] Includes $207 thousand interfund receivables from Fiduciary Funds reclassified to accounts receivable on the Government-wide Statement of Net Position.

[3] The revenue associated with tuition and fees is reduced by a scholarship allowance of $359.412 million.

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

- Corporate and Individual Taxes $25,623,000
- Sales and Use Taxes $12,355,000
- Health Care Services $188,876,000
- Child Support $67,015,000
- Tuition and Fees $46,703,000

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

- Corporate and Individual Taxes $612,722,000
- Sales and Use Taxes $157,101,000
- Child Support $28,777,000
- Health Care Provider $131,127,000
- Other Receivables $245,882,000

Note 4 – Loans, Notes, and Leases Receivable

Primary Government

The following table is the loans and notes receivable, net of allowances outstanding as of June 30, 2025.

Primary Government
Loans and Notes Receivable, Net of Allowance
As of June 30, 2025
(In Thousands)

Loan Purpose	General Fund	Federal Fund	Nonmajor Special Revenue Funds	State Colleges and Universities Fund	Total Loans and Notes Receivable
Student Loan Program	$ —	$ —	$ —	$ 2,009	$ 2,009
Economic Development	39,173	8,788	57,790	—	105,751
School Districts	1,356	—	—	—	1,356
Agricultural, Environmental and Energy Resources	—	—	122,230	—	122,230
Human Services	—	—	17,877	—	17,877
Transportation	—	—	3,131	—	3,131
Others	8,251	—	446	995	9,692
Total	$ 48,780	$ 8,788	$ 201,474	$ 3,004	$ 262,046

The state has entered into various lease arrangements where the state is the lessor for building space and vehicles. Lease term ranges vary from two to twenty-five years. The lease receivable was calculated based on the interest rate charged on the lease, if available, or the state's average annual short-term monthly incremental borrowing rate.

In the governmental activities, there are more than one hundred fifty leases for vehicles. There is one building space lease agreement through the Iron Range Resources and Rehabilitation (IRRR) to which the lessee has capital spending credits that can reduce or eliminate their lease payments. For fiscal year 2025, the lessee exercised this option to eliminate their lease payments to the state.

State Colleges and University Fund (enterprise fund) has entered into several lease agreements, primarily for building space. The leases expire at various dates through 2065.

Primary Government
Leases Receivable and Revenue
As of and for the Year June 30, 2025
(In Thousands)

Primary Government	Leases Receivable	Lease Revenue
Nonmajor Special Revenue Funds	$ 4,725	$ 944
Internal Service Funds	3,273	1,454
State Colleges and Universities Fund	14,384	3,511
Nonmajor Enterprise Funds	248	79
Total	$ 22,630	$ 5,988

Component Units

The following table is the loans and notes receivable, net of allowances outstanding as of December 31, 2024 or June 30, 2025, as applicable.

Component Units
Loans and Notes Receivable
As of December 31, 2024 or June 30, 2025, as applicable
(In Thousands)

Component Unit	Loans and Notes Receivable
Housing Finance Agency	$ 1,292,657
Metropolitan Council	27,494
University of Minnesota	42,862
Minnesota Climate Innovation Finance Authority	16,400
National Sports Center Foundation	337
Office of Higher Education	429,913
Public Facilities Authority	1,860,826
Rural Finance Authority	126,264
Total	$ 3,796,753

The following table is a schedule of leases receivable as of December 31, 2024 or June 30, 2025, as applicable, for the state's component units. The detail supporting the leases receivable of the discretely presented component units of the state can be found within the individual component units' financial statements and notes.

Component Units
Leases Receivable
As of December 31, 2024 or June 30, 2025, as applicable
(In Thousands)

Component Unit	Leases Receivable
Metropolitan Council	$ 19,797
University of Minnesota	288,411
Minnesota Sports Facility Authority	310,432
Total	$ 618,640

Note 5 – Interfund Transactions and Balances with Component Units

Primary Government

During normal operations, the state processes routine transactions between funds, including loans, expenditures, and transfers of resources for administrative and program services, debt service, and compliance with legal mandates. A description of unusual or unique interfund transactions are noted below.

In the fund financial statements, these transactions are generally recorded as transfers-in/out and interfund receivables/payables. Transfers generally represent legally authorized transfers between funds authorized to receive revenue and funds authorized to make expenditures, and do not represent reimbursement of expenditures.

During fiscal year 2025, the following interfund transactions were considered to be significant, unusual or unique in nature:

- A transfers-out was recorded on the Statement of Activities - governmental activities for a transfer of a capital asset to the Nonmajor Enterprise Funds (Giants Ridge Fund) for $11,677,000. The Giants Ridge Fund recorded a capital contribution on the Statement of Revenues, Expenses, and Changes in Net Position, which was reclassified as a transfers-in on the Statement of Activities - business-type activities. See Note 6 – Capital Assets, including Right-to-Use Capital Assets.
- The General Fund recorded a one-time transfers-out to the Nonmajor Special Revenue Funds (Miscellaneous Special Revenue Fund) of $93,200,000 to establish a loan program to provide operating loans to eligible long-term services and support providers on the Governmental Funds Statement of Revenues, Expenditures,and Changes in Fund Balance.

Primary Government
Interfund Receivables and Payables
As of June 30, 2025
(In Thousands)

Description	Amount
Due to the General Fund from:	
Federal Fund	$ 66,989
Nonmajor Governmental Funds	169,817
Family and Medical Benefit Insurance Fund	4,500
Nonmajor Enterprise Funds	24,106
Internal Service Funds	60,000
Fiduciary Funds	207
Total Due to General Fund from Other Funds	$ 325,619
Due to the Federal Fund from:	
Unemployment Insurance Fund	$ 157
Total Due to Federal Fund from Other Funds	$ 157
Due to Nonmajor Governmental Funds from:	
General Fund	$ 2,932
Federal Fund	439
Nonmajor Governmental Funds	602,108
State Colleges and Universities Fund	2,253
Unemployment Insurance Fund	93,158
Nonmajor Enterprise Funds	2,905
Total Due to Nonmajor Governmental Funds from Other Funds	$ 703,795
Due to the State Colleges and Universities Fund from:	
Nonmajor Governmental Funds	$ 20,242
Total Due to State Colleges and Universities Fund from Other Funds	$ 20,242
Due to Nonmajor Enterprise Funds from:	
General Fund	$ 3,299
Total Due to Nonmajor Enterprise Funds from Other Funds	$ 3,299
Due to the Internal Service Funds from:	
Nonmajor Governmental Funds	$ 13
Total Due to Internal Service Funds from Other Funds	$ 13
Due to Fiduciary Funds from:	
Fiduciary Funds	$ 20,437
Total Due to Fiduciary Funds from Other Funds	$ 20,437

Primary Government
Interfund Transfers
Year Ended June 30, 2025
(In Thousands)

Description	Amount
Transfers to the General Fund from:	
Federal Fund	$ 11,379
Nonmajor Governmental Funds	198,694
Family and Medical Benefit Insurance Fund	4,616
Nonmajor Enterprise Funds	123,657
Internal Service Funds	15,981
Total Transfers to General Fund from Other Funds	$ 354,327
Transfers to the Federal Fund from:	
Nonmajor Governmental Funds	$ 1,421
Unemployment Insurance Fund	155
Total Transfers to Federal Fund from Other Funds	$ 1,576
Transfers to Nonmajor Governmental Funds from:	
General Fund	$ 789,212
Federal Fund	6,500
Nonmajor Governmental Funds	287,120
Unemployment Insurance Fund	41,923
Nonmajor Enterprise Funds	37,993
Internal Service Funds	6,992
Total Transfers to Nonmajor Governmental Funds from Other Funds	$ 1,169,740
Transfers to the State Colleges and Universities Fund from:	
General Fund	$ 934,526
Nonmajor Governmental Funds	56,068
Total Transfers to State Colleges and Universities Fund from Other Funds	$ 990,594
Transfers to Nonmajor Enterprise Funds from:	
General Fund	$ 27,344
Nonmajor Governmental Funds	3,130
Total Transfers to Nonmajor Enterprise Funds from Other Funds	$ 30,474
Transfers to Internal Service Funds From:	
Nonmajor Governmental Funds	$ 640
Total Transfers to Internal Service Funds	$ 640
Transfers to Fiduciary Funds from:	
General Fund	$ 117,089
Fiduciary Funds	25,010
Total Transfers to Fiduciary Funds from Other Funds	$ 142,099

Component Units

Primary Government and Component Units
Receivables and Payables
As of December 31, 2024 or June 30, 2025, as applicable
(In Thousands)

Component Units	Due from Primary Government	Due to Primary Government
Major Component Units:		
Housing Finance Agency	$ 99	$ —
Metropolitan Council	124,554	675
University of Minnesota	34,409	—
Total Major Component Units	$ 159,062	$ 675
Nonmajor Component Units	263,424	146,695
Total Component Units	$ 422,486	$ 147,370

Primary Government	Due from Component Units	Due to Component Units
Major Governmental Funds:		
General Fund	$ 23,978	$ 182,252
Federal Fund	—	137,886
Total Major Governmental Funds	$ 23,978	$ 320,138
Nonmajor Governmental Funds	118,108	42,257
Nonmajor Enterprise Funds	—	12
Total Primary Government	$ 142,086	$ 362,407 [1]

[1] Due to Component Units on the Government-wide Statement of Net Position totals $363.729 million and includes $1.322 million of loans payable to the Public Facilities Authority (component unit) that are not fund level liabilities.

The Due to Primary Government balance exceeds the Due from Component Units balance by $5,284,000 because the Metropolitan Council, the Workers' Compensation Assigned Risk Plan, and the National Sports Center Foundation use a different fiscal year end than the primary government. The $60,079,000 difference between the Due from Primary Government balance and the Due to Component Units balance is also due to these different fiscal year ends as well as the $1,322,000 loans payable disclosed above.

Note 6 – Capital Assets, including Right-to-Use Capital Assets

Primary Government

Primary Government
Capital Assets, including Right-to-Use Capital Asset Activity
Government-wide Governmental Activities
Year Ended June 30, 2025
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Governmental Activities:				
Capital Assets not Depreciated:				
Land	$ 3,059,643	$ 110,911	$ (3,801)	$ 3,166,753
Buildings, Structures, Improvements	342,252	—	—	342,252
Construction in Progress	230,928	403,619	(171,928)	462,619
Development in Progress	291,902	67,890	(53,328)	306,464
Infrastructure	13,748,699	516,656	(6,063)	14,259,292
Easements	598,220	44,210	(155)	642,275
Art and Historical Treasures	12,290	—	—	12,290
Total Capital Assets not Depreciated	$ 18,283,934	$ 1,143,286	$ (235,275)	$ 19,191,945
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 3,909,044	$ 190,800	$ (5,427)	$ 4,094,417
Infrastructure	609,713	24,890	(1,442)	633,161
Easements	5,932	320	(143)	6,109
Internally Generated Computer Software	507,780	52,251	(1,099)	558,932
Equipment, Furniture, Fixtures	1,087,737	178,131	(81,823)	1,184,045
Total Capital Assets Depreciated	$ 6,120,206	$ 446,392	$ (89,934)	$ 6,476,664
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,884,036)	$ (102,288)	$ 2,483	$ (1,983,841)
Infrastructure	(194,654)	(20,155)	409	(214,400)
Easements	(1,957)	(670)	143	(2,484)
Internally Generated Computer Software	(364,989)	(41,235)	751	(405,473)
Equipment, Furniture, Fixtures	(602,417)	(90,200)	66,061	(626,556)
Total Accumulated Depreciation	$ (3,048,053)	$ (254,548)	$ 69,847	$ (3,232,754)
Total Capital Assets Depreciated, Net	$ 3,072,153	$ 191,844	$ (20,087)	$ 3,243,910
Right-to-Use Capital Assets Amortized:				
Leased Buildings, Structures, Improvements	$ 514,704	$ 26,516	$ (121,525)	$ 419,695
Leased Easements	3,955	337	—	4,292
Leased Equipment, Furniture, Fixtures	20,447	3,019	(1,746)	21,720
IT Subscriptions	127,285	56,637	(9,232)	174,690
Total Right-to-Use Capital Assets Amortized	$ 666,391	$ 86,509	$ (132,503)	$ 620,397
Accumulated Amortization for:				
Leased Buildings, Structures, Improvements	$ (185,875)	$ (63,138)	$ 30,034	$ (218,979)
Leased Easements	(903)	(765)	—	(1,668)
Leased Equipment, Furniture, Fixtures	(10,559)	(4,244)	1,688	(13,115)
IT Subscriptions	(58,254)	(40,981)	8,099	(91,136)
Total Accumulated Amortization	$ (255,591)	$ (109,128)	$ 39,821	$ (324,898)
Total Right-to-Use Capital Assets Amortized, Net	$ 410,800	$ (22,619)	$ (92,682)	$ 295,499
Governmental Activities Capital Assets, including Right-to-Use Capital Assets, Net	$ 21,766,887	$ 1,312,511	$ (348,044)	$ 22,731,354

Capital outlay expenditures in the governmental funds totaled $1,279,217,000 for fiscal year 2025. Donations of general capital assets received were valued at $39,308,000. Transfers of $284,643,000 were primarily from construction in progress for completed projects and a transfer of a leased building with a net book value of $78,825,000 when a bargain purchase option was exercised during current year. In addition, a completed infrastructure project with a value of $11,677,000 was transferred from construction in progress in governmental

activities to infrastructure in the Nonmajor Enterprise Funds (Giants Ridge Fund). See Note 5 – Interfund Transactions and Balances with Component Units. Right-to-use capital assets include remeasurement additions of $20,863,000. Internal service funds had additions of $51,618,000 and right-to-use capital assets remeasurement additions totaling $538,000.

Primary Government
Capital Assets, including Right-to-Use Capital Asset Activity
Government-wide Business-type Activities
Year Ended June 30, 2025
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Capital Assets not Depreciated:				
Land	$ 93,817	$ 783	$ (79)	$ 94,521
Construction in Progress	80,205	126,308	(80,477)	126,036
Development in Progress	4,402	8,485	—	12,887
Other Intangibles	596	—	—	596
Total Capital Assets not Depreciated	$ 179,020	$ 135,576	$ (80,556)	$ 234,040
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 4,170,429	$ 81,066	$ (15,123)	$ 4,236,372
Infrastructure	30,733	16,253	—	46,986
Library Collections	31,920	4,414	(4,634)	31,700
Internally Generated Computer Software	73,618	3,001	(339)	76,280
Equipment, Furniture, Fixtures	381,616	18,940	(5,545)	395,011
Total Capital Assets Depreciated	$ 4,688,316	$ 123,674	$ (25,641)	$ 4,786,349
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (2,524,270)	$ (129,191)	$ 14,534	$ (2,638,927)
Infrastructure	(22,393)	(608)	—	(23,001)
Library Collections	(18,348)	(4,322)	4,427	(18,243)
Internally Generated Computer Software	(51,594)	(7,039)	—	(58,633)
Equipment, Furniture, Fixtures	(296,828)	(14,219)	5,068	(305,979)
Total Accumulated Depreciation	$ (2,913,433)	$ (155,379)	$ 24,029	$ (3,044,783)
Total Capital Assets Depreciated, Net	$ 1,774,883	$ (31,705)	$ (1,612)	$ 1,741,566
Right-to-Use Capital Assets Amortized:				
Leased Buildings, Structures, Improvements	$ 60,638	$ 31,195	$ (14,872)	$ 76,961
Leased Equipment, Furniture, Fixtures	19,286	4,921	(5,833)	18,374
IT Subscriptions	52,213	5,646	(4,413)	53,446
Total Right-to-Use Capital Assets Amortized	$ 132,137	$ 41,762	$ (25,118)	$ 148,781
Accumulated Amortization for:				
Leased Buildings, Structures, Improvements	$ (22,109)	$ (10,016)	$ 3,874	$ (28,251)
Leased Equipment, Furniture, Fixtures	(13,827)	(5,740)	5,833	(13,734)
IT Subscriptions	(21,243)	(11,897)	4,413	(28,727)
Total Accumulated Amortization	$ (57,179)	$ (27,653)	$ 14,120	$ (70,712)
Total Right-to-Use Capital Assets Amortized, Net	$ 74,958	$ 14,109	$ (10,998)	$ 78,069
Business-type Activities Capital Assets, including Right-to-Use Capital Assets, Net	$ 2,028,861	$ 117,980	$ (93,166)	$ 2,053,675

Transfers for Business-type Activities totaling $80,477,000 primarily related to construction in progress for completed projects. A completed infrastructure project with a value of $11,677,000 was transferred from construction in progress governmental activities to infrastructure in the Nonmajor Enterprise Funds (Giants Ridge Fund). See Note 5 – Interfund Transactions and Balances with Component Units.

Primary Government
Capital Assets, including Right-to-Use Capital Asset Activity
Fiduciary Funds
Year Ended June 30, 2025
(In Thousands)

Asset Category	Beginning	Additions	Deductions	Ending
Capital Assets not Depreciated:				
Land	$ 429	$ —	$ —	$ 429
Construction in Progress	3,512	1,978	—	5,490
Development in Progress	925	1,851	—	2,776
Total Capital Assets not Depreciated	$ 4,866	$ 3,829	$ —	$ 8,695
Capital Assets Depreciated:				
Buildings	$ 29,763	$ —	$ —	$ 29,763
Internally Generated Computer Software	35,956	—	—	35,956
Equipment, Furniture, Fixtures	7,165	768	(385)	7,548
Total Capital Assets Depreciated	$ 72,884	$ 768	$ (385)	$ 73,267
Accumulated Depreciation for:				
Buildings	$ (17,203)	$ (739)	$ —	$ (17,942)
Internally Generated Computer Software	(27,974)	(2,220)	—	(30,194)
Equipment, Furniture, Fixtures	(6,323)	(313)	385	(6,251)
Total Accumulated Depreciation	$ (51,500)	$ (3,272)	$ 385	$ (54,387)
Total Capital Assets Depreciated, Net	$ 21,384	$ (2,504)	$ —	$ 18,880
Right-to-Use Capital Assets Amortized:				
Leased Equipment, Furniture, Fixtures	$ 116	$ 10	$ —	$ 126
IT Subscriptions	243	887	—	1,130
Total Right-to-Use Capital Assets Amortized	$ 359	$ 897	$ —	$ 1,256
Accumulated Amortization for:				
Leased Equipment, Furniture, Fixtures	$ (76)	$ (22)	$ —	$ (98)
IT Subscriptions	(99)	(328)	—	(427)
Total Accumulated Amortization	$ (175)	$ (350)	$ —	$ (525)
Total Right-to-Use Capital Assets Amortized, Net	$ 184	$ 547	$ —	$ 731
Fiduciary Funds, Capital Assets, including Right-to-Use Capital Assets, Net	$ 26,434	$ 1,872	$ —	$ 28,306

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

Primary Government
Depreciation/Amortization Expense
Government-wide
Year Ended June 30, 2025
(In Thousands)

Function	Depreciation/ Amortization Expense
Governmental Activities:	
Agricultural, Environmental & Energy Resources	$ 37,419
Economic and Workforce Development	11,103
General Education	9,103
General Government	66,385
Health and Human Services	79,755
Higher Education	324
Public Safety and Corrections	57,745
Transportation	61,315
Internal Service Funds	40,527
Total Governmental Activities	$ 363,676
Business-type Activities:	
Family and Medical Benefit Insurance	$ 51
State Colleges and Universities	163,830
Lottery	4,166
Others	14,985
Total Business-type Activities	$ 183,032

Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2025
(In Thousands)

Description	Administration	Transportation
Authorization	$ 797,701	$ 2,048,674
Less: Expended (through June 30)	(294,513)	(1,774,106)
Less: Unexpended Commitment	(387,358)	(261,343)
Remaining Available Authorization	$ 115,830	$ 13,225

Component Units

Component Units
Capital Asset, including Right-to-Use Capital Assets
As of December 31, 2024 or June 30, 2025, as applicable
(In Thousands)

	Major Component Units				
Asset Category	Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	Total
Capital Assets not Depreciated:					
Land	$ —	$ 353,896	$ 272,472	$ 32,145	$ 658,513
Construction in Progress	—	3,385,165	216,049	10,339	3,611,553
Easements	—	—	5	—	5
Museums and Collections	—	—	124,719	—	124,719
Total Capital Assets not Depreciated	$ —	$ 3,739,061	$ 613,245	$ 42,484	$ 4,394,790
Capital Assets Depreciated:					
Buildings, Structures, Improvements	$ —	$ 5,605,117	$ 5,246,545	$ 879,756	$ 11,731,418
Infrastructure	—	—	461,072	44,384	505,456
Other Intangibles	—	—	6,903	—	6,903
Library	—	—	191,050	—	191,050
Internally Generated Computer Software	7,487	—	204,342	—	211,829
Equipment, Furniture, Fixtures	3,593	1,384,822	940,554	243,989	2,572,958
Total Capital Assets Depreciated	$ 11,080	$ 6,989,939	$ 7,050,466	$ 1,168,129	$ 15,219,614
Total Accumulated Depreciation	$ (9,825)	$ (3,618,947)	$ (4,545,199)	$ (444,438)	$ (8,618,409)
Total Capital Assets Depreciated, Net[(1)]	$ 1,255	$ 3,370,992	$ 2,505,267	$ 723,691	$ 6,601,205
Right-to-Use Capital Assets Amortized:					
Leased Buildings, Structures, Improvements	$ 9,739	$ 9,045	$ 261,770	$ 6,236	$ 286,790
Leased Easements	—	4,817	3,698	—	8,515
Leased Equipment, Furniture, Fixtures	—	—	9,685	—	9,685
IT Subscriptions	3,858	3,971	69,226	181	77,236
Total Right-to-Use Capital Assets Amortized	$ 13,597	$ 17,833	$ 344,379	$ 6,417	$ 382,226
Total Accumulated Amortization	$ (8,508)	$ (6,514)	$ (115,677)	$ (1,159)	$ (131,858)
Total Right-to-Use Capital Assets Amortized, Net	$ 5,089	$ 11,319	$ 228,702	$ 5,258	$ 250,368
Component Units Capital Assets, including Right-to-Use Capital Assets, Net	$ 6,344	$ 7,121,372	$ 3,347,214	$ 771,433	$ 11,246,363

(1) In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of $22.139 million as of June 30, 2025.

Note 7 – Disaggregation of Payables

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2025
(In Thousands)

	Governmental Activities			
Description	General Fund	Federal Fund	Nonmajor Governmental Funds[(1)]	Total
School Aid Programs	$ 1,365,056	$ 300,215	$ 270	$ 1,665,541
Tax Refunds	1,065,459	—	—	1,065,459
Medical Care Programs	1,189,763	1,851,244	16,089	3,057,096
Grants	817,080	315,212	612,935	1,745,227
Salaries and Benefits	119,740	17,764	55,142	192,646
Vendors/Service Providers	301,357	120,662	303,969	725,988
Net Payables	$ 4,858,455	$ 2,605,097	$ 988,405	$ 8,451,957

	Business-type Activities				
Description	Family Medical and Benefit Insurance	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 469	$ 113,632	$ —	$ 8,488	$ 122,589
Vendors/Service Providers	2,879	70,130	69,661	76,849	219,519
Net Payables	$ 3,348	$ 183,762	$ 69,661	$ 85,337	$ 342,108
Total Government-wide Net Payables					$ 8,794,065

(1) Includes $59.360 million for Internal Service Funds, less Internal Service Fund eliminations of $127.371 million among Governmental Activities.

Note 8 – Pension and Investment Trust Funds

Primary Government Administered Plans

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

Three plan administrators, who prepare and publish their own stand-alone annual comprehensive financial reports, including financial statements and required supplementary information, and Minnesota State Colleges and Universities (Minn State), which publishes a stand-alone pension statement, provide the pension fund information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below. The Secure Choice Trust Fund only has administrative activity in fiscal year 2025, the plan will not be open for enrollment until January 1, 2026, therefore it does not have a stand-alone report for fiscal year 2025.

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund Correctional Employees Retirement Fund Judges Retirement Fund Legislators Retirement Fund State Patrol Retirement Fund Hennepin County Supplemental Retirement Fund Health Care Savings Fund Unclassified Employees Retirement Fund Minnesota Deferred Compensation Fund
Public Employees Retirement Association (PERA)	General Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Volunteer Firefighter Retirement Fund Volunteer Firefighter Retirement Defined Contribution Fund Defined Contribution Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Minnesota State Colleges and Universities (Minn State)	State Colleges and Universities Retirement Fund
Secure Choice Retirement Program	Secure Choice Trust Fund

See Note 1 – Summary of Significant Accounting and Reporting Policies for addresses of MSRS, PERA, and TRA. The address of the administrative agent (TIAA-CREF), for Minn State is included in the "Defined Contribution Funds" section of this note.

Basis of Accounting and Valuation of Investments

The plan administrators prepare financial statements using the accrual basis of accounting which is the basis used to determine the fiduciary net position used by the plans. Member and employer contributions are recognized in the period in which they are earned and become due. Expenses are recognized when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the statutory terms of each plan.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing "units" in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in security trade receivables and payables. These unsettled security trades are an essential element in determining the fair value of each pension trust fund's pooled investment balance; therefore, the trades are reported in the combining statement of net position of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2025, this presentation resulted in a negative asset within the total investment pool participation.

Non-Primary Government Administered Plan

The state contributes as a non-employer contributing entity into the St. Paul Teachers' Retirement Fund, but does not perform any other fiduciary responsibilities. Separately-issued financial statements for the St. Paul Teachers' Retirement Fund Association may be obtained at St. Paul Teachers' Retirement Association, 2550 University Ave W 312N, St. Paul, MN 55114-1005.

Defined Benefit Plans

Primary Government Administered Multiple-Employer Cost Sharing Plans

The State Employees Retirement Fund (SERF) covers most state employees, the University of Minnesota (component unit) non-faculty employees, and selected metropolitan agency employees. Fourteen employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	Members hired before July 1, 1989: Step or Level formula, whichever is greater. Members hired on or after July 1, 1989: Level formula. Step formula: 1.2 percent of the high-five average salary for each of the first 10 years of allowable service. For allowable service after the first ten years, 1.7 percent for each year prior to July 1, 2025, and 1.9 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater). Prior measurement period was 1.7 percent for all years after the first 10 years of allowable service. Level formula: 1.7 percent of the high-five average salary for each year of allowable service prior to July 1, 2025, and 1.9 percent for each year thereafter, with full benefits at normal retirement age. Not eligible for benefits under the Rule of 90. Prior measurement period was 1.7 percent for all years of allowable service.
Annual Benefit Increase	1.5 percent through December 31, 2025 and 1.75 percent thereafter. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024. Prior measurement period was 1.5 percent fixed rate after December 31, 2023.

The Correctional Employees Retirement Fund (CERF) primarily covers state employees who have direct contact with inmates or patients in Minnesota correctional facilities, the state operated forensic service program, or the Minnesota sex offender program. Three employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	Members hired before July 1, 2010: 2.4 percent of the high-five average salary for each year of allowable service. Members hired on or after July 1, 2010: 2.2 percent of the high-five average salary for each year of allowable service.
Annual Benefit Increase	1.5 percent fixed rate. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024.

The General Employees Retirement Fund (GERF) covers employees of various governmental units and subdivisions, including counties, cities, school districts, and related organizations. Approximately 2,100 employers participate in this plan. The plan provides retirement, survivor, and disability benefits. Minneapolis Employees Retirement Fund (MERF) merged into GERF on January 1, 2015.

Membership Types	Basic membership: Participants who are not covered by the Social Security Act. Coordinated membership: Participants who are covered by the Social Security Act.
Benefit Formula	Members hired before July 1, 1989: Step or Level formula, whichever is greater. Members hired on or after July 1, 1989: Level formula. Step Formula: 1.2 percent of the high-five average salary for each of the first 10 years of allowable service, then 1.7 percent for each year thereafter for Coordinated members. The rates are 2.2 percent and 2.7 percent, respectively, for Basic members. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater). Level Formula: 1.7 percent of the high-five average salary for all years of allowable service for Coordinated members, and 2.7 percent for Basic members. Full benefits at normal retirement age. Not eligible for benefits under the Rule of 90. Former MERF members: 2.0 percent of the high-five average salary for each of the first 10 years of allowable service and 2.5 percent for each year thereafter.
Annual Benefit Increase	50 percent of the Social Security Administration increase, but not less than 1.0 percent or more than 1.5 percent through December 31, 2025. Thereafter, 100 percent of the Social Security Administration increase, but not less than 1.0 percent or more than 1.75 percent. If the plan's funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will change to 1.5 percent until it no longer meets the conditions, then the benefit increase will return to 1.75 percent maximum. The benefit increase of 1.25 percent is projected for all years. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and former MERF members of 4 percent minus the actual 2024 benefit increase and for coordinated members, 2.5 percent minus the actual 2024 benefit increase, payable in a lump sum by March 31, 2024. In fiscal year 2026, the benefit increase of 1.50 percent is projected for all years.

The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental units and subdivisions. Approximately 420 employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	3.0 percent of the high-five average salary for each year of allowable service. Members hired after June 30, 2014 limited to 33 years of allowable service.
Annual Benefit Increase	1.0 percent through December 31, 2025, 3.0 percent through December 31, 2026, and 1.0 percent thereafter. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 3.0 percent payable in a lump sum by March 31, 2024.

The Public Employees Correctional Fund (PECF) covers employees in county and regional correctional facilities who are responsible for the security, custody, and control of the facilities and inmates. Approximately eighty employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	1.9 percent of the high-five average salary for each year of allowable service before July 1, 2025 and 2.2 percent for each year of allowable service on or after July 1, 2025.
Annual Benefit Increase	100 percent of the Social Security Administration increase, but not less than 1.0 percent or more than 2.5 percent. If the plan's funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will change to 1.5 percent maximum until it no longer meets the conditions, then the benefit increase will return to 2.5 percent maximum. The benefit increase of 2.0 percent is projected for all years. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 benefit increase payable in a lump sum by March 31, 2024.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state except those teachers employed by the city of St. Paul and the University of Minnesota. Approximately 600 employers participate in this plan. The plan provides retirement, survivor, and disability benefits.

Membership Types	Basic membership: Participants who are not covered by the Social Security Act. Coordinated membership: Participants who are covered by the Social Security Act.
Benefit Formula	Members hired before July 1, 1989: Step or Level formula, whichever is greater. Members hired on or after July 1, 1989: Level formula. Step Formula: Coordinated members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service prior to July 1, 2006, and 1.4 percent for any of the first 10 years after that date. For allowable years of service after the first ten years, Coordinated members receive 1.7 percent for each year prior to July 1, 2006 and 1.9 percent for years after that date. Basic members receive 2.2 percent of the high-five average salary for each of the first 10 years of allowable service, and 2.7 percent for each year thereafter. The Step formula also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater).

Level Formula: Coordinated members receive 1.7 percent of the high-five average salary for all years of allowable service prior to July 1, 2006 and 1.9 percent for years thereafter. Basic members receive 2.7 percent of the high-five average salary for all years of allowable service. The Level formula provides full benefits at normal retirement age. Not eligible for benefits under the Rule of 90.

Annual Benefit Increase	1.1 percent through December 31, 2024, then increase by 0.1 percent each year over four years, and 1.5 percent thereafter. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and coordinated members of 2.9 percent and 1.4 percent, respectively, payable in a lump sum by March 31, 2024. Benefit increases for retirements on or after January 1, 2024 are delayed until the retiree reaches normal retirement age.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Statutory Contribution Rates
(In Thousands)

Description	SERF[1]	CERF	GERF	P&FF[4]	TRF[2][3]
Minnesota Statutory Authority	352.04	352.92	353.27 353.505	353.65	354.42 354.435,436
Required Contribution Rate:					
Active Members	5.5%	9.6%	6.5-9.75%	11.8%	7.75-11.25%
Employer(s)	6.25%	18.85%	7.5-11.78%	17.7%	8.75-12.75%
Non-Employer Contributing Entity	$ —	$ —	$ 16,000	$ 9,000	$ 59,549
Primary Government Contributions – Reporting Period	$ 217,197	$ 69,431	$ 17,298	$ 9,587	$ 81,218

(1) Member contribution rates increase by 0.50 percent effective fiscal year 2026.

(2) An additional contribution of 3.64 percent of salary from Special School District No.1 brings the top of the Employer contribution range to 16.39 percent. Member contribution rates increase by 0.25 percent effective fiscal year 2026. Employer contribution rates increase by 1.06 percent effective fiscal year 2026.

(3) Non-Employer contributions include a one-time state aid contribution for TRF of $28.462 million.

(4) Non-Employer contributions include a $9 million state contribution for P&FF that will increase to $17.7 million in fiscal year 2026 and thereafter. The contribution will continue until the plan is 110 percent funded for three consecutive years.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Summary of Pension Amounts
As of June 30, 2025
(In Thousands)

Description	SERF[1]	CERF[1]	GERF[1]	P&FF[1]	TRF[1]	Total
Primary Government's Proportionate Share of the Net Pension Liability as an:						
Employer	$ 25,569	$ 471,114	$ 8,004	$ 3,072	$ 219,682	$ 727,441
Non-Employer Contributing Entity	—	—	93,185	95,008	340,763	528,956
Total	$ 25,569	$ 471,114	$ 101,189	$ 98,080	$ 560,445	$ 1,256,397
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:						
Current Year Measurement Date	76.87%	99.91%	2.74%	7.46%	8.82%	
Prior Year Measurement Date	76.41%	99.91%	2.94%	4.13%	9.27%	
Deferred Outflows of Resources	$ 709,191	$ 167,882	$ 27,306	$ 204,318	$ 164,457	$ 1,273,154
Deferred Inflows of Resources	$ 946,432	$ 115,755	$ 85,147	$ 183,431	$ 232,140	$ 1,562,905
Net Pension Expense	$ (11,568)	$ 72,211	$ (405)	$ 22,892	$ 12,849	$ 95,979

(1) Proportionate share was determined based on the primary government's percentage of employer and non-employer contributing entity contributions into the plan.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Actuarial Assumptions

Description	SERF[(1)(5)]	CERF[(1)(6)]	GERF[(1)]	P&FF[(2)]	TRF[(3)]
Actuarial Valuation/ Measurement Date	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024	June 30, 2024
Long-Term Expected Rate	7.00%	7.00%	7.00%	7.00%	7.00%
20 Year Municipal Bond Rate[(4)]	3.97%	3.97%	3.97%	3.97%	3.94%
Experience Study Dates	2018-2022	2015-2019	2014-2018	2015-2019	2018-2022
Inflation	2.25%	2.25%	2.25%	2.25%	2.50%
Salary Increases	Service Related Rates	Service Related Rates	Service Related Rates	Service Related Rates	2.85-9.25%
Payroll Growth	3.00%	3.00%	3.00%	3.00%	3.00%

(1) For SERF, CERF, and GERF mortality rate assumptions, the Pub-2010 General Mortality Table was used and adjusted for mortality improvements based on Scale MP-2021 for SERF and GERF, and Scale MP-2019 for CERF. There are various adjustments in each plan to match experience. In the prior year measurement period, SERF adjusted for mortality improvements based on Scale MP-2018. In fiscal year 2026, CERF will use the Pub-2010 Public Safety Mortality Table and adjust for mortality improvements based on Scale MP-2021.

(2) For P&FF mortality rate assumptions, the Pub-2010 Public Safety Mortality Table was used and adjusted for mortality improvements based on Scale MP-2021. There are various adjustments to match experience.

(3) For TRF mortality rate assumptions, the Pub-2010 Teacher Mortality Table was used and adjusted for mortality improvements based on Scale MP-2021. There are various adjustments to match experience. In the prior year measurement period, the RP-2014 Mortality Table was used and adjusted for mortality improvements based on Scale MP-2015.

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

(5) For SERF in fiscal year 2026, the combined service annuity load will change from 4 percent to 9 percent for vested terminated members, and from 5 percent to 51 percent for non-vested terminated members.

(6) For CERF in fiscal year 2026, the combined service annuity load will change from 17 percent to 6 percent for vested terminated members, and from 6 percent to 111 percent for non-vested terminated members.

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Outflows of Resources
As of June 30, 2025
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
Difference Between Expected and Actual Experience	$ 187,491	$ 44,569	$ 9,514	$ 38,222	$ 26,718	$ 306,514
Changes in Assumption	288,281	53,863	494	107,815	56,521	506,974
Change in Proportionate Difference Between Actual Contributions and Proportionate Share of Contributions	16,222	19	—	48,694	—	64,935
Contributions Subsequent to the Measurement Date	217,197	69,431	17,298	9,587	81,218	394,731
Total	$ 709,191	$ 167,882	$ 27,306	$ 204,318	$ 164,457	$ 1,273,154

Primary Government Administered Multiple-Employer Cost Sharing Plans
Deferred Inflows of Resources
As of June 30, 2025
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
Difference Between Expected and Actual Experience	$ 2,059	$ 946	$ —	$ —	$ 7,263	$ 10,268
Changes in Assumption	467,450	54,405	38,298	144,425	66,835	771,413
Net Difference Between Projected and Actual Earnings on Investment	475,739	60,299	29,384	31,891	79,324	676,637
Change in Proportionate Share of Contributions	1,184	105	17,465	7,115	78,718	104,587
Total	$ 946,432	$ 115,755	$ 85,147	$ 183,431	$ 232,140	$ 1,562,905

Primary Government Administered Multiple-Employer Cost Sharing Plans
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense or a Reduction in Net Pension Liability
As of June 30, 2025
(In Thousands)

Description	SERF	CERF	GERF	P&FF	TRF	Total
2026	$ (138,474)	$ 944	$ (43,324)	$ 7,848	$ (68,908)	$ (241,914)
2027	29,723	14,601	(10,772)	27,048	29,331	89,931
2028	(226,265)	(16,051)	(13,717)	(4,493)	(55,349)	(315,875)
2029	(119,422)	(16,798)	(7,326)	(33,519)	(39,547)	(216,612)
2030	—	—	—	14,416	(14,428)	(12)
Net Pension Expense	$ (454,438)	$ (17,304)	$ (75,139)	$ 11,300	$ (148,901)	$ (684,482)
Deferred Outflow of Resources as a Reduction to Net Pension Liability	217,197	69,431	17,298	9,587	81,218	394,731
Net Deferred Outflows (Inflows) of Resources	$ (237,241)	$ 52,127	$ (57,841)	$ 20,887	$ (67,683)	$ (289,751)

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan

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

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

Benefit Formula	Members hired before July 1, 1989: Tier 1 or Tier 2 formula, whichever is greater. Members hired on or after July 1, 1989: Tier 2 formula.

Tier 1 Formula: Coordinated members receive 1.2 percent of the high-five average salary for each of the first 10 years of allowable service prior to July 1, 2015, and 1.4 percent for any of the first 10 years after that date. For allowable years of service after the first ten years, Coordinated members receive 1.7 percent for each year prior to July 1, 2015 and 1.9 percent for years after that date.

Basic members receive 2.0 percent of the high-five average salary for all years of allowable service.

The Tier 1 formula also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90 or greater).

Tier 2 Formula: Coordinated members receive 1.7 percent of the high-five average salary for all years of allowable service prior to July 1, 2015 and 1.9 percent for years thereafter.

Basic members receive 2.5 percent of the high-five average salary for all years of allowable service.

The Tier 2 formula provides full benefits at normal retirement age and for retirements on or after July 1, 2023 when a member is at least age 62 with at least 30 years of service. Not eligible for benefits under the Rule of 90.

Annual Benefit Increase	1.0 percent fixed rate. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and coordinated members of 3.0 percent and 1.5 percent, respectively, payable in a lump sum by March 31, 2024. Benefit increases for retirements on or after July 1, 2024 are delayed until the retiree reaches normal retirement age.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Statutory Contribution Rates
(In Thousands)

Description		SPTRF[1][2]
Minnesota Statutory Authority		354A.12
Required Contribution Rate:		
Active Members		7.5-10.0%
Employer(s)		9.0-12.5%
Primary Government as Non-Employer Contributing Entity - Statutory Requirement	$	17,203
Primary Government Contributions - Reporting Period	$	17,223

(1) An additional contribution of 3.64 and 3.84 percent of salary for basic and coordinated members, respectively, of St. Paul Teachers Retirement Fund Association brings the top of the Employer contribution to 16.14 percent. Member contribution rates increase by 1.25 percent effective fiscal year 2026 and an additional increase by 0.25 percent effective fiscal year 2027. Employer contribution rates increase by 0.75 percent effective fiscal year 2026.

(2) Non-Employer contributions include a one-time state aid contribution of $1.538 million.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Summary of Pension Amounts
As of June 30, 2025
(In Thousands)

Description		SPTRF[1]
Primary Government's Proportionate Share of the Net Pension Liability as an:		
Employer	$	155
Non-Employer Contributing Entity		162,831
Total	$	162,986
Primary Government's Total Proportionate Share Percentage of the Net Pension Liability as of:		
Current Measurement Date		27.25%
Prior Measurement Date		29.06%
Deferred Outflows of Resources	$	19,316
Deferred Inflows of Resources	$	22,013
Net Pension Expense	$	8,503

(1) Proportionate share was determined based on the Primary Government's percentage of employer and non-employer contributing entity contributions into the plan.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Actuarial Assumptions

Description	SPTRF[1]
Actuarial Valuation/Measurement Date	June 30, 2024
Long-Term Expected Rate	7.00%
20 Year Municipal Bond Rate[2]	3.97%
Experience Study Dates	2016-2021
Inflation	2.50%
Salary Increases	2.50-8.00%
Payroll Growth	2.50%

(1) For mortality rate assumptions, the Pub-2010 Teachers Mortality table for males and females was used and adjusted for mortality improvements based on Scale MP-2021 for the current measurement period. There are various adjustments to match experience.

(2) Source: Fidelity Index 20-Year Municipal GO AA Index.

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Outflows of Resources
As of June 30, 2025
(In Thousands)

Description		SPTRF
Difference Between Expected and Actual Experience	$	1,745
Change in Proportionate Share of Contributions		348
Contributions Subsequent to the Measurement Date		17,223
Total	$	19,316

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Deferred Inflows of Resources
As of June 30, 2025
(In Thousands)

Description		SPTRF
Difference Between Expected and Actual Experience	$	1,465
Changes in Assumption		2,139
Net Difference Between Projected and Actual Earnings on Investment		10,496
Change in Proportionate Share of Contributions		7,913
Total	$	22,013

Non-Primary Government Administered Multiple-Employer Cost Sharing Plan
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense or a Reduction in Net Pension Liability
As of June 30, 2025
(In Thousands)

Description		SPTRF
2026	$	(14,137)
2027		2,355
2028		(4,995)
2029		(3,143)
Net Pension Expense	$	(19,920)
Deferred Outflow of Resources as a Reduction to Net Pension Liability		17,223
Net Deferred Outflows (Inflows) of Resources	$	(2,697)

Primary Government Administered Multiple-Employer Agent Plan

The Volunteer Firefighter Retirement Fund (VFRF) was established on January 1, 2010, as a lump-sum defined benefit plan largely funded by fire state aid and covers volunteer firefighters. Members do not contribute to the plan. Employer contributions are determined annually. There are 282 employers participating in this plan. The plan provides retirement and survivor benefits only. If fire state aid plus investment income are not expected to cover the normal cost of benefits during the next calendar year, an employer contribution is calculated and payable by the end of the next calendar year. Benefits are determined by employee years of service multiplied by a benefit level chosen by the entity sponsoring the fire department from possible levels ranging from $500 to $15,000 per year of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent. The plan is established and administered in accordance with Minnesota Statutes 353G. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

Primary Government Administered Single-Employer Plans

The Judges Retirement Fund (JRF) covers judges of the Supreme Court, appellate, and district courts. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	Judges appointed or elected before July 1, 2013: 2.7 percent of the high-five average salary for each year of allowable service prior to July 1, 1980, and 3.2 percent for each year thereafter, up to 76.8 percent. Judges appointed or elected on or after July 1, 2013: 2.5 percent of the high-five average salary for each year of allowable service. There is no maximum benefit.
Annual Benefit Increase	1.5 percent fixed rate. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024.

The Legislators Retirement Fund (LRF) covers constitutional officers and certain members of the state's House of Representatives and Senate who were first elected prior to July 1, 1997 and chose to retain coverage under this plan. The plan provides retirement and survivor benefits. This plan is closed to new entrants.

Benefit Formula	5.0 percent of high-five average salary for the first eight years of service prior to January 1, 1979, then 2.5 percent for subsequent years.
Annual Benefit Increase	1.5 percent through December 31, 2025 and 1.75 percent thereafter. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024. Prior measurement period was 1.5 percent fixed rate after December 31, 2023.

The State Patrol Retirement Fund (SPRF) covers state troopers, conservation officers, and certain crime bureau and gambling enforcement agents. The plan provides retirement, survivor, and disability benefits.

Benefit Formula	3.0 percent of the high-five average salary for each year of allowable service up to 33 years. Members with at least 28 years of service as of July 1, 2013 are not subject to this limit.
Annual Benefit Increase	1.0 percent through December 31, 2025, and 1.25 percent thereafter. In addition, for January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 3.0 percent payable in a lump sum by March 31, 2024. Prior measurement period was 1.0 fixed rate.

Primary Government Administered Single-Employer Plans
Statutory Contribution Rates
(In Thousands)

Description	JRF	LRF	SPRF
Minnesota Statutory Authority	490.123	3A.03	352B.02
Required Contribution Rate:			
Active Members	7.0-9.0%	9.0%	15.4%
Employer	22.5% (1)	N/A (2)	23.1% (3)
Primary Government Contributions – Reporting Period	$ 19,857	$ 8,364	$ 38,365

(1) Employer contributions include an additional $6 million each year until the plan is 110 percent funded for three consecutive years. This contribution was previously due to continue until the earlier of the plan is fully funded for three consecutive years or July 1, 2048.

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

(3) Additional supplemental employer contributions rate is 7.0 percent. This brings the top of the Employer contribution range to 30.1 percent. The 7.0 percent will remain in effect until the plan is 110 percent funded for three consecutive years. This contribution was previously due to continue until the earlier of the plan is fully funded for three consecutive years or July 1, 2048. Beginning fiscal year 2026, employer contributions will also include an additional $2.3 million each year through fiscal year 2048.

Primary Government Administered Single-Employer Plans
Membership Statistics

Description	JRF	LRF	SPRF
Members (or their beneficiaries) Currently Receiving Benefits	423	334	1,172
Members Entitled to, but not Receiving Benefits	21	16	79
Active Members	318	7	987

Primary Government Administered Single-Employer Plans
Summary of Pension Amounts
As of June 30, 2025
(In Thousands)

Description	JRF	LRF	SPRF	Total
Net Pension Liability	$ 151,937	$ 100,461	$ 154,593	$ 406,991
Deferred Outflows of Resources	31,437	8,364	96,182	135,983
Deferred Inflows of Resources	21,621	—	80,525	102,146
Net Pension Expense	13,200	877	21,030	35,107

Primary Government Administered Single-Employer Plans
Actuarial Assumptions

Description	JRF(1)	LRF(1)	SPRF(1)
Actuarial Valuation / Measurement Date	June 30, 2024	June 30, 2024	June 30, 2024
Long-Term Expected Rate	7.00%	N/A	7.00%
20 Year Municipal Bond Rate(2)	3.97%	3.97%	3.97%
Experience Study Dates	2015-2019	N/A	2015-2019
Inflation	2.25%	2.25%	2.25%
Salary Increases	2.50%	4.25%	Service Related Rates
Payroll Growth	2.50%	N/A	3.00%

(1) For mortality rate assumptions, the Pub-2010 General Mortality Table was used and adjusted for mortality improvements based on Scale MP-2019 for JRF and SPRF, and Scale MP-2021 for LRF. There are various adjustments in each plan to match experience. In the prior year measurement period, LRF adjusted for mortality improvements based on Scale MP-2018. In fiscal year 2026, SPRF will use the Pub-2010 Public Safety Mortality Table and adjust for mortality improvements based on Scale MP-2021 and JRF will use the Pub-2010 General Mortality Table, Above Median Income, and adjust for mortality improvements based on Scale MP-2021.

(2) Source: Fidelity Index 20-Year Municipal GO AA Index.

Primary Government Administered Single-Employer Plans
Schedule of Net Pension Liability
As of June 30, 2025
(In Thousands)

Description	JRF	LRF	SPRF	Total
Total Pension Liability (TPL):				
Service Cost	$ 10,043	$ 199	$ 29,442	$ 39,684
Interest on the Total Pension Liability	29,416	4,018	80,498	113,932
Difference Between Expected and Actual Experience of the Total Pension Liability	7,281	(558)	(2,687)	4,036
Changes in Assumptions	—	(2,784)	—	(2,784)
Benefit Payments, Including Refunds of Member Contributions	(30,626)	(8,811)	(69,890)	(109,327)
Net Change in Total Pension Liability	$ 16,114	$ (7,936)	$ 37,363	$ 45,541
Total Pension Liability, Beginning	$ 430,526	$ 108,397	$ 1,170,196	$ 1,709,119
Total Pension Liability, Ending	$ 446,640	$ 100,461	$ 1,207,559	$ 1,754,660
Fiduciary Net Position (FNP):				
Contributions – Employer	$ 19,534	$ 8,813	$ 47,035	$ 75,382
Contributions – Member	4,420	38	17,453	21,911
Net Investment Income	32,493	—	115,542	148,035
Benefit Payments, Including Refunds of Member Contributions	(30,626)	(8,811)	(69,890)	(109,327)
Pension Plan Administrative Expenses	(105)	(40)	(272)	(417)
Other Changes	—	—	(1)	(1)
Net Change in Plan Fiduciary Net Position	$ 25,716	$ —	$ 109,867	$ 135,583
Plan Fiduciary Net Position, Beginning	$ 268,987	$ —	$ 943,099	$ 1,212,086
Plan Fiduciary Net Position, Ending	$ 294,703	$ —	$ 1,052,966	$ 1,347,669
Net Pension Liability (NPL)	$ 151,937	$ 100,461	$ 154,593	$ 406,991

Primary Government Administered Single-Employer Plans
Deferred Outflows of Resources
As of June 30, 2025
(In Thousands)

Description	JRF	LRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 6,641	$ —	$ 27,769	$ 34,410
Changes in Assumption	4,939	—	30,048	34,987
Contributions Subsequent to the Measurement Date	19,857	8,364	38,365	66,586
Total	$ 31,437	$ 8,364	$ 96,182	$ 135,983

Primary Government Administered Single-Employer Plans
Deferred Inflows of Resources
As of June 30, 2025
(In Thousands)

Description	JRF	SPRF	Total
Difference Between Expected and Actual Experience	$ 1,499	$ 3,520	$ 5,019
Changes in Assumption	10,091	41,016	51,107
Net Difference Between Projected and Actual Earnings on Investment	10,031	35,989	46,020
Total	$ 21,621	$ 80,525	$ 102,146

Primary Government Administered Single-Employer Plans
Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense
or a Reduction in Net Pension Liability
As of June 30, 2025
(In Thousands)

Description	JRF	LRF	SPRF	Total
2026	$ (4,551)	$ —	$ (11,247)	$ (15,798)
2027	577	—	22,507	23,084
2028	(4,743)	—	(17,010)	(21,753)
2029	(1,324)	—	(16,510)	(17,834)
2030	—	—	(448)	(448)
Net Pension Expense	$ (10,041)	$ —	$ (22,708)	$ (32,749)
Deferred Outflow of Resources as a Reduction to Net Pension Liability	19,857	8,364	38,365	66,586
Net Deferred Outflows (Inflows) of Resources	$ 9,816	$ 8,364	$ 15,657	$ 33,837

Summary of Defined Benefit Plans

Summary of Defined Benefit Plans
As of June 30, 2025
(In Thousands)

Description	Primary Government Administered Multiple-Employer Cost Sharing Plans	Non-Primary Government Administered Multiple-Employer Cost Sharing Plan	Primary Government Administered Single-Employer Plans	Total
Net Pension Liability	$ 1,256,397	$ 162,986	$ 406,991	$ 1,826,374
Deferred Outflows of Resources	1,273,154	19,316	135,983	1,428,453
Deferred Inflows of Resources	1,562,905	22,013	102,146	1,687,064
Net Pension Expense	95,979	8,503	35,107	139,589

The State Board of Investment, which manages the investments of MSRS, PERA, and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method using both long-term historical returns and long-term capital market expectations from a number of investments management and consulting organizations. Best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates, and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Primary Government Administered Plans
Asset Class Target Allocation and Expected Return
As of June 30, 2025

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Geometric Mean)
Domestic Stocks	33.50 %	5.10 %
International Stocks	16.50 %	5.30 %
Bonds	25.00 %	0.75 %
Alternative Assets	25.00 %	5.90 %
Total	100.00 %	

The following table presents the net pension liability for each defined benefit plan with a primary government proportionate share of the net pension liability, calculated using the corresponding discount rate as well as what the net pension liability would be if the rate were one percentage point higher or lower.

Primary Government Proportionate Share
Sensitivity of the Net Pension Liability to Changes in the Discount Rate
As of June 30, 2025
(In Thousands)

	With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Plan	Rate	NPL[1]	Rate	NPL[1]	Rate	NPL[1]
SERF	6.00 %	$ 1,759,405	7.00 %	$ 25,569	8.00 %	$(1,414,586)
CERF	6.00 %	805,626	7.00 %	471,114	8.00 %	199,510
GERF	6.00 %	221,013	7.00 %	101,189	8.00 %	2,623
P&FF	6.00 %	231,782	7.00 %	98,080	8.00 %	(11,717)
TRF	6.00 %	986,976	7.00 %	560,445	8.00 %	209,400
SPTRF	6.00 %	229,054	7.00 %	162,986	8.00 %	108,359
JRF	6.00 %	196,045	7.00 %	151,937	8.00 %	114,030
LRF[3][4]	2.97 %	109,332	3.97 % [2]	100,461	4.97 %	92,801
SPRF	6.00 %	310,979	7.00 %	154,593	8.00 %	26,120

(1) Net Pension Liability (Asset).

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

(3) The discount rate changed from 3.86 percent for LRF.

(4) The discount rate for fiscal year 2026 will change to 5.20 percent for LRF.

Defined Contribution Plans

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds and a state-sponsored private employee retirement fund. The benefits received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer or solely with employee contributions, depending on the fund. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial accrued benefit liability or actuarially required contribution.

Plan Descriptions and Contribution Information

The Hennepin County Supplemental Retirement Fund (HCSRF), authorized by Minnesota Statutes 383B.46 to 383B.52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employer (Hennepin County and Hennepin Healthcare System) and employee contribution rate is 1.0 percent of the employee’s salary. Benefits are the participant’s account balance, which includes investment earnings/losses.

Health Care Savings Fund (HCSF), authorized by Minnesota Statutes 352.98, creates a post-retirement health care savings plan by which public employees may save to cover post-retirement health care costs. Contributions to the plan are defined in a personnel policy or in a collective bargaining agreement. Contributions to the plan, by or on behalf of an employee, are held in trust for reimbursement of employee and dependent health-related expenses following termination of public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may

request reimbursement until funds accumulated in the participant’s account are exhausted. Benefits are the participant’s account balance, which includes investment gains/losses and must be used for qualifying health-related expenses. The employee contributions were $195,470,000 for the fiscal year ended June 30, 2025.

The Unclassified Employees Retirement Fund (UERF), authorized by Minnesota Statutes 352D, covers only those state employees who are included either by statutes or policy in the "unclassified service" of the state, specified employees of various statutorily designated entities, or judges who exceed the maximum benefit cap under the Judges Retirement Fund (pension trust fund). Statutory contribution rates are 5.50 percent of employee's salary for employee and 6.25 percent for the employer. Employee contribution rates increase by 0.50 percent effective fiscal year 2026. However, contribution rates for participating judges are 8.0 percent of employee's salary with no state contribution. Benefits are either an annuity based on age, value of the participant’s account, and the effective actuarial assumptions, or the participant’s account balance withdrawals.

The Minnesota Deferred Compensation Fund (DCPF) is a voluntary retirement savings plan authorized under section 457(b) of the Internal Revenue Code and Minnesota Statutes 352.965. The plan is primarily composed of employee contributions and accumulated investment gains or losses. Some employer units or bargaining units may match a portion of an employee's contributions annually. Participants may withdraw funds upon termination of public service or in the event of an unforeseeable emergency. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs who are only eligible if they meet certain qualifications), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. The statutory contribution rate is 5.0 percent of employee’s salary for both the employee and employer (local units of government, elected officials, and physicians). For other participants, the contribution rate is determined by the employer with a fixed percentage for the employee. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses.

The Volunteer Firefighter Retirement Defined Contribution Fund (VFRDCF) is authorized by Minnesota Statutes 353G. The plan covers volunteer firefighters. Contributions to the plan include fire state aid and voluntary employer contributions. Members do not contribute to the plan. Plan benefits depend on the member's account balance and a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes 354B and 354C, covers unclassified teachers, librarians, administrators, and certain other staff members. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and administrators, participate in the IRAP. The employer and employee statutory contribution rates are 8.75 and 7.75 percent, respectively, and member contribution rates increase by 0.25 percent effective fiscal year 2026. For the SRP, the statutorily required contribution rate is 5.0 percent of salary for both the employer and employees with contribution maximums between $1,700 and $2,700 depending on the member group. Minnesota Statutes allow additional employer and employee contributions under specific circumstances.

Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) is the administrative agent for the State Colleges and Universities Retirement Fund. Separately-issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

The Secure Choice Trust Fund, authorized by Minnesota Statutes 187, is a state-sponsored retirement program for employees in the private sector who have no opportunity to save for retirement through an employer-sponsored retirement plan. The program offers IRAs as authorized under sections 408 and 408A of the Internal Revenue Code. It is expected to open for enrollment beginning January 1, 2026. The Secure Choice Trust Fund only has administrative activity in fiscal year 2025. Employers that do not sponsor a retirement plan will be required to enroll employees in the program. Employees may change the contribution rate or opt out of the plan. Plan benefits will be either the participant's account balance withdrawals or by July 1, 2028, a lifetime income option.

Primary Government
Defined Contribution Plans Contributions
As of June 30, 2025
(In Thousands)

Description	HCSRF	UERF	DCPF	DCF	VFRDCF	CURF
Member Contributions	$ 26	$ 10,473	$ 422,186	$ 2,483	$ —	$ 57,617
Employer Contributions:						
Primary Government Contributions	$ —	$ 10,104	$ 9,522	$ —	$ —	$ 63,332
Other Employer Contributions	26	780	—	2,577	213	—
Total Employer Contributions	$ 26	$ 10,884	$ 9,522	$ 2,577	$ 213	$ 63,332

Investment Trust Funds

The Supplemental Retirement and the Investment Trust funds (investment trust funds) are administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). These funds are investment pools for external participants.

Component Units

The following component units are participants in the State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF), and the Unclassified Employees Retirement Funds (UERF):

- Housing Finance Agency (HFA)
- Metropolitan Council (MC)
- University of Minnesota (U of M)
- Minnesota Sports Facilities Authority (MSFA)
- Office of Higher Education (OHE)
- Public Facilities Authority (PFA)

Component Units
Summary of Pension Amounts
State Employee Retirement Fund
As of December 31, 2024 or June 30, 2025, as applicable
(In Thousands)

	Major Component Units			Nonmajor Component Units			
Description	HFA	MC	U of M	MSFA	OHE	PFA	Total
Proportionate Share of the Net Pension Liability	$ 238	$ 2,793	$ 4,357	$ 3	$ 54	$ 41	$ 7,486
Deferred Outflows of Resources	6,603	64,913	117,337	83	1,509	1,137	191,582
Deferred Inflows of Resources	8,813	111,748	170,293	133	2,014	1,518	294,519
Net Pension Expense (Income)	(107)	(7,701)	(13,537)	(51)	(25)	(19)	(21,440)

Major Component Units
Summary of Pension Amounts
Police and Fire Fund
As of December 31, 2024 or June 30, 2025, as applicable
(In Thousands)

Description	MC	U of M	Total
Proportionate Share of the Net Pension Liability	$ 14,841	$ 10,475	$ 25,316
Deferred Outflows of Resources	24,787	19,732	44,519
Deferred Inflows of Resources	27,391	18,942	46,333
Net Pension Expense	2,593	2,425	5,018

Note 9 – Termination and Postemployment Benefits

Primary Government – Termination Benefits

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. A liability and expense for voluntary termination benefits are recognized when the offer is accepted, and the amount can be estimated. A liability and expense for involuntary termination benefits are recognized when a plan of termination has been approved, the plan has been communicated to the employees, and the amount can be estimated.

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (Minn State) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Faculty members who meet a combination of age and years of service plus certain eligibility requirements are eligible to receive an early retirement incentive cash payment based on base salary plus health insurance paid for one year after separation or up to age 65, depending on the contract. Twenty-eight former faculty members and staff currently receive this benefit. The cost of the benefits was $1,279,000 during the fiscal year ended June 30, 2025, with a remaining liability as of June 30, 2025, of $1,340,000.

Primary Government Single Employer – Postemployment Benefits Other Than Pensions

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit healthcare plan, as allowed by Minnesota Statutes 43A.27, Subdivision 3, and Minnesota Statutes 471.61, Subdivision 2a, and required under the terms of selected employment contracts. All pre-age-65 state retirees with at least five years of allowable pension service who are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state’s health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100 percent of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy.

The state also subsidizes the healthcare and dental premium rates for certain employees, primarily conservation officers, correctional officers at state correctional facilities, and state troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer’s premium contribution rate is frozen at the date of the employee’s retirement and is payable by the state until the retiree is age 65. The retiree is responsible for any other portion of the premiums. Coverage and rate subsidies end at the retiree’s attainment of age 65.

The state does not issue a separate financial report for its OPEB as the state does not fund an OPEB plan and operates on a pay-as-you-go basis. The amount paid for OPEB benefits during fiscal year 2025 was $45,722,000**.**

Primary Government Single-Employer Plan
Employee Statistics

Description	Employees
Inactive Employees (or their beneficiaries) Currently Receiving Benefits	2,790
Active Employees	49,919

Primary Government Single-Employer Plan
Summary of OPEB Amounts
As of June 30, 2025
(In Thousands)

Description	Amount[1]
Total OPEB Liability	$ 827,099
Deferred Outflows of Resources	157,593
Deferred Inflows of Resources	88,207
Total OPEB Expense	73,230

[1] Amounts represent the primary government's total proportionate share of 99.6 percent. The remaining 0.4 percent represents discretely presented component units' proportionate share.

Single-Employer Plan
Actuarial Assumptions

Description	OPEB Plan
Actuarial Valuation[1]	July 1, 2024
Measurement Date[1]	June 30, 2024
Discount Rate: 20-Year Municipal Bond Rate[2]	3.93%
Healthcare Cost Trend Rate	7.46% reduced to 3.68% by 2075
Experience Study Dates	2018 - 2022
Inflation	2.25%
Salary Increases	3.00%

[1] No significant events or material changes in benefit provisions occurred between the actuarial valuation date and the measurement date that required an adjustment to roll-forward of the Total OPEB Liability.

[2] Source: Bond Buyer 20-year General Obligation Index.

The mortality rate assumptions use the Pub-2010 General Employee Headcount-Weighted Mortality Table with mortality improvement Scale MP-2021 as applicable to the employee group covered.

Single-Employer Plan
Schedule of Total OPEB Liability
As of June 30, 2025
(In Thousands)

Description	Primary Government's Share(1)	Component Unit's Share(1)	Plan Total
Total OPEB Liability:			
Service Cost	$ 45,718	$ 438	$ 46,156
Interest	29,525	117	29,642
Differences between Expected and Actual Experience	43,419	172	43,591
Changes in Assumptions or Other Inputs	(31,231)	(124)	(31,355)
Benefit Payments	(46,560)	(185)	(46,745)
Net Changes in Total OPEB Liability	$ 40,871	$ 418	$ 41,289
Total OPEB Liability, Beginning	786,228	2,868	789,096
Total OPEB Liability, Ending	$ 827,099	$ 3,286	$ 830,385

(1) The primary government's total proportionate share is 99.6 percent and the component units' proportionate share is 0.4 percent of the state's single employer defined benefit OPEB plan.

Primary Government Single-Employer Plan
Deferred Outflows and Deferred Inflows of Resources
Related to OPEB
As of June 30, 2025
(In Thousands)

Description	Deferred Outflows of Resources(1)	Deferred Inflows of Resources(1)
Difference between Expected and Actual Experience	$ 73,651	$ 26,050
Changes of Assumption	38,220	62,157
Transactions Subsequent to the Measurement Date	45,722	N/A
Total	$ 157,593	$ 88,207

(1) Amounts represent the primary government's total proportionate share of 99.6 percent. The remaining 0.4 percent represents discretely presented component units' proportionate share.

Primary Government Single-Employer Plan
Net Deferred Outflows (Inflows) of Resources
Recognized as OPEB Expense or a Reduction to the Total OPEB Liability
As of June 30, 2025
(In Thousands)

Description	Amount(1)
2026	$ 3,915
2027	5,974
2028	3,798
2029	4,421
2030	5,558
Thereafter	(2)
Net OPEB Expense	$ 23,664
Deferred Outflow of Resources as a Reduction of the Total OPEB Liability	45,722
Net Deferred Outflows (Inflows) of Resources	$ 69,386

(1) Amounts represent the primary government's total proportionate share of 99.6 percent. The remaining 0.4 percent represents discretely presented component units' proportionate share.

The following tables present the total OPEB liability (TOPEBL) for the defined benefit plan for the primary government's proportionate share of the TOPEBL, calculated using the corresponding discount rate and healthcare trend rate as well as what the TOPEBL would be if the rates were one percentage point higher or lower.

Primary Government
Sensitivity of the Total OPEB liability to Changes in the Discount Rate
As of June 30, 2025
(In Thousands)

With a 1% Decrease		Current Discount Rate		With a 1% Increase	
Rate	TOPEBL	Rate(1)	TOPEBL	Rate	TOPEBL
2.93%	$ 891,709	3.93%	$ 827,099	4.93%	$ 767,054

(1) The discount rate changed from 3.65 percent.

Sensitivity of the Total OPEB liability to Changes in the Healthcare Trend Rates
As of June 30, 2025
(In Thousands)

With a 1% Decrease		Current Healthcare Trend Rate		With a 1% Increase	
Rate	TOPEBL	Rate	TOPEBL	Rate	TOPEBL
2.68%	$ 748,555	3.68%	$ 827,099	4.68%	$ 918,540

Component Units – Postemployment Benefits Other Than Pensions

Housing Finance Agency (HFA) and the Office of Higher Education (OHE) participate in the primary government's single-employer defined benefit OPEB plan.

The Metropolitan Council (MC) administers an other postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. The funding for MC does not meet the requirements of GASB Statement 75, for OPEB. However, MC separately invested $373 million as of December 31, 2024 for this purpose.

The University of Minnesota (U of M) administers an other postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible employees, retirees, their spouses, and dependents, and an academic disability plan for faculty and academic professional and administrative employees. The U of M does not fund an OPEB plan and operates on a pay-as-you-go basis.

Component Units
Summary of OPEB Amounts
State OPEB Plan
As of June 30, 2025
(In Thousands)

	Major Component Unit	Nonmajor Component Unit	
Description	HFA	OHE	Total
Proportionate Share Total OPEB Liability	$ 2,530	$ 756	$ 3,286
Deferred Outflows of Resources	461	138	599
Deferred Inflows of Resources	227	68	295
Total OPEB Expense	241	93	334

Major Component Units
Summary of OPEB Amounts
Other Plans
As of December 31, 2024 or June 30, 2025, as applicable
(In Thousands)

	Major Component Units		
Description	MC	U of M	Total
Proportionate Share Total OPEB Liability	$ 259,580	$ 61,567	$ 321,147
Deferred Outflows of Resources	15,764	17,503	33,267
Deferred Inflows of Resources	77,382	7,991	85,373
Total OPEB Expense	3,957	6,983	10,940

Note 10 – Long-Term Commitments

Primary Government

Governmental Funds

Long-term commitments consist of grant agreements, construction projects, and other contracts. A portion of these commitments will be funded by current reserves, and these amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance amounts. Resources provided by future bond proceeds, fuel taxes, motor vehicle registration taxes, and federal grants will fund the remaining commitments. Governmental funds' encumbrances, both current and long-term, as of June 30, 2025, were as follows:

Primary Government
Encumbrances
As of June 30, 2025
(In Thousands)

Description	Amount
General Fund	$ 1,957,356
Nonmajor Governmental Funds	3,332,989
Total Encumbrances	$ 5,290,345

Enterprise Fund - State Colleges and Universities

The State Colleges and Universities (enterprise fund) had commitments of $216,957,000 for the construction and renovation of college and university facilities and the replacement of the legacy ERP system as of June 30, 2025.

Component Units

As of June 30, 2025, the Housing Finance Agency had committed approximately $1,070,924,000 for the purchase or origination of future loans or other housing assistance.

The Metropolitan Council entered into contracts for various purposes such as transit services and construction projects. As of December 31, 2024, unpaid commitments for Metro Transit Bus services were approximately $340,952,000. Future commitments for Metro Transit Light Rail were approximately $354,628,000, while future commitments for Metro Transit Commuter Rail were approximately $5,774,000. Future commitments for Regional Transit and Environmental Services were approximately $50,861,000 and $116,583,000, respectively. Finally, amounts authorized and initiated in the calendar year 2024 budget but not completely expended in calendar year 2024 were $4,270,000.

The University of Minnesota had construction projects in progress with an estimated completion cost of $220,732,000 as of June 30, 2025. These costs will be funded from plant account assets and state appropriations.

As of June 30, 2025, the Public Facilities Authority (PFA) had committed approximately $319,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $238,000,000 for grants.

Note 11 – Long-Term Liabilities - Primary Government

Primary Government
Long-Term Liabilities
Year Ended June 30, 2025
(In Thousands)

Liability Type	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 6,997,312	$ 1,769,904	$ 1,070,425	$ 7,696,791	$ 607,113
Revenue Bonds	64,101	53,486	3,120	114,467	4,535
State Appropriation Bonds	428,269	—	49,617	378,652	48,910
Loans	113,379	51,829	28,885	136,323	29,478
Due to Component Units	1,634	—	312	1,322	320
Leases[1]	265,019	29,394	78,949	215,464	58,693
IT Subscription Payables[2]	64,730	45,394	43,156	66,968	26,798
Certificates of Participation	545,441	—	18,060	527,381	17,170
Claims	937,129	1,455,787	1,406,633	986,283	221,181
Compensated Absences[3]	792,869	77,506	—	870,375	467,717
Net Pension Liability	2,594,996	272,378	1,254,893	1,612,481	—
Other Postemployment Benefits	672,276	90,358	39,454	723,180	41,214
Total	$ 13,477,155	$ 3,846,036	$ 3,993,504	$ 13,329,687	$ 1,523,129
Business-type Activities:					
General Obligation Bonds	$ 150,805	$ 23,967	$ 21,304	$ 153,468	$ 17,627
Revenue Bonds	173,053	—	18,064	154,989	18,920
Loans	21,729	—	1,453	20,276	1,119
Leases [1]	42,603	36,116	24,651	54,068	11,388
IT Subscription Payables[2]	30,207	5,646	12,372	23,481	9,547
Claims	25,408	234,909	238,312	22,005	20,841
Compensated Absences[3]	254,012	26,229	—	280,241	47,352
Net Pension Liability	371,323	—	157,430	213,893	—
Other Postemployment Benefits	113,952	13,023	23,056	103,919	6,745
Total	$ 1,183,092	$ 339,890	$ 496,642	$ 1,026,340	$ 133,539

[1] The increase and decrease columns for leases include remeasurement activity. For fiscal year 2025, increases in remeasurements for governmental activities totaled $12,188, which includes internal service funds remeasurements of $538. For fiscal year 2025, decreases in remeasurements for governmental activities totaled $10,058.

[2] The increase and decrease columns for IT Subscription Payables include remeasurement activity. For fiscal year 2025, increases in remeasurements for governmental activities totaled $8,675. For fiscal year 2025, decreases in remeasurements for governmental activities totaled $152.

[3] The beginning balances for Compensated Absences were restated for both the governmental activities and business-type activities by $326,857 and $81,011 as a result of implementation GASB 101 "Compensated Absences" in fiscal year 2025. For further information, see Note 20 – Change in Accounting Principle, Change in Accounting Estimate, Error Correction, and Change in Reporting Entity. The compensated absences changes are reported as a net increase or net decrease.

Primary Government
Resources for Repayment of Long-Term Liabilities
Year Ended June 30, 2025
(In Thousands)

Liability Type	Governmental Activities: General Fund	Special Revenue Funds	Internal Service Funds	Business-type Activities	Total
General Obligation Bonds	$ 5,228,536	$ 2,468,255	$ —	$ 153,468	$ 7,850,259
Revenue Bonds	94,140	20,327	—	154,989	269,456
State Appropriation Bonds	378,652	—	—	—	378,652
Loans	45,644	1,233	89,446	20,276	156,599
Due to Component Units	—	1,322	—	—	1,322
Leases	118,235	82,713	14,516	54,068	269,532
IT Subscription Payables	50,999	2,236	13,733	23,481	90,449
Certificates of Participation	527,381	—	—	—	527,381
Claims	206,909	653,962	125,412	22,005	1,008,288
Compensated Absences	509,369	328,248	32,758	280,241	1,150,616
Net Pension Liability	1,611,529	—	952	213,893	1,826,374
Other Postemployment Benefits	713,802	—	9,378	103,919	827,099
Total	$ 9,485,196	$ 3,558,296	$ 286,195	$ 1,026,340	$ 14,356,027

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, state appropriation bonds, loans, due to component units, leases, IT subscription payables, and certificates of participation. There are no payment schedules for claims, compensated absences, net pension liability, or other postemployment benefits.

Primary Government
General Obligation Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 607,113	$ 284,241	$ 17,627	$ 6,583	$ 624,740	$ 290,824
2027	572,672	257,925	15,783	5,326	588,455	263,251
2028	564,098	232,165	14,332	4,641	578,430	236,806
2029	547,085	207,588	12,310	4,032	559,395	211,620
2030	544,408	184,258	11,047	3,550	555,455	187,808
2031-2035	2,089,381	614,827	41,644	11,488	2,131,025	626,315
2036-2040	1,259,175	247,800	20,785	4,128	1,279,960	251,928
2041-2045	564,739	50,647	7,831	833	572,570	51,480
Total	$ 6,748,671	$ 2,079,451	$ 141,359	$ 40,581	$ 6,890,030	$ 2,120,032
Bond Premium	948,120	—	12,109	—	960,229	—
Total	$ 7,696,791	$ 2,079,451	$ 153,468	$ 40,581	$ 7,850,259	$ 2,120,032

Primary Government
Revenue Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2026	$ 4,535	$ 4,908	$ 18,920	$ 5,416	$ 23,455	$ 10,324
2027	4,795	4,711	19,180	4,565	23,975	9,276
2028	4,995	4,508	17,395	3,757	22,390	8,265
2029	5,205	4,284	18,200	2,989	23,405	7,273
2030	5,445	4,039	15,685	2,273	21,130	6,312
2031-2035	28,530	16,098	47,845	4,137	76,375	20,235
2036-2040	23,830	9,944	4,855	155	28,685	10,099
2041-2045	27,395	3,266	—	—	27,395	3,266
Total	$ 104,730	$ 51,758	$ 142,080	$ 23,292	$ 246,810	$ 75,050
Bond Premium	9,737	—	12,909	—	22,646	—
Total	$ 114,467	$ 51,758	$ 154,989	$ 23,292	$ 269,456	$ 75,050

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest
2026	$ 48,910	$ 15,560
2027	52,415	13,269
2028	55,360	10,806
2029	58,490	8,210
2030	50,990	5,459
2031-2035	42,595	12,838
2036-2040	40,925	6,318
2041-2045	13,275	503
Total	$ 362,960	$ 72,963
Bond Premium	15,692	—
Total	$ 378,652	$ 72,963

Primary Government
Loans Payable and Due to Component Units
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2026	$ 29,798	$ 4,065	$ 1,119	$ 438	$ 30,917	$ 4,503
2027	25,968	2,993	1,201	412	27,169	3,405
2028	21,044	2,041	1,287	384	22,331	2,425
2029	14,341	1,301	1,377	355	15,718	1,656
2030	3,966	891	1,448	323	5,414	1,214
2031-2035	7,054	3,726	7,675	1,123	14,729	4,849
2036-2040	7,229	2,947	5,647	367	12,876	3,314
2041-2045	6,941	2,283	522	5	7,463	2,288
2046-2050	7,603	1,616	—	—	7,603	1,616
2051-2055	8,329	884	—	—	8,329	884
2056-2060	5,372	153	—	—	5,372	153
Total	$ 137,645	$ 22,900	$ 20,276	$ 3,407	$ 157,921	$ 26,307

Primary Government
Leases
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2026	$ 58,693	$ 5,978	$ 11,388	$ 1,626	$ 70,081	$ 7,604
2027	42,606	4,595	8,518	1,662	51,124	6,257
2028	35,349	3,473	5,868	1,185	41,217	4,658
2029	22,905	2,551	4,596	965	27,501	3,516
2030	16,342	1,754	3,886	878	20,228	2,632
2031-2035	37,296	2,341	14,106	2,920	51,402	5,261
2036-2040	1,887	26	3,136	1,802	5,023	1,828
2041-2045	386	1	2,354	1,991	2,740	1,992
2046-2050	—	—	119	183	119	183
2051-2055	—	—	97	191	97	191
Total	$ 215,464	$ 20,719	$ 54,068	$ 13,403	$ 269,532	$ 34,122

Primary Government
IT Subscription Payables
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 26,798	$ 1,815	$ 9,547	$ 897	$ 36,345	$ 2,712
2027	20,980	1,381	6,456	813	27,436	2,194
2028	11,235	642	3,359	563	14,594	1,205
2029	6,879	225	2,481	400	9,360	625
2030	526	37	1,638	355	2,164	392
2031-2035	550	13	—	—	550	13
Total	$ 66,968	$ 4,113	$ 23,481	$ 3,028	$ 90,449	$ 7,141

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

Year Ended June 30	Governmental Activities	
	Principal	Interest
2026	$ 17,170	$ 24,542
2027	18,045	23,665
2028	18,970	22,743
2029	19,935	21,774
2030	20,955	20,757
2031-2035	121,955	86,594
2036-2040	150,655	52,107
2041-2045	130,250	13,432
Total	$ 497,935	$ 265,614
Premium on Certificates of Participation	29,446	—
Total	$ 527,381	$ 265,614

Debt Service Fund

For state general obligation bonds, Minnesota Statutes 16A.641 provides for an annual appropriation for transfer to the Debt Service Fund. The amount of the appropriation is to be such that, when combined with the balance on hand in the Debt Service Fund on December 1 of each year for state bonds, it will be sufficient to pay all general obligation bond principal and interest due and to become due through July 1 in the second ensuing year. If the amount appropriated is insufficient when combined with the balance on hand in the Debt Service Fund, the state constitution requires the state auditor to levy a statewide property tax to cover the deficiency. No such property tax has been levied since 1969 when the law requiring the appropriation was enacted.

For other annual appropriation debt, the amounts needed to pay principal and interest payments are appropriated each fiscal year for transfer to the Debt Service Fund. The state has no legal obligation to continue appropriating funds to make debt service payments. The annual appropriation debt is canceled on the earlier of the fiscal year for which the legislature does not appropriate sufficient amounts for debt service, an executive unallotment regarding continuing appropriations for debt service, or the date of the final principal and interest payment. The Minnesota Statutes governing outstanding annual appropriation debt are provided in the applicable sections in this note.

During fiscal year 2025, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government
Transfers to Debt Service Fund
Year Ended June 30, 2025
(In Thousands)

Fund Type	Amount
General Fund	$ 637,842
Special Revenue Funds:	
Trunk Highway Fund	$ 248,817
Miscellaneous Special Revenue Fund	1,176
Total Special Revenue Funds	$ 249,993
Capital Project Fund – Building Fund	$ 32
Internal Service Fund – Plant Management Fund	$ 5,767
Total Transfers to Debt Service Fund	$ 893,634

General Obligation Bond Issues

In August 2024, the state issued $1,593,755,000 general obligation bonds, Series 2024A through Series 2024E:

- Series 2024A for $879,630,000 in state various purpose bonds were issued at a true interest rate of 3.28 percent.
- Series 2024B for $352,750,000 in state trunk highway bonds were issued at a true interest rate of 3.23 percent.
- Series 2024C for $29,965,000 in taxable state various purpose bonds were issued at a true interest rate of 4.08 percent.
- Series 2024D for $190,245,000 in state various purpose refunding bonds were issued at a true interest rate of 2.64 percent. The aggregate debt service payments decreased by $24,542,000 and the economic gain (the present value of the debt service savings) for the state was $24,977,000.
- Series 2024E for $141,165,000 in state trunk highway refunding bonds were issued at a true interest rate of 2.65 percent. The aggregate debt service payments increased by $11,982,000 and the economic gain (the present value of the debt service savings) for the state was $6,032,000.

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

Primary Government
General Obligation Bonds Outstanding Defeased Debt
As of June 30, 2025
(In Thousands)

Refunding Date	Original Refunding Amount	Refunded Amount	Outstanding Amount	Refunded Bond Call/Maturity Date
March 14, 2024	N/A	$ 10	$ 10	August 1, 2025
March 14, 2024	N/A	20	20	August 1, 2025
March 14, 2024	N/A	40	40	August 1, 2025
March 14, 2024	N/A	5	5	August 1, 2025
March 14, 2024	N/A	10	10	August 1, 2025
Total	$ —	$ 85	$ 85	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2025. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Colleges and Universities Fund (enterprise fund).

Primary Government
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2025
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates for Outstanding
Maximum Effort School Loan	$ —	$ 8,414	5.00%
Rural Finance Authority	22,775	111,655	1.35-5.00%
State Transportation	278,713	418,326	4.00-5.00%
Trunk Highway	1,231,112	1,848,315	1.50-5.00%
Trunk Highway Refunding Bonds	—	619,940	0.55-5.00%
Various Purpose	1,622,725	2,736,765	1.35-5.00%
Various Purpose Refunding Bonds	—	1,146,615	0.63-5.00%
Total	$ 3,155,325	$ 6,890,030	

State Appropriation Bonds

On October 31, 2012, the Minnesota Supreme Court concluded that the Appropriation Refunding Bonds do not constitute public debt for which the state has pledged its full faith, credit, and taxing powers. The Minnesota Supreme Court held that, accordingly, the bonds are not subject to the Minnesota Constitution's Article XI, Section 5, restrictions on the use of the proceeds of "public debt." Resulting from the decision of this court case, on November 21, 2012, the state sold state General Fund appropriation refunding bonds as authorized by Minnesota Statutes 16A.99. The bonds were issued for the purpose of refunding tobacco settlement revenue bonds Series 2011A and Series 2011B of the Tobacco Securitization Authority. These appropriation bonds are payable only from amounts appropriated by the Minnesota Legislature. In October 2022, the state issued $338.3 million of state General Fund appropriation refunding bonds Series 2022A at a true interest rate of 3.27 percent. This issuance refunded State General Fund Appropriation Refunding Bonds Tax Exempt Series 2012B.

Minnesota Statutes 16A.967 as amended by the Laws of Minnesota Special Session 2017, Chapter 8, Article 2, Section 2, authorizes the state to issue state General Fund appropriation bonds not to exceed $22,500,000 for financing land acquisition, design, engineering, and construction of facilities and infrastructure necessary to complete the next phase of the Lewis and Clark Regional Water System project, including completion of the pipeline to Magnolia, extension of the project to the Lincoln-Pipestone Rural Water System connection near Adrian, and engineering, design, and easement acquisition for the final phase of the project to Worthington. No bonds shall be sold until the commissioner of Minnesota Management and Budget determines that a nonstate match of at least $9,000,000 is committed to this project phase. Grant agreements entered into under this section must provide for reimbursement to the state from any federal money provided for the project, consistent with the Lewis and Clark Regional Water System Incorporated Agreement. The nonstate match was met and in fiscal year 2017, state General Fund appropriation bonds of $11,790,000 were issued. In fiscal year 2018, state General Fund appropriation bonds of $7,570,000 were issued.

Minnesota Statutes 469.53 authorizes projects eligible for state appropriation support payments, upon approval by the city of Duluth. Eligible projects include: (1) two levels of expansion to an existing medical district parking ramp and a skywalk replacement; (2) a ramp with up to 1,400 new parking stalls to serve the medical entity west; (3) extension of 6th Avenue East; (4) demolition of existing hospital structure; (5) roadway, utility, and site improvements and capacity upgrades to support medical entity west; (6) district energy connections; and (7) a ramp for up to 400 new parking stalls to serve the medical entity east. Minnesota Statutes 469.54 authorizes the city of Duluth, in lieu of directly receiving the appropriation support payments, to have the state issue state General Fund appropriation bonds. Minnesota Statutes 16A.968, as amended by Laws of Minnesota Regular Session 2020, Chapter 83, Article 1, Section 3, authorizes the state to issue state General Fund appropriation bonds not to exceed $97,720,000 for the purpose of financing public infrastructure projects authorized and approved by the city of Duluth. In the event the state issues state General Fund appropriation bonds for these purposes, the amount of appropriation support payments in any year is reduced by an amount equal to the amount needed from the General Fund. Up to $8,100,000 is appropriated from the General Fund each year beginning in fiscal year 2022 through fiscal year 2055 to pay debt service on the bonds, subject to Minnesota Statutes 469.54, subdivision 3 which allows a maximum appropriation support payment of $3.7 million in fiscal year 2022. Debt service on these bonds is paid from a statutory General Fund appropriation that may be repealed, canceled, or unallotted. On November 5, 2020, the state issued $66,300,000 in Duluth Regional Exchange District state General Fund appropriation bonds at a true interest rate of 2.50 percent. In October 2021, the state issued $6,920,000 in Duluth Regional Exchange District state General Fund appropriation bonds at a true interest rate of 2.36 percent. In November 2023, the state issued $26,080,000 in Duluth Regional Exchange District state General Fund appropriation bonds at a true interest rate of 5.91 percent.

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

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

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

The following table is a schedule of state appropriation bonds authorized, but unissued, and bonds outstanding as of June 30, 2025.

Primary Government
State Appropriation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2025
(In Thousands)

Purpose		Amount Outstanding[1]	Interest Rates
Refund Tobacco Securitization Authority	$	224,445	5.00%
Lewis and Clark Regional Water System[2]		11,845	2.30-3.30%
Duluth Regional Exchange District Appropriation Bonds		88,830	1.55-7.00%
Electric Vehicle Infrastructure		1,370	3.00%
Public Television Equipment		10,265	3.00%
Environmental Response PCA Superfund		26,205	2.10-3.00%
Total	$	362,960	

[1] There were no state appropriation bonds authorized but unissued as of June 30, 2025.

[2] In January 2022, the remaining Authorized But Unissued amount for the Lewis and Clark Regional Water System was cancelled as required by Minnesota Statutes 16A.642.

Loans Payable and Due to Component Unit

Governmental activities loans and due to component units are loans/due to component units for transportation projects, energy efficiency improvements, and equipment purchase loans. The capital assets purchased for energy efficiency improvements and equipment purchases are pledged as collateral on the loans incurred to finance the purchase. On June 30, 2025, the state has an unused line of credit of $40,107,178 to finance additional equipment purchases.

Business-type activities loans include loans to purchase energy efficiency improvements and equipment. The capital assets purchased for energy efficiency improvements and equipment purchases are pledged as collateral on the loans incurred to finance the purchases.

Lease / IT Subscription Payables

The state implemented GASB Statement No. 87 “Leases” in fiscal year 2022, and GASB Statement No. 96 "Subscription-Based Information Technology Arrangements (SBITA)" in fiscal year 2023. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use leased capital asset. Similarly, under GASB Statement No. 96, a subscription liability (identified as IT subscription payables below) and an intangible right-to-use subscription capital asset are recognized for applicable SBITA contracts.

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

The governmental activities buildings, structures and improvement remaining lease terms are fixed payments ranging from one to 16 years. Two building lease agreements contained bargain purchase options. They are the Elmer L. Andersen and Orville L. Freeman Office buildings (Andersen and Freeman). The final lease payment was made in fiscal year 2025 for the Andersen and Freeman buildings, and the titles have been transferred to the state.

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

The business-type activities buildings, structures, and improvement lease terms are fixed payments ranging from one to 30 years. The business-type activities lease agreements for equipment range from one to five years.

The governmental activities and business-type activities IT subscription payables consists of arrangements with vendors for the right-to-use IT software. The remaining IT subscription payables have fixed payments ranging from one to four years for governmental activities and one to five years for business-type activities.

For further information on leases and IT subscription payables, see Note 4 – Loans, Notes, and Leases Receivable and Note 6 – Capital Assets, including Right-to-Use Capital Assets.

Certificates of Participation

In August 2014, the state issued $80,100,000 of certificates of participation (COPs) at a true interest rate of 3.70 percent to finance the predesign, design, and construction and equipping of offices, hearing rooms, and parking facilities for a legislative office facility as authorized by Laws of Minnesota Regular Session 2013, Chapter 143, Article 12, Section 21.

In November 2023, the state issued $454,175,000 of certificates of participation (COPs) Series 2023 at a true interest rate of 4.39 percent. The certificates are being issued for the purpose of providing financing for the design, renovation, expansion and equipping of a state office building serving the House of Representatives. The certificates were issued pursuant to Minnesota Statutes Section 16B.2406.

The COPs are not general or moral obligations of the state and no revenues are pledged to repay them. If the state defaults on the debt, the trustee has the right to terminate the lease terms of the project and to take whatever legal action may appear necessary to collect rental payment(s).

Revenue Bonds Payable

In October 2013, Iron Range Resources and Rehabilitation issued $37,830,000 of education facilities revenue bonds at a true interest rate of 3.76 percent. Minnesota Laws of 2013, Chapter 143, Article 11, Section 11; Minnesota Statutes 298.22 through 298.32; and an order of the commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. The bonds will be used to make grants to certain school districts located in the taconite relief areas, as defined in Minnesota Statutes 273.134. The interest rates for the bonds range from 3.00 percent to 4.30 percent over a 20-year term.

In December 2023, the Iron Range Resources and Rehabilitation issued $37,395,000 of education facilities revenue bonds at a true interest rate of 3.63 percent. The bonds were issued pursuant to Minnesota Session Laws 2023, Chapter 64, Article 6, Section 13 (the "Authorizing Statute"), Minnesota Statutes, Sections 298.22 through 298.297 as amended. The proceeds of the Series 2023A Bonds will be used to make grants to certain school districts located in the taconite assistance area as defined in Section

273.1341 of the Act, to be used by the school districts to pay for building projects, such as energy efficiency, technology, infrastructure, health, safety and maintenance improvements. The interest rate for the bonds is 5.0 percent over a 20-year term.

In December 2024, Iron Range Resources and Rehabilitation issued $43,435,000 Series 2024A revenue bonds at a true interest rate of 3.72 percent and $4,575,000 Series 2024B taxable revenue bonds at a true interest rate of 4.61 percent. The bonds were issued pursuant to Minnesota Session Laws 2024, Chapter 127, Article 69, Section 15 (the "Authorizing Statute"), Minnesota Statutes, Sections 298.22 through 298.297 as amended. The bonds will be used to make grants to certain entities for capital improvements located within the taconite tax relief area as defined in Minnesota Statutes Section 273.134 and to pay for improvements to Iron Range Resources and Rehabilitation's facilities. The interest rate for the 2024A bonds is 5.0 percent over a 20-year term and the interest rate for the 2024B taxable bonds ranges from 4.2 to 5.0 percent over a 3-year term.

To repay the bonds, Iron Range Resources and Rehabilitation has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund). These tax distributions, totaling $10,704,000 for fiscal year 2025, have averaged less than ten percent of the state's total annual taconite production tax revenues over the last five years. The debt service on the bonds is payable solely from these taconite production tax distributions. For fiscal year 2025, principal and interest paid by Iron Range Resources and Rehabilitation on the bonds was $6,027,000. The total principal and interest remaining to be paid as of June 30, 2025, is $156,488,000 payable through October 2044.

Minnesota State Colleges and Universities (Minn State) (enterprise fund) is authorized by Minnesota Statutes 136F.98 to issue revenue bonds whose aggregate principal shall not exceed $405,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for residence hall, parking ramps, student union, wellness centers, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 2.8 percent to 5.0 percent. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2038. Annual principal and interest payments on the bonds are expected to require less than 22 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $165,372,000. Principal and interest paid for the current year and total customer net revenues were $21,605,000 and $113,951,000, respectively. The bonds are accounted for in the State Colleges and Universities Fund (enterprise fund).

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2026. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 30 percent of net revenues. Principal and interest paid during fiscal year 2025 was $509,000. These revenue bonds were paid off during fiscal year 2025. The bonds are accounted for in the State Colleges and Universities Fund (enterprise fund).

Claims

The state has assumed responsibility for the long-term care of certain closed municipal solid waste facilities. Minnesota Statutes 115B.39 established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. The state is responsible, in perpetuity, for performing cleanup and final closure work, as well as all postclosure maintenance and monitoring, at qualifying sites. Municipal solid waste landfill liabilities of $465,321,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. There are currently 112 landfills in the program and two more landfills that are qualified, but not yet enrolled. One of the qualified sites, Freeway Landfill, has a liability of $166,230,000; approximately 36 percent of the total landfill liability. Estimated landfill closure and postclosure liabilities include planned response actions, future unknown additional remedies which have some probability of occurring, monitoring, and site operation and maintenance. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites, or changes in regulations, and future unanticipated response actions.

Funding for the state's ongoing claims at these landfills has historically come from the Environmental and Remediation Fund (special revenue fund). Currently, the majority of funds appropriated for spending from the Environmental and Remediation Fund are budgeted and expended annually on activities not associated with closure and postclosure care of landfills. The closed landfill investment account, established under Minnesota Statutes 115B.421, within the Environmental and Remediation Fund was created to address a portion of these required long-term postclosure costs through minimal withdrawals from a fund managed through the State Board of Investment to ensure long-term availability of resources and may be spent after fiscal year 2020. The Metropolitan Landfill Contingency Action Account is an account in the Environmental and Remediation Fund consisting of revenues from 25 percent of the metropolitan solid waste landfill fee, cost recovery of response actions expenses, and interest earned on investment of money in the account. The account appropriated for closure and post-closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a 30-year period after closure if determined that the operator/owner cannot take the necessary actions as directed by the commissioner of the Minnesota Pollution Control Agency. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, are now a significant source of funding for design and construction work at the publicly-owned landfills in the program.

The state of Minnesota is financially responsible to remediate certain known pollution present on either state-owned or non-state-owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2025 were $212,562,000. Of this total, $144,302,000 was the liability for remediation on sites designated pursuant to state or federal superfund laws. The pollution remediation amounts are estimated through an analysis of existing polluted sites. The liabilities are based on the weighted average of the pollution remediation outlays expected to be incurred to settle those liabilities. Because the liabilities are measured at their current value, they are subject to change due to inflation, technology improvements, or changes to applicable laws and regulations.

Funding for the state's pollution remediation primarily comes from the Environmental and Remediation Fund (special revenue fund), which was established under Minnesota Statutes 116.155, and the Petroleum Tank Cleanup Fund (special revenue fund), which was established under Minnesota Statutes 115C.08. These statutes require the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Cleanup Fund. As of July 2025, the Petroleum Tank Cleanup Fund has approved $499,600,000 in reimbursements for eligible applicants since program inception in 1987. Future expenditures from the Petroleum Tank Cleanup Fund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites.

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

The governmental activities' and business-type activities' liability for workers' compensation of $71,888,000 and $3,233,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2025 and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of $16,900,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

Claims of $94,200,000 are for reimbursements of supplementary and second injury benefits for old workers' compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00 percent) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately 2058 for supplementary benefits and 2045 for second injuries.

The remaining claims represent $15,585,000 in the Risk Management Fund (internal service fund), $109,827,000 in the Employee Insurance Fund (internal service fund), and $18,772,000 in the Public Employees Insurance Fund (enterprise fund).

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $870,375,000 and $280,241,000, respectively, are calculated primarily from vacation and sick leave more likely than not to be used or paid out as severance using a first-in, first-out assumption. Both amounts are paid in cash only when an employee uses the leave or terminates state employment.

Arbitrage Liabilities

An arbitrage rebate payable to the federal government is required by the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties if there are excess earnings on tax-exempt bond proceeds and debt service reserves. For fiscal year 2025, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable – Fiduciary Funds

On June 1, 2000, the state of Minnesota issued revenue bonds totaling $29,000,000 on behalf of the state's three retirement systems. Minnesota Statutes 356.89 authorized the issuance of the revenue bonds for the construction of an administrative office building. On August 9, 2012, the state of Minnesota issued revenue refunding bonds totaling $21,880,000 on behalf of the state's three retirement systems at a true rate of 1.63 percent. Minnesota Statutes 356B.10, authorized the issuance of the revenue bonds for a current refunding of the $29,000,000 Retirement System Building Revenue Bonds, Series 2000, which were issued for the construction of an administrative office building. The revenue refunding bonds have an interest rate of 1.63 percent and are not general obligations of the state. The bonds are backed by the assets of the three retirement systems, excluding assets segregated for retired employees and assets of the systems' defined contribution funds.

The debt service payments are allocated to each system based on the percentage interest each has in the facility. For fiscal year 2025, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and General Employees Retirement Fund (GERF) was $1,040,000. The revenue bonds were paid off in fiscal year 2025.

Lease/IT Subscription Payables – Fiduciary Funds

The State Employees Retirement Fund (SERF) has a lease payable for office equipment. The remaining payments on the lease end in fiscal year 2026. Additionally, SERF has an IT subscription payable for fraud prevention and authentication software. The remaining payments on the subscription payable end in fiscal year 2027. The Teachers Retirement Association (TRA) has an IT subscription payable for IT cloud based infrastructure. The remaining payments on the subscription payable end in fiscal year 2027. The total lease/ IT subscription payable for fiduciary funds as of June 30, 2025 is $738,000. The detail supporting the lease liability of the fiduciary funds of the state can be found within each organization's financial statements and notes, as applicable.

Note 12 – Long-Term Liabilities - Component Units

General Obligation and Revenue Bonds

The Metropolitan Council (MC) issues general obligation bonds for parks, wastewater, and transit projects, backed by the full faith and credit and taxing powers of MC. MC had $997,049,000 in general obligation bonds and $455,858,000 outstanding notes from general obligation direct borrowings outstanding on December 31, 2024, including unamortized discounts/premiums. During the year, $59,640,000 of general obligation revenue wastewater bonds were issued.

MC's outstanding notes from direct borrowings of $455,858,000 are Clean Water State Revolving Fund Loan agreements with the Public Facilities Authority (PFA) (component unit), which are evidenced by notes placed directly with PFA. These PFA loans finance various capital projects for the Environmental Services division. The loans are repaid from wastewater system revenues.

The University of Minnesota (U of M) issued general obligation bonds and revenue bonds for capital projects. On June 30, 2025, the principal amount of general obligation bonds and revenue bonds outstanding, including unamortized discounts/premiums, was $1,387,909,000 and $211,282,000, respectively. No new general obligation bonds or revenue bonds were issued during fiscal year 2025.

Component Units
General Obligation Bonds
Major Component Units
(In Thousands)

	MC			U of M	
Year Ended December 31	Principal	Interest[1]	Year Ended June 30	Principal	Interest
2025	$ 148,110	$ 39,642	2026	$ 46,310	$ 54,754
2026	134,243	34,286	2027	48,445	52,693
2027	123,863	29,953	2028	50,520	50,512
2028	113,959	26,158	2029	52,745	48,214
2029	104,441	22,915	2030	48,525	45,927
2030-2034	405,914	74,408	2031-2035	226,425	197,935
2035-2039	226,685	27,790	2036-2040	187,065	151,760
2040-2044	73,788	5,371	2041-2045	115,650	114,387
2045-2049	—	—	2046-2050	6,485	101,316
2050-2054	—	—	2051-2055	500,000	40,480
Total	$ 1,331,003	$ 260,523	Total	$ 1,282,170	$ 857,978
Unamortized Discounts / Premiums and Issuance Costs	121,904	—	Unamortized Discounts / Premiums and Issuance Costs	105,739	—
Total	$ 1,452,907	$ 260,523	Total	$ 1,387,909	$ 857,978

[1] MC interest is net of Build America Bonds federal subsidy.

The Housing Finance Agency (HFA) is authorized by Minnesota Statutes 462A.06 to issue revenue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed $9,000,000,000, according to Minnesota Statutes 462A.22. The principal amount of revenue bonds outstanding on June 30, 2025 was $5,956,080,000, including unamortized discounts/premiums. The agency uses special redemption provisions to retire certain bonds prior to their maturity from unexpended bond proceeds. Substantially all bonds are subject to optional redemption after various dates at an amount equal to all of the unpaid principal and interest. The amount of bonds approved by June 30, 2025 to exercise the mandatory pass-through and optional redemption was $55,566,000, and is considered part of current bonds and notes payable.

Component Units
Revenue Bonds
Major Component Units
(In Thousands)

Year Ended June 30	HFA Principal	HFA Interest	U of M Principal	U of M Interest[1]
2026	$ 157,260	$ 241,004	$ 15,050	$ 6,233
2027	149,725	242,547	15,750	5,541
2028	118,060	237,290	31,475	4,812
2029	98,920	233,396	17,235	4,043
2030	106,520	229,615	12,400	3,285
2031-2035	639,525	1,078,750	62,940	9,619
2036-2040	777,135	934,711	19,710	853
2041-2045	982,652	749,729	10,500	—
2046-2050	1,547,979	485,247	—	—
2051-2055	1,275,491	149,982	—	—
2056-2060	25,715	3,442	—	—
2061-2065	5,485	1,297	—	—
2066-2070	2,285	138	—	—
Total	$ 5,886,752	$ 4,587,148	$ 185,060	$ 34,386
Unamortized Discount / Premiums and Issuance Costs	69,328	—	26,222	—
Total	$ 5,956,080	$ 4,587,148	$ 211,282	$ 34,386

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

The Office of Higher Education (OHE) is authorized by Minnesota Statutes 136A.171-136A.175 to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount outstanding on these bonds at any one time, not including refunded bonds or otherwise defeased or discharged bonds, shall not exceed $850,000,000, according to Minnesota Statutes 136A.171. On June 30, 2025, the outstanding principal of revenue bonds was $352,647,000, including unamortized discounts/premiums.

The Public Facilities Authority (PFA) is authorized by Minnesota Statutes 446A.04 to issue revenue bonds to make loans to municipalities for wastewater treatment facilities, and drinking water systems. The amount outstanding on these bonds at any time shall not exceed $2,000,000,000, according to Minnesota Statutes 446A.12. The principal amount of bonds outstanding on June 30, 2025 was $632,276,000, including unamortized discounts/premiums.

Component Units
Revenue Bonds
Nonmajor Component Units
(In Thousands)

Year Ended June 30	OHE Principal	OHE Interest	PFA Principal	PFA Interest
2026	$ 5,540	$ 11,947	$ 61,020	$ 28,463
2027	5,305	11,670	64,140	25,598
2028	8,195	11,352	59,075	22,391
2029	9,725	10,978	55,835	19,438
2030	6,000	10,603	55,085	16,646
2031-2035	38,610	48,505	235,420	45,134
2036-2040	23,765	42,120	42,410	2,121
2041-2045	42,930	38,556	—	—
2046-2050	166,700	19,857	—	—
2051-2055	—	9,075	—	—
2056-2060	—	9,074	—	—
2061-2065	45,600	9,074	—	—
Total	$ 352,370	$ 232,811	$ 572,985	$ 159,791
Unamortized Discount / Premiums and Issuance Costs	277	—	59,291	—
Total	$ 352,647	$ 232,811	$ 632,276	$ 159,791

HFA has two indentures of trust that permit capital funding for loans for permanent supportive housing for long-term homeless households, preservation of federally assisted housing, and other purposes. These bonds are payable solely from the appropriations of the primary government's General Fund authorized by Minnesota Statutes 462A.36 and 462A.37. On June 30, 2025, $483,841,000 in bonds were outstanding.

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

Year Ended June 30	HFA Principal	HFA Interest
2026	$ 19,220	$ 19,066
2027	20,120	18,186
2028	21,025	17,268
2029	21,960	16,338
2030	22,940	15,357
2031-2035	123,965	60,356
2036-2040	126,185	31,654
2041-2045	88,270	7,783
Total	$ 443,685	$ 186,008
Bond Premium	40,156	—
Total	$ 483,841	$ 186,008

Loans and Notes Payable

The Metropolitan Council (MC) received loans from the Housing Finance Agency (component unit) in calendar years 2002 and 2004 for $400,000, and $730,000, respectively. In 2004, MC received a $275,000 loan from Hennepin County Housing and Redevelopment Authority for a total of $1,405,000 of loans outstanding on December 31, 2024. The terms of the loan agreements are 30 years, although they may be extended indefinitely if all the terms of the loan agreement are met.

In 2021, the Housing and Redevelopment Authority of Edina issued a loan to MC in the amount of $2,000,000 of which $1,933,000 was drawn down in prior years. In 2022, MC confirmed the completion of the project and the Housing and Redevelopment Authority of Edina closed out the loan for the total as shown above. The agreement terms are 25 years after the last advance, then the loan will be deemed fully forgiven as of the forgiveness date.

Additionally, MC issued $356,215,000 of general obligation grant anticipation notes to provide cash flows for the Southwest Green Line light rail extension project in anticipation of receipt of federal funds that were awarded the project. The notes were issued as four and eight year serial notes that are secured by the Federal Transit Administration grant award together with the full faith and unlimited taxing powers of MC. On December 31, 2024, the total outstanding general obligation grant anticipation notes was $227,150,000.

The University of Minnesota (U of M) issued taxable commercial paper notes of $13,400,000 and tax-exempt commercial notes of $123,600,000 in 2025. On June 30, 2025, the outstanding taxable commercial paper notes were $97,731,000 and tax-exempt commercial notes were $189,523,000. Commercial paper is short-term in nature and is classified as current liabilities on the financial statements.

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

On June 30, 2025, HFA had in place revolving lines of credit with the Federal Home Loan Bank of Des Moines, and Royal Bank of Canada with outstanding balances of zero. Draws against the line of credit are required to be collateralized with mortgage-backed securities.

On June 30, 2025, HFA's total outstanding Federal Financing Bank (FFB) loans payable was $92,943,000. FFB loans have interest rates that fluctuate based on the daily Treasury rate. HFA settles with FFB one month after closing the loan with the borrower, and the term will match the maturity date of the note. The FFB notes are secured by a first mortgage and HUD Risk Share insurance. FFB receives a pass-through monthly principal and interest payments

FFB purchases 100% undivided participation interests in payments of principal and a portion of the interest on certain mortgage loans made by HFA. All underlying loans are secured by a mortgage and insured by FHA Risk Share mortgage insurance. FFB sets the pass-through interest rate offered to HFA based on the amortization schedule, first payment date, and maturity date of the underlying loan. The table below provides a summary of FFB payment requirements for the next five years and in five year increments thereafter.

Component Units
Loans and Notes Payable
Major Component Units
(In Thousands)

Year Ended December 31	MC Principal	MC Interest	Year Ended June 30	HFA Principal	HFA Interest
2025	$ 45,740	$ 11,358	2026	$ 1,681	$ 4,167
2026	42,090	9,070	2027	1,758	4,090
2027	44,195	6,966	2028	1,838	4,010
2028	46,400	4,756	2029	1,922	3,926
2029	48,725	2,436	2030	2,010	3,838
2030-2034	—	—	2031-2035	11,516	17,723
2035-2039	—	—	2036-2040	14,203	14,850
2040-2044	—	—	2041-2045	17,097	11,318
2045-2049	—	—	2046-2050	16,533	7,329
2050-2054	—	—	2051-2055	13,064	3,853
2055-2059	—	—	2056-2060	8,098	1,601
2060-2064	—	—	2061-2065	3,223	335
	$ 227,150	$ 34,586	Total	$ 92,943	$ 77,040

National Sports Center Foundation

On December 31, 2023, the National Sports Center Foundation’s total outstanding loans and notes payable was $6,488,000.

Lease/Subscription Payables

The following tables are schedules of lease and IT subscription payables. The detail supporting the lease/ subscription payables of the discretely presented component units of the state can be found within the individual component units' financial statements and notes.

Component Units
Lease Payables
(In Thousands)

Component Unit	Year Ended December 31 Current	Year Ended December 31 Noncurrent	Year Ended June 30 Current	Year Ended June 30 Noncurrent
Housing Finance Authority	$ —	$ —	$ 1,550	$ 1,940
Metropolitan Council	878	9,835	—	—
University of Minnesota	—	—	16,451	113,260
Minnesota Comprehensive Health Association	6	—	—	—
Minnesota Sports Facility Authority	—	—	197	4,914
Public Facilities Authority	—	—	—	70
Total Liability	$ 884	$ 9,835	$ 18,198	$ 120,184

Component Units
IT Subscription Payables
(In Thousands)

Component Unit	Year Ended December 31 Current	Year Ended December 31 Noncurrent	Year Ended June 30 Current	Year Ended June 30 Noncurrent
Housing Finance Authority	$ —	$ —	$ 415	$ 1,084
Metropolitan Council	261	489	—	—
University of Minnesota	—	—	10,778	16,956
Minnesota Sports Facility Authority	—	—	46	—
Total Liability	$ 261	$ 489	$ 11,239	$ 18,040

Variable Rate Debt

Housing Finance Agency

As of June 30, 2025, all of the HFA interest rate swap agreements have been determined to be effective hedges, as defined by GASB Statement No. 53 “Accounting and Financial Reporting for Derivative Instruments.” HFA entered into interest rate swap agreements in connection with its issuance of variance rate mortgage revenue bonds. Using variance rate debt hedged with interest rate swaps reduced HFA's cost of capital at the time of issuance compared to using long-term fixed rate bonds, which allowed HFA to reduce mortgage rates offered to low and moderate income, first time home buyers. The fair value was reported as an asset and a liability called “interest rate swap agreements.” The inception-to-date change in fair value as of June 30, 2025, was reported in deferred outflows or inflows of resources as "accumulated increase/decrease in fair values of derivative instruments." Fair values were determined pursuant to GASB Statement No. 72 “Fair Value Measurement and Application,” and the fair value hierarchy of interest rate swap agreements is determined to be Level 2. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

Office of Higher Education

The rates on the tax-exempt Series 2017C bonds are variable. The rate is based on Securities Industry and Financial Markets Association (SIMFA) Swap Index plus a set margin and the rate changes monthly. The bonds have a mandatory balloon payment due at final maturity.

Bond Defeasances

University of Minnesota

In prior years, U of M defeased general obligation bonds from various bond series by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt service payments on the old bonds. There were no defeased bonds during fiscal year 2025. Bonds issued in 2013 were defeased in September 2021. The amount defeased was $28,430,000 as of June 30, 2025. Neither the outstanding indebtedness nor the related trust account assets for this bond is included in U of M’s financial statements as of June 30, 2025.

Certificates of Participation

Metropolitan Council

On December 1, 2004, the Metropolitan Council (MC) entered into an annual appropriation purchase agreement for land and facilities. MC complied with the terms of this agreement through its maturity. On May 31, 2024, the Council completed service of the note and became the sole owner of the 390 Robert Street administrative building.

Note 13 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2025
(In Thousands)

Description	State Colleges and Universities Revenue Fund
Condensed Statement of Net Position	
Assets:	
Current Assets	$ 137,703
Noncurrent Assets:	
Restricted Assets	49,022
Capital Assets	289,159
Total Assets	$ 475,884
Deferred Outflows of Resources	$ 3,201
Liabilities:	
Current Liabilities	$ 41,939
Noncurrent Liabilities	146,454
Total Liabilities	$ 188,393
Deferred Inflows of Resources	$ 4,372
Net Position:	
Net Investment in Capital Assets	$ 153,116
Restricted	133,204
Total Net Position	$ 286,320
Condensed Statement of Revenues, Expenses, and Changes in Net Position	
Operating Revenues - Customer Charges	$ 113,951
Depreciation Expense	(24,224)
Other Operating Expenses	(82,615)
Operating Income (Loss)	$ 7,112
Nonoperating Revenues (Expenses):	
Private Grants	$ 307
Interest Income	8,088
Capital Contributions	670
Interest Expense	(4,167)
Gain (Loss) on Disposal of Capital Assets	(2,985)
Change in Net Position	$ 9,025
Beginning Net Position	$ 277,295
Ending Net Position	$ 286,320
Condensed Statement of Cash Flows	
Net Cash Provided (Used) by:	
Operating Activities	$ 27,557
Noncapital Financing Activities	307
Capital and Related Financing Activities	(19,491)
Investing Activities	7,997
Net Increase (Decrease)	$ 16,370
Beginning Cash and Cash Equivalents	$ 159,382
Ending Cash and Cash Equivalents	$ 175,752

The types of goods or services provided by the segment is as follows:

- State Colleges and Universities Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, food services, parking, and wellness purposes.

This segment has a revenue stream pledged to secure revenue bonds and provisions in the bond documents which require the separate reporting of the segment's financial operation and position.

Note 14 – Contingent Liabilities

University of Minnesota

The University of Minnesota (U of M), a component unit, issued state-secured revenue bonds to finance a football stadium on campus. In fiscal year 2006, the Minnesota Legislature appropriated from the General Fund $10,250,000 per year not to exceed 25 years starting in fiscal year 2008 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. As of October 2025, there was $32,870,000 outstanding on these bonds.

U of M issued state-secured revenue bonds to finance Biomedical Science Research facilities. In fiscal year 2008, the Minnesota Legislature appropriated from the General Fund amounts, amended in 2020, ranging from $850,000 to $15,550,000 per year for fiscal year 2010 to 2020, and up to $13,930,000 per year beginning fiscal year 2021 through fiscal year 2039 to pay a portion of the bonds. Grants from the General Fund are conditioned upon satisfaction of certain requirements by U of M. In September 2021, state-secured revenue bonds were issued to refund and/or defease outstanding state supported bonds. As of October 2025, $97,110,000 was outstanding on these bonds.

Housing Finance Agency

The Housing Finance Agency (HFA), a component unit, issued state-secured appropriation bonds to provide funds for rehabilitation, construction, and mortgage loans or to refund bonds to sponsors of residential housing for families of low and moderate income. In fiscal year 2008, the Minnesota Legislature appropriated from the General Fund up to $2,400,000 per year for 22 years starting in fiscal year 2011 to pay a portion of the bonds. As of October 2025, there was $12,480,000 outstanding on these bonds.

HFA issued state-secured appropriation bonds to finance housing infrastructure. In fiscal year 2012, the Minnesota Legislature appropriated from the General Fund up to $2,200,000 per year starting in fiscal year 2014 through 2036 to pay a portion of the bonds. In fiscal year 2014, the Minnesota Legislature appropriated from the General Fund an additional $6,400,000 per year beginning in fiscal year 2016 through 2038 to pay a portion of the bonds. In fiscal year 2015, the Minnesota Legislature appropriated from the General Fund an additional $800,000 per year beginning in fiscal year 2018 through 2039 to pay a portion of the bonds. In fiscal year 2017, and as amended in 2018, the Minnesota Legislature appropriated from the General Fund up to an additional $2,800,000 per year beginning in fiscal year 2020 through 2041. In fiscal year 2018, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2021 through 2042 an amount sufficient to pay debt service on bonds. In fiscal year 2019, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2023 through 2044 an amount sufficient to pay debt service on bonds. In fiscal year 2021, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2023 through 2044 an amount sufficient to pay debt service on bonds. Also in fiscal year 2021, with an effective date of January 2022, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2024 through 2045 an amount sufficient to pay debt service on bonds. In fiscal year 2024, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2027 through 2048 an amount sufficient to pay debt service on bonds. In fiscal year 2025, the Minnesota Legislature appropriated from the General Fund beginning in fiscal year 2028 through 2049 an amount sufficient to pay debt service on bonds. As of October 2025, $461,895,000 was outstanding on these bonds, which includes $50,000,000 of state-secured appropriation bonds issued by HFA in October 2025. For more information, see Note 21 – Subsequent Events.

Minnesota Loan Guarantee Program

The Minnesota Loan Guarantee Program, authorized through Minnesota Statutes 116J.035, is a federally funded small business loan guarantee program. The program helps enrolled lenders mitigate risk so they can increase capital to small businesses located across Minnesota. Loans and lending decisions are made by enrolled lenders. No loans come directly from the State of Minnesota. Borrowers must be small businesses located in Minnesota and use the loan proceeds for an eligible business purpose in Minnesota. Eligible business purposes include startup costs, working capital, equipment, inventory, the purchase, construction, renovation, or tenant improvements of an eligible place of business that is not for passive real estate investment purposes, and the purchase of any tangible or intangible assets except goodwill.

The program will guarantee 80% of the loan principal up to $800,000. A lender may make a loan that is larger than $1 million, but the program will cap the guaranteed amount at the program maximum. The guaranteed amount remains at 80% of the outstanding principal balance, not to exceed $800,000, for the term of the guarantee. The term of the guarantee will be the lesser of the term of the loan or ten years. Lines of credit may be enrolled in the program and will be guaranteed for no more than three years, typically an initial one-year period plus up to two annual renewals. A fee of 0.25 percent of the guaranteed amount is charged for each enrolled loan. The fee is waived for loans to qualified socially and economically disadvantaged owned businesses and for loans with terms of less than one year.

Lenders must report defaults with their semi-annual reporting to the state. Lenders must manage the collection process in accordance with their policies and exhaust collection efforts prior to filing a guarantee claim. Guarantee claims must be submitted in writing to the state and should include collection activity details. If, at any time following the payment of a guaranty, additional repayment or recovery of proceeds is obtained by the lender, the funds are used to offset any remaining loss experienced by the lender. In the event that the lender has recovered the full non-guaranteed portion of the indebtedness, the funds will be used to reimburse the state.

The financial guarantees outstanding for the program, as of June 30, 2025, were $11.0 million, and the outstanding guarantees expire in Fiscal Year 2035. For fiscal year 2025, the state made guarantee payments of $52 thousand for the program, and as of June 30, 2025, no payments were pending. Qualitative factors and historical data were assessed, and the state determined that the state is not more likely than not to be required to make a payment for the program; therefore, the state has no liability as of June 30, 2025.

School District Credit Enhancement Program

Minnesota Statutes 126C.55 established a school district credit enhancement program. If a school district is unable to pay its debt service due on school district and intermediate school district certificates of indebtedness, capital notes, certificate of participation, or general obligation bonds enrolled in the program, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the school district or intermediate school district, or the levy of an ad valorem tax which may be made with the approval of the commissioner of Education. The total amount of debt enrolled in the program as of June 30, 2025, was $19.6 billion. For fiscal year 2025, the state did not make any debt service payments for the School District Credit Enhancement Program, and as of June 30, 2025, no payments were pending. Further, the state has not had to make any debt service payments on behalf of school districts or intermediate school districts in prior years.

City and County Credit Enhancement Program

Minnesota Statutes 446A.086 established a city and county credit enhancement program. If a city or county is unable to pay its debt service due on general obligation bonds enrolled in the program issued for the construction, improvement, or rehabilitation of certain projects, the Minnesota Legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the city or county, or the levy of an ad valorem tax which may be made with the approval of the Public Facilities Authority (component unit). As of June 30, 2025, the total amount of principal and interest guaranteed by the state through 2054, was $1.2 billion. For fiscal year 2025, the state did not make any debt service payments for the City and County Credit Enhancement Program, and as of June 30, 2025, no payments were pending.

Note 15 – Equity

Restricted Net Position – Government-wide Statement of Net Position

The following table identifies the primary government's restricted net position in greater detail than is presented on the face of the financial statements:

Primary Government
Restricted Net Position Balances
As of June 30, 2025
(In Thousands)

Purpose of Restriction	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Improve Agricultural, Environmental, and Energy Resources	$ 2,975,190	$ 437,374	$ 587,584	$ 4,000,148
Enhance Arts and Culture	36,152	—	—	36,152
Acquire, Maintain, and Improve Land and Buildings	—	—	657	657
Retire Indebtedness	494,000	—	170,274	664,274
Develop Economy and Workforce	—	529,442	8,226	537,668
Enhance E-12 Education	—	13,909	9,683	23,592
Enhance State Government	—	50,800	14,145	64,945
Enhance Health and Human Services	—	230,887	59,998	290,885
Enhance Higher Education	—	630	22,268	22,898
Enhance 911 Services and Increase Safety	—	16,255	150,389	166,644
School Aid - Expendable	15,551	—	—	15,551
School Aid - Nonexpendable	2,329,113	—	1,000	2,330,113
Construct Highways and Improve Infrastructure	2,481,766	125,589	1,627	2,608,982
Unemployment Benefits	—	—	1,173,149	1,173,149
Other Purposes	—	—	119,448	119,448
Total Restricted Net Position	$ 8,331,772	$ 1,404,886	$ 2,318,448	$ 12,055,106

Fund Balances – Primary Government

The following table identifies governmental fund balances of the primary government in greater detail than is presented on the face of the financial statements:

Governmental Funds
Fund Balances
As of June 30, 2025
(In Thousands)

Fund Balances	General Fund	Major Special Revenue Fund Federal Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	$ —	$ —	$ 64,738	$ 64,738
Trust or Permanent Fund Principal	2,085,671	—	2,330,113	4,415,784
Total Nonspendable Fund Balances	$ 2,085,671	$ —	$ 2,394,851	$ 4,480,522
Purpose of Restriction:				
Improve Agricultural, Environmental, and Energy Resources	$ —	$ —	$ 1,925,323	$ 1,925,323
Enhance Arts and Culture	—	—	36,152	36,152
Acquire, Maintain, and Improve Land and Buildings	—	—	533,939	533,939
Retire Indebtedness	—	—	1,083,541	1,083,541
Develop Economy and Workforce	198,319	—	452,068	650,387
Enhance E-12 Education	1,389	148	36,930	38,467
Enhance State Government	—	6,695	56,072	62,767
Enhance Health and Human Services	—	31	138,763	138,794
Enhance Higher Education	—	—	612	612
Enhance 911 Services and Increase Safety	—	—	16,075	16,075
Construct Highways and Improve Infrastructure	—	—	2,607,892	2,607,892
Total Restricted Fund Balances	$ 199,708	$ 6,874	$ 6,887,367	$ 7,093,949

CONTINUED

Governmental Funds
Fund Balances (continued)
As of June 30, 2025
(In Thousands)

Fund Balances	General Fund	Major Special Revenue Fund Federal Fund	Nonmajor Governmental Funds	Total
Purpose of Commitment:				
Improve Agricultural, Environmental and Energy Resources	$ —	$ —	$ 227,882	$ 227,882
Develop Economy and Workforce	—	—	426,017	426,017
Enhance E-12 Education	—	—	15,477	15,477
Enhance State Government	—	—	107,640	107,640
Enhance Health and Human Services	3,846	—	60,236	64,082
Enhance Higher Education	—	—	2,298	2,298
Enhance 911 Services and Increase Safety	—	—	303,891	303,891
Construct Highways and Improve Infrastructure	127,862	—	83,316	211,178
Total Committed Fund Balances	$ 131,708	$ —	$ 1,226,757	$ 1,358,465
Purpose of Assignment:				
Improve Agricultural, Environmental, and Energy Resources	$ 1,275,678	$ —	$ —	$ 1,275,678
Acquire, Maintain, and Improve Land and Buildings	—	—	811,876	811,876
Develop Economy and Workforce	1,046,154	—	—	1,046,154
Enhance E-12 Education	320,963	—	—	320,963
Enhance State Government	151,462	—	—	151,462
Enhance Health and Human Services	1,549,528	—	—	1,549,528
Enhance Higher Education	58,425	—	—	58,425
Enhance 911 Services and Increase Safety	339,977	—	—	339,977
Construct Highways and Improve Infrastructure	106,498	—	—	106,498
Total Assigned Fund Balances	$ 4,848,685	$ —	$ 811,876	$ 5,660,561
Unassigned	$ 8,418,651	$ —	$ —	$ 8,418,651
Total Fund Balances	$ 15,684,423	$ 6,874	$ 11,320,851	$ 27,012,148

Fund Balance or Net Position Deficits

The following funds have fund balance or net position deficits for the fiscal year ended June 30, 2025:

Fund Balance or Net Position Deficits
As of June 30, 2025
(In Thousands)

Fund Type		Fund Balance or Net Position
Nonmajor Enterprise Funds:		
State Lottery	$	1,758

GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" required the recording of the net pension liability and the deferred inflows and outflows of resources associated with pensions and GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" (OPEB) required recording changes of total OPEB liability along with the inflows and outflows and expense associated with OPEB. The implementation of these generally accepted accounting principles caused the nonmajor enterprise fund noted in the table above to end fiscal year 2025 in a deficit net position. The actuarially determined amounts are likely to vary significantly from year to year and are managed by the retirement systems and the Minnesota Legislature to ensure the defined benefit plans are adequately funded to pay plan benefits to employees participating as they become due.

Note 16 – Risk Management

Primary Government

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

Risk Management Fund

State agencies may elect to participate in the Risk Management Fund, which offers auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All agencies that own state vehicles are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a range of deductibles from $1,000 through $250,000 per loss. The fund covers the balance of the claim up to $1,000,000 and co-participates with the reinsurance carriers by covering an additional 10 percent of the first $25,000,000 of each loss. The reinsurance carriers provide coverage up to $1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach $2,500,000 in any one fiscal year, the reinsurer will provide coverage in excess of a $100,000 deductible for each additional claim with the Risk Management Fund's continued co-participation of 10 percent of the first $25,000,000 on each loss. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the Minnesota Legislature.

The liability coverage is up to the statutory limit (tort claims cap) of $500,000 bodily injury and property damage per person, and $1,500,000 bodily injury and property damage per occurrence. The casualty reinsurance program provides $10,000,000 excess of a $1,000,000 retention to protect the state from auto and general liability claims that are extra-territorial, as well as for suits brought in federal court which would be outside the state jurisdiction.

The Risk Management Fund purchases insurance policies for state agencies seeking insurance for specialized insurance needs for which the state does not self-insure. These coverages include aviation, medical malpractice, and travel accident insurance. The premiums for these policies are billed back to the agencies at cost.

Minnesota Statutes 15.38, Subdivision 8, permits the purchase of insurance on state-owned buildings and contents.

All losses of state property are covered by programs of the Risk Management Fund, by insurance policies purchased in the commercial market, or are uninsured and become the liability of the state.

Tort Claims

State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The Minnesota Legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the Minnesota Legislature. Tort claims brought outside Minnesota state jurisdiction and in federal court have unlimited liability exposure.

Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers' compensation-related claims and provides workers' compensation insurance coverage for state employees. The program provides a full-service workers' compensation insurance program, including workplace safety and loss control, rehabilitative and return to work services, claim services, and legal services.

The program is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of $2,000,000.

The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. State agencies may participate in either a 'pay-as-you-go' revolving fund or a premium pool cost allocation fund. These costs are paid from each agency's operating budget.

The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits related to the reported claim.

State Employee Group Insurance Program (SEGIP)

The Minnesota Legislature created the Employee Insurance Fund (internal service fund) dedicated solely for the purpose of this program. The fund is administered by SEGIP, to provide eligible employees and other eligible persons with life insurance and hospital, medical, and dental coverage through provider organizations. The Employee Insurance Fund is not associated with any other public risk pools. A contingency reserve is maintained to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund.

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP had settlements of $104,615 less than coverage during the fiscal year ended June 30, 2025.

In January 2000, the fund became fully self-insured for medical coverage and assumed all liability for medical claims. The self-funded programs within the fund establish claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not paid and of claims that have been incurred but not reported. These estimates are agreed to by the insurance carriers and the state and are reviewed for accuracy and reasonableness. The estimates are based on claim experience and claim lag timetables provided by the carriers and do not include additional estimates for subrogation, salvage, or unallocated claim adjustments.

Public Employees Insurance Program

The Public Employees Insurance Program (PEIP) is a public entity risk pool currently operating as an insurance program in the Public Employees Insurance Fund (enterprise fund). The risk pool was created by the Minnesota Legislature to provide public employees and other eligible persons with life insurance and hospital, medical, and dental coverage to result in a greater utilization of government resources and advance the health and welfare of the citizens of the state. The enabling legislation for PEIP is Minnesota Laws of 1987, codified as Minnesota Statutes 43A.316. Beginning in fiscal year 1998, medical benefits provided through PEIP became a self-insured program.

PEIP's membership as of June 30, 2025 was 16,849 members and their dependents. The members of the pool include 73 school districts, 125 cities/townships, 12 counties, and 69 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program

administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums. Stop-loss coverage was discontinued effective January 1, 2015.

The pool establishes claims liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported.

Primary Government
Self-Insured Claims Liability
(In Thousands)

Description	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund:				
Fiscal Year Ended 6/30/2024	$ 15,171	$ 6,248	$ 6,125	$ 15,294
Fiscal Year Ended 6/30/2025	$ 15,294	$ 6,437	$ 6,146	$ 15,585
Tort Claims:				
Fiscal Year Ended 6/30/2024	$ —	$ 1,376	$ 1,376	$ —
Fiscal Year Ended 6/30/2025	$ —	$ 1,496	$ 1,496	$ —
Workers' Compensation:				
Fiscal Year Ended 6/30/2024	$ 86,598	$ 21,598	$ 25,828	$ 82,368
Fiscal Year Ended 6/30/2025	$ 82,368	$ 18,055	$ 25,302	$ 75,121
State Employee Group Insurance:				
Fiscal Year Ended 6/30/2024	$ 86,151	$ 1,136,059	$ 1,126,299	$ 95,911
Fiscal Year Ended 6/30/2025	$ 95,911	$ 1,312,071	$ 1,298,155	$ 109,827

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

Description	Year Ended June 30 2025	2024
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 21,264	$ 19,448
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 231,206	$ 223,628
Increases (Decreases) in Provision for Insured Events of Prior Years	2,160	9,627
Total Incurred Claims and Claim Adjustment Expenses	$ 233,366	$ 233,255
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 212,937	$ 203,277
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	22,921	28,162
Total Payments	$ 235,858	$ 231,439
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 18,772	$ 21,264

Component Units

Housing Finance Agency

The Housing Finance Agency (HFA) is exposed to various insurable risks of loss related to tort, theft of, damage to, or destruction of assets; to errors or omissions; and to employer obligations. HFA manages these risks through the primary government's insurance plans including the primary government's Risk Management Fund (internal service fund) and through purchased insurance coverage. HFA retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three years. HFA participates in SEGIP, which is administered by the primary government's Employee Insurance Fund (internal service fund). This program provides life insurance and hospital, medical, and dental coverage through provider organizations. HFA also participates in the primary government's Workers' Compensation Program. Annual premiums are assessed by the program based on average costs and claims.

Metropolitan Council

The Metropolitan Council (MC) is exposed to various risks of loss related to torts, to theft of, damage to, and destruction of assets; to errors and omissions; to employer obligations; and natural disasters. MC both purchases commercial insurance and self-insures for these risks of loss. MC has not experienced any significant reductions in insurance coverage from the prior year. MC has not had any settlements in excess of commercial coverage for the past three years.

MC either purchases general liability insurance or self-insures to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes 466.04 generally limits MC's tort exposure to $500,000 per claim and $1,500,000 per occurrence for a claim arising on or after July 1, 2009. For claims arising earlier, the limits are $400,000 per claim and $1,200,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using the 30-year Treasury yield. The self-insurance retention limit for workers' compensation is $500,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

MC claims include workers' compensation claims and $10,539,000 internal service fund claims.

University of Minnesota

The University of Minnesota (U of M) is insured for professional, general, non-profit organization, data security, and automobile liability and indemnified for property insurance deductible expenditures through RUMINCO, Ltd., a wholly-owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and estimates claim liabilities. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims using a discount rate of 3.85 percent.

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

U of M's medical (health) and dental coverage for faculty and staff is a self-insured program. Under the plan, U of M pays claims, while the administration of the program is handled by two independent administrators for the health coverage, and one independent administrator for the dental coverage. U of M's graduate assistant medical plan, student health plan, and medical residents and fellows plan, are also all self-insured. Each year, an actuarial estimate of U of M's liability for medical claims, including incurred but not reported claims, is recorded.

Component Units
Claims Liability
(In Thousands)

Description	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council - Workers' Compensation:				
Fiscal Year Ended 12/31/2023	$ 21,428	$ 11,217	$ 8,242	$ 24,403
Fiscal Year Ended 12/31/2024	$ 24,403	$ 9,720	$ 10,115	$ 24,008
University of Minnesota - RUMINCO, Ltd:				
Fiscal Year Ended 6/30/2024	$ 11,836	$ 5,580	$ 5,681	$ 11,735
Fiscal Year Ended 6/30/2025	$ 11,735	$ 7,431	$ 8,631	$ 10,535
University of Minnesota - Workers' Compensation:				
Fiscal Year Ended 6/30/2024	$ 9,287	$ 4,321	$ 4,686	$ 8,922
Fiscal Year Ended 6/30/2025	$ 8,922	$ 3,747	$ 3,921	$ 8,748
University of Minnesota - Medical/Dental:				
Fiscal Year Ended 6/30/2024	$ 38,579	$ 410,362	$ 408,276	$ 40,665
Fiscal Year Ended 6/30/2025	$ 40,665	$ 458,692	$ 447,861	$ 51,496

Note 17 – Budgetary Basis vs. GAAP

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, intrafund, and loan transactions. In addition, encumbrances are recognized as expenditures in the year encumbered on a budgetary basis. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. The GAAP General Fund also includes several funds that are not included in the budgetary General Fund. A reconciliation of the fund balances under the two bases of accounting for the General Fund is provided in the following table.

General Fund
Reconciliation of GAAP Basis Fund Balance
to Budgetary Fund Balance
As of June 30, 2025
(In Thousands)

Description		Amount
GAAP Basis Fund Balance	$	15,684,423
Less: Encumbrances[1]		1,197,450
Unassigned Fund Balance	$	14,486,973
Basis of Accounting Differences:		
Revenue Accruals/Adjustments:		
Taxes Receivable	$	(1,299,341)
Tax Refunds Payable		881,879
Human Services Receivable		(218,926)
Unearned Revenue		139,756
Escheat Asset		(35,366)
Other Receivables		(46,387)
Permanent School Fund Reimbursement		(1,600)
Investments at Market		(286,704)
Expenditure Accruals/Adjustments:		
Medical Care Programs		1,179,202
Human Services Grants Payable		73,288
Education Aids		1,193,428
Police and Fire Aid		178,275
Other Payables		53,150
Other Financial Sources (Uses):		
Transfers-In		(552)
Perspective Differences:		
Account with no Legally Adopted Budget		(5,326,651)
Appropriation Carryover		(1,885,594)
Long-Term Receivables		(14,769)
Budgetary Reserve		(3,535,932)
Budgetary Basis:		
Unassigned Fund Balance	$	5,534,129

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

Note 18 – Litigation

Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for each of the fiscal years ending June 30, 2025 and 2026 are $161,000. The maximum liability for tort claims arising out of a single occurrence in Minnesota is $1,000,000 for claims arising on or after January 1, 2000, and before January 1, 2008; $1,200,000 for claims arising on or after January 1, 2008, and before July 1, 2009; and $1,500,000 for claims arising on or after July 1, 2009. The maximum liability for any one claim is $300,000 for claims arising before August 1, 2007; $400,000 for claims arising on or after August 1, 2007, and before July 1, 2009; and $500,000 for claims arising on or after July 1, 2009.

Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over $15 million in excess of current levels.

- At any one time, there are hundreds of Minnesota Department of Transportation (MnDOT) eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the state may impact the state's Trunk Highway Fund (special revenue fund).

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

- Abdikar Mohamed and Fowsiya Hassan v. Tim Walz, Minnesota Department of Human Services (DHS), et al. (U.S. District Court, District of Minnesota). The Plaintiffs were owners of childcare centers receiving Child Care Assistance Program (CCAP) funds from DHS (now Department of Children, Youth, and Families). After the Bureau of Criminal Apprehension (BCA) executed search warrants on Plaintiffs' childcare centers, DHS temporarily suspended CCAP payments to Plaintiffs, pending the outcome of the fraud investigation. The plaintiffs' businesses previously sued in state court, alleging due process violations for the CCAP payments suspension, and Defendants prevailed on a Motion to Dismiss, which was affirmed on appeal. The Plaintiffs sued in federal court in July 2025, with some of the same claims, as well as additional claims that include an Equal Protection Clause violation on the basis that DHS and a BCA employee disproportionately targeted Somalis for licensing and fraud investigations. The Defendants have filed a motion to dismiss the entire complaint, which is set for hearing December 2025. Allegations include damages for loss of the plaintiffs' businesses, pain and suffering, and compensatory and special damages, totaling at least $63.8 million.

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

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

- The Jamar Company d/b/a Asdco v. State of Minnesota, et al. (Itasca County District Court) and Hammerlund Construction Inc., et al. v. State of Minnesota, et al. (Itasca County District Court). These mechanics' lien suits involve similar claims but different tax-forfeited properties in Itasca County. The subject properties were leased for mining purposes by Itasca County to Magnetation LLC ("Magnetation"), which filed for chapter 11 bankruptcy in May 2015. The state is a named defendant in these suits because it owns the subject properties in trust for Itasca County, the taxing district, which has the authority to manage the properties. Jamar, Hammerlund, and approximately 20 other contractors and subcontractors, which supplied materials and/or labor to the properties for Magnetation, have filed claims and cross-claims against the state and the other defendants that total approximately $22.2 million exclusive of interest and attorneys' fees. Magnetation disposed of substantially all of its assets in bankruptcy through a sale in December 2016 to an entity called ERP Iron Ore, LLC ("ERP"). The mechanic's liens asserted by the contractors and subcontractors, as described above, were deemed permitted encumbrances on the assets, which ERP agreed to assume as a condition of the sale to permit the suits to continue. Before any further resolution of the mechanic's lien cases, ERP itself became a chapter 7 bankruptcy debtor in May 2018.

- The state receives federal funding for numerous programs and services provided or administered by the state, and shifting policies and priorities at the federal level regularly affect the state's operations. Changes in federal policy this year have led to an increase in litigation between the state and the federal government, and the outcomes of that litigation may result in additional state expenditures exceeding $15,000,000 for affected programs and services.

Note 19 – Tax Abatements

The state of Minnesota provides tax abatement agreements through five programs operated by the Department of Employment and Economic Development, Department of Administration, Department of Revenue, and Department of Explore Minnesota: Greater MN Job Expansion Program, Border City Enterprise Zones, Angel Tax Credit, Historic Structure Rehabilitation Credit, and Film Production Tax Credit. Minnesota Statutes 270B.02 classifies tax return information as private data. As the population of program participants is so small, reporting aggregate data may identify individual taxpayers, except for the Border City Enterprise Zones program, the Angel Tax Credit program, the Historic Structure Rehabilitation Credit, and the Film Production Tax Credit.

The Greater MN Job Expansion Program provides sales tax abatements to expand employment within cities in greater Minnesota. Qualified businesses are eligible for a sales tax exemption up to $5 million annually, and $40 million during the agreement period. The agreement period is seven years after a business is certified, except for businesses investing at least $200 million over a ten-year period, in which case the agreement period is ten years. A qualified business must have operated in greater Minnesota for at least one year prior to applying, agree to pay employees, including benefits, on an annualized basis equal to at least 120 percent of the federal poverty level for a family of four, increase the number of full-time equivalent employees by two employees or ten percent, whichever is greater, and enter into a subsidy agreement with the state that pledges to satisfy the employment expansion within three years. The subsidy agreements include recapture provisions. The authority for the sales tax abatement is Minnesota Statutes 116J.8738.

The Border City Enterprise Zones program provides tax abatements to partially mitigate the effects of disparate taxation of businesses in six cities located near neighboring states as incentives to attract and retain businesses in Minnesota. Taxes abated include: sales taxes, income taxes, or property taxes. Border cities establish eligibility criteria of recipient business, provided that business is not prohibited by Minnesota Statutes 469.171, Subdivision 4. Sales taxes are reduced through exemptions on construction materials and equipment. Income taxes are reduced as credits for additional workers employed within the zone, up to $3,000 per employee per year, or for a retained worker in the zone, up to $1,500 per employee per year. Additionally, income taxes are reduced as a credit for a percentage of cost of debt financing for construction. Property taxes are reduced as a credit for a portion of property tax paid by new facilities as determined by the border city based on its eligibility criteria. The total amount of tax abatements is determined through allocations to each border city defined in Minnesota Statutes. Prior to entering a tax abatement agreement with a business, the border city must submit the proposed tax reductions to the Minnesota Department of Employment and Economic Development to evaluate the proposed investment the business will make in the border city, the number and quality of new jobs created, the overall positive economic impact within the border city, and the extent that economic benefits are dependent on the tax abatements to the business. Businesses must maintain operation within the border city. Businesses which receive tax abatements that cease to operate within the border city must repay the tax abatements received during the prior two years; other recapture provisions may exist between the border city and the business. The authority for Border City Enterprise Zone tax abatements are Minnesota Statutes 469.166-469.1735.

The Angel Tax Credit program provides income tax abatements as an incentive for investors to make investments in start-up businesses by helping to raise the equity financing needed to further business growth and the potential to create jobs. Qualified investors are eligible for up to 25 percent of the investment made and must receive an annual certification to make investments in a qualified small business. Qualified investors are required to hold investments in a qualified business for a period of at least three years. If a qualified investor does not meet the three years holding requirement, the investor must repay the income tax credit. A qualified small business must satisfy all the following conditions: be headquartered in Minnesota, have at least 51 percent of its employees and payroll in Minnesota, and be engaged in or committed to engage in innovation in Minnesota. The primary business activity must be in a qualified field of technology, agriculture, tourism, forestry, mining, manufacturing, or transportation. The business must have fewer than 25 employees and must pay employees annual wages of at least 175 percent of federal poverty guidelines for a family of four. The business may not have previously received private equity investments of more than $4 million, be disqualified under Minnesota Statutes 80A.50, or issued securities traded on a public exchange. The business may not have been in operation for more than ten years, or more than twenty years if the business is engaged in the research, development, or production of medical devices or pharmaceuticals for which Food and Drug Administration approval is required. If it is determined that a qualified business did not maintain at least 51 percent of its employees and payroll in Minnesota during the first five years following its most recent qualified investment, the business must repay the income tax credit provided to its investors based on a fixed percentage scale. The program will sunset at the end of calendar year 2024, except for some reporting requirements. The authority for the tax abatement is Minnesota Statutes 116J.8737.

The Historic Structure Rehabilitation Credit program incentivizes substantial reinvestment in the development of historic buildings listed on the National Register of Historic Places. This program parallels the Federal Rehabilitation Tax Credit and state tax credits are limited by the federal amount. A project is eligible for the program if the property is listed on the National Register of Historic Places or is certified as contributing to a National Register Historic District, or Certified Historic District. The owner must apply for the credit prior to the start of construction, plans must be approved by the National Park Service (NPS), and the work must meet the “substantial rehabilitation test”. The completed work must be approved by the NPS and be allowed the federal tax credit. The qualified historic structure must be used as an income producing property for at least five years after the construction is completed. Investors will be eligible for a tax credit or the option of a grant in lieu of tax in the year the renovated building is placed in service. The program will sunset after fiscal year 2030, except for issuing credit certificates and completing reporting requirements. The authority for the tax abatement is Minnesota Statutes 290.0681.

The Film Production Tax Credit program provides an assignable income tax credit to producers of feature films, national television or internet programs, documentaries, music videos, and commercials that directly create new film jobs in Minnesota. The program provides a 25 percent credit to production companies provided they apply for an allocation prior to beginning principal photography in Minnesota, spend a minimum of $1 million in eligible expenses during the taxable year, employ Minnesota residents to the extent practicable, promote Minnesota by visibly displaying a static or animated logo in the end credits, remain in good business standing with the Secretary of State of Minnesota, and submit a tax clearance statement from the Minnesota Department of Revenue. Applications are accepted on a rolling basis, and allocations are made on a first-come, first-served basis. The program will sunset after calendar year 2030. The authority for the tax abatement is Minnesota Statutes 116U.26-116U.27.

Tax Abatements
Year Ended June 30, 2025
(In Thousands)

Description	Amount
Border City Enterprise Zones:	
Corporate Taxes	$ 157
Income Taxes	236
Total Border City Enterprise Zones	$ 393
Angel Tax Credit: Income Taxes	$ 4,252
Historic Structure Rehabilitation Credit: Income Tax	$ 63,396
Film Production Tax Credit	$ 1,404
Total Tax Abatements	$ 69,445

Note 20 – Change in Accounting Principle, Change in Accounting Estimate, Error Correction, and Change in Reporting Entity

Primary Government

Change in Accounting Principle

During the year ended June 30, 2025, the State of Minnesota adopted new accounting guidance by implementing the provisions of GASB Statement No. 101, "Compensated Absences." This has resulted in decreases in beginning net position for governmental activities and business-type activities of $326,857,000 and $81,011,000, respectively, in the Government-wide Statement of Activities, for the enterprise and internal service funds of $81,011,000, and $11,922,000, respectively, in the Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position, and for the pension trust funds of $1,136,000 in the Fiduciary Funds Statement of Changes in Net Position for the current year. The most significant effects of implementing this statement are the recognition of a new compensated absences liability for accumulated sick leave that meets the criteria for recognition, which was not previously recognized in the financial statements, and eliminating the cap on vacations from the amount that would be paid out as severance to recognizing a compensated absences liability for the amount that will be more likely than not to be used or paid out as severance. The impact of this new guidance is detailed in the table below.

Change in Accounting Estimate

A new measurement methodology was used to estimate the individual income, corporate income, and sales taxes refunds payable. This change in estimate is more accurate as it considers the ratio of refunds to tax revenue for each of these tax types, resulting in more reliability. This change in estimate also increases the comparability across the different tax types. In the Government-wide Statement of Net Position - governmental activities and the Governmental Funds Balance Sheet, the accounts payable was impacted. In the Statement of Activities - governmental activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, individual income, corporate income, and sales taxes were impacted by the change in estimate.

The measurement methodology used to estimate a portion of the individual income, corporate income, and sales taxes receivable, including related allowances for uncollectible amounts, was changed. The change includes additional historical data to create a more accurate estimate, resulting in more reliability. In the Government-wide Statement of Net Position - governmental activities, the accounts receivable was impacted and in the Statement of Activities - governmental activities, the individual income, corporate income, and sales taxes were impacted. In the Governmental Funds Balance Sheet, the accounts receivable and deferred revenue were impacted.

Error Correction

The calculation of the deferred inflows of resources and deferred outflows of resources related to debt refunding were calculated accurately; however, the amounts were posted in the wrong account since the implementation of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The deferred inflows of resources were posted as a debit in the deferred outflows of resources and the deferred outflows of resources were posted as a credit in the deferred inflows of resources. This has resulted in a decrease of beginning net position in the Statement of Activities - governmental activities of $339,088,000 for the current year.

During fiscal year 2025, the Department of Human Services discovered the expenditures for tribal residential facilities were incorrectly charged to a federal program in the Federal Fund and should have been charged to the Institution for Mental Diseases (IMDs) program in the General Fund since fiscal year 2015. This resulted in a decrease of beginning net position in the Statement of Activities - governmental activities, and the beginning fund balance of the Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances - General Fund of $121,924,000 for the current year. Since the expenditures charged to the Federal Fund were also reimbursed by the federal government and recognized as federal revenue, the impact was an overstatement of both expenditures and federal revenue with no impact on beginning fund balance.

Change in Reporting Entity

Minnesota Statutes 424A, allows volunteer firefighter relief associations to be covered by the Supplemental Retirement Fund (investment trust fund). Minnesota Statutes 353G, allows volunteer firefighters to be covered by the Volunteer Firefighter Retirement Fund and Volunteer Firefighter Retirement Defined Contribution Fund (pension trust funds) managed by the Public Employees Retirement Association. During fiscal year 2025, nineteen firefighter groups transferred from the Supplemental Retirement Fund to the pension trust funds. The transfer was reported as a change in reporting entity of $17,971,000 between the Supplemental Retirement Fund and the pension trust funds.

Primary Government
Beginning Balance Reconciliation
Year Ended June 30, 2025
(In Thousands)

	Net Position/ Fund Balance, Beginning, as Reported	Change in Accounting Principle	Change in Reporting Entity	Error Correction	Net Position/ Fund Balance, Beginning, as Restated
Government-wide:					
Governmental Activities	$ 39,963,338	$ (326,857)	$ —	$ (461,012)	$ 39,175,469
Business-type Activities	4,601,367	(81,011)	—	—	4,520,356
Total Government-wide	$ 44,564,705	$ (407,868)	$ —	$ (461,012)	$ 43,695,825
Governmental Funds:					
General	$ 16,856,480	$ —	$ —	$ (121,924)	$ 16,734,556
Federal	7,142	—	—	—	7,142
Nonmajor Funds	10,719,702	—	—	—	10,719,702
Total Governmental Funds	$ 27,583,324	$ —	$ —	$ (121,924)	$ 27,461,400
Proprietary Funds:					
Family and Medical Benefit	$ 695,938	$ (70)	$ —	$ —	$ 695,868
State Colleges and Universities	2,102,520	(71,311)	—	—	2,031,209
Unemployment Insurance	1,349,082	—	—	—	1,349,082
Nonmajor Enterprise Funds	453,827	(9,630)	—	—	444,197
Total Enterprise Funds	$ 4,601,367	$ (81,011)	$ —	$ —	$ 4,520,356
Internal Service Funds	$ 500,955	$ (11,922)	$ —	$ —	$ 489,033
Fiduciary Funds:					
Pension Trust	$109,908,842	$ (1,136)	$ 17,971	$ —	$109,925,677
Investment Trust	$ 1,504,772	$ —	$ (17,971)	$ —	$ 1,486,801
Custodial	$ 48,135	$ —	$ —	$ —	$ 48,135

Component Units

Change in Accounting Principle

During the year ended June 30, 2025, Minnesota Housing Finance Agency and Agricultural and Economic Development Board (nonmajor component unit) adopted new accounting guidance by implementing the provisions for GASB Statement No. 101, "Compensated Absences." This has resulted in a decrease of beginning net position for component units of $2,498,000 for the current year. The impact of this new guidance is detailed in the table below.

Component Units
Beginning Balance Reconciliation
Year Ended December 31, 2024 or June 30, 2025, applicable
(In Thousands)

	Net Position, Beginning, as Reported	Change in Accounting Principle	Net Position, Beginning, as Restated
Component Units:			
Housing Finance Agency	$ 1,391,896	$ (2,494)	$ 1,389,402
Metropolitan Council	6,416,163	—	6,416,163
University of Minnesota	9,915,289	—	9,915,289
Nonmajor Component Units	3,381,977	(4)	3,381,973
Total Component Units	$ 21,105,325	$ (2,498)	$ 21,102,827

Note 21 – Subsequent Events

Primary Government

In September 2025, the state issued the following general obligation bonds. These bonds are backed by the full faith and credit and taxing powers of the state.

- $542.3 million of general obligation state various purpose bonds Series 2025A at a true interest rate of 3.62 percent.
- $294.9 million of general obligation state trunk highway bonds Series 2025B at a true interest rate of 3.57 percent.
- $25.5 million of general obligation taxable state various purpose bonds Series 2025C at a true interest rate of 3.88 percent.
- $234.7 million of general obligation state various purpose refunding bonds Series 2025D at a true interest rate of 2.57 percent.
- $158.7 million of general obligation state trunk highway refunding bonds Series 2025E at a true interest rate of 2.62 percent.

In November 2025, the state issued the following revenue bonds. These bonds are backed by pledged revenues from the taconite assistance area.

- $25.3 million tax exempt revenue bonds Series 2025A at a true interest rate of 3.86 percent.
- $2.3 million taxable revenue bonds Series 2025B at a true interest rate of 3.99 percent.
- $16.9 million refunding bonds Series 2025C at a true interest rate of 2.75 percent.

In October 2025, the state issued $50.1 million of refunding certificates of participation Series 2025 at a true interest rate of 2.90 percent.

Component Units

Housing Finance Agency

In October 2025, the Housing Finance Agency (HFA) issued $7.1 million state appropriation bonds (Housing Infrastructure) Series 2025A, and $42.9 million Series 2025B. The proceeds of the bonds will be used to provide money to fund housing infrastructure loans and to pay the costs of issuance of the Series Bonds. For information on the state appropriation for these bonds, see Note 14 – Contingent Liabilities.

HFA issued a series of housing finance bonds after June 30, 2025 as follows. In July 2025, HFA issued $85.0 million Series 2025IJ. In October 2025, HFA issued $175.0 million Series 2025KLMN.

HFA made, or committed to make, draws from index bank notes subsequent to June 30, 2025 totaling $36.1 million.

Metropolitan Council

In April 2025, Metropolitan Council (MC) agreed to a $32.0 million loan Series 2025A from the Public Facilities Authority (component unit) for financing eligible capital expenditures.

In May 2025, MC issued $77.7 million general obligation transit bonds, Series 2025B, $74.5 million general obligation wastewater revenue bonds, Series 2025C, and $9.7 million general obligation parks bonds, Series 2025D.

MINNESOTA

State of Minnesota

2025
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Financial Report

Required Supplementary Information

Modified Approach for Infrastructure

The state uses the modified approach for reporting selected infrastructure assets. Under this approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 29,000 lane miles of pavement and approximately 3,000 bridges and tunnels maintained by the state.

To utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Lane Miles of Pavement

Measurement Scale

The Minnesota Department of Transportation (MnDOT) uses three pavement condition indices to determine the condition of the trunk highway system: Present Serviceability Rating (PSR), Surface Rating (SR), and Pavement Quality Index (PQI). The PSR is a measure of pavement smoothness, the SR measures pavement distress (cracking), and the PQI is a composite index equal to the square root of the PSR multiplied by the square root of the SR.

The five qualitative categories used to describe pavement condition are shown in the table below:

Description	PQI Range	PSR Range	SR Range
Very Good	3.7 - 4.5	4.1 - 5.0	3.3 - 4.0
Good	2.8 - 3.6	3.1 - 4.0	2.5 - 3.2
Fair	1.9 - 2.7	2.1 - 3.0	1.7 - 2.4
Poor	1.0 - 1.8	1.1 - 2.0	0.9 - 1.6
Very Poor	0.0 - 0.9	0.0 - 1.0	0.0 - 0.8

The PQI is used as the index for determining whether the pavement infrastructure is being maintained in a serviceable level. The PQI is an overall index, combining both pavement smoothness (PSR) and cracking (SR).

Established Condition Level

Principal arterial pavements will be maintained at 3.0 PQI (good) or higher, and all other pavements will be maintained at 2.8 PQI (good) or higher.

Assessed Conditions

The state assesses condition on 100 percent of the pavement surfaces at least once every two years.

Description	2024	2023	2022
Principal Arterial Average PQI	3.6	3.6	3.6
Non-Principal Arterial Average PQI	3.4	3.4	3.4

Bridges and Tunnels

Measurement Scale

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

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

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

Rating	Description
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound, but may have some minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service, beyond correctiv ion.

The criteria for placing a bridge in each of the three categories are as follows:

Rating	Description
Good	If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.
Fair	If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.
Poor	If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient.

Established Condition Level

Ninety-two percent of principal arterial system bridges will be maintained at fair to good, while 80 percent of all other system bridges will also be maintained at fair to good.

Assessed Conditions

Description	2024	2023	2022
Principal Arterial: Fair to Good	94.1%	93.7%	93.8%
All Other Systems: Fair to Good	92.5%	93.0%	93.1%

Budgeted and Estimated Costs to Maintain

The following table presents the state's estimate of spending necessary to preserve and maintain the pavement and bridges at, or above, the established condition levels cited above, and the actual amount spent (in thousands):

		Costs to be Capitalized			Maintenance of System			
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	Total Construction Program
Budget	2025	$ 68,199	$ 482,422	$ 550,621	$ 125,856	$ 896,726	$1,022,582	$ 1,573,203
	2024	72,512	464,077	536,589	87,014	826,637	913,651	1,450,240
	2023	84,480	450,560	535,040	98,560	774,400	872,960	1,408,000
	2022	62,000	434,000	496,000	124,000	620,000	744,000	1,240,000
	2021	65,300	472,400	537,700	95,600	660,700	756,300	1,294,000
Actual	2025	$ 69,144	$ 447,512	$ 516,656	$ 130,841	$ 902,629	$1,033,470	$ 1,550,126
	2024	65,287	443,943	509,230	79,631	839,027	918,658	1,427,888
	2023	88,421	432,591	521,012	119,070	767,671	886,741	1,407,753
	2022	50,890	410,334	461,224	110,736	652,357	763,093	1,224,317
	2021	50,887	505,490	556,377	85,859	635,307	721,166	1,277,543

Defined Benefit Plans – State Participating

The state of Minnesota currently contributes as an employer and/or non-employer contributing entity into five primary government administered multiple-employer cost sharing plans, one non-primary government administered multiple-employer cost sharing plan, and three primary government administered single-employer plans. See Note 8 – Pension and Investment Trust Funds for more information on each plan.

Covered-Member Payroll is an estimate in the reporting year and is restated in the following year to reflect actual Covered-Member Payroll. Required supplementary information is provided for the following plans:

- State Employees Retirement Fund (SERF)
- Correctional Employees Retirement Fund (CERF)
- General Employees Retirement Fund (GERF)
- Police and Fire Fund (P&FF)
- Teachers Retirement Fund (TRF)
- St. Paul Teachers' Retirement Fund (SPTRF)
- Judges Retirement Fund (JRF)
- Legislators Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

Required Supplementary Information
Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions
(In Thousands)

State Employees Retirement Fund

	2016	2017	2018	2019 [2]
Statutorily Required Contribution as an:				
Employer[1]	$ 110,804	$ 116,552	$ 121,322	$ 136,157
Non-Employer Contributing Entity[1]	—	—	—	—
Total Statutorily Required Contribution	$ 110,804	$ 116,552	$ 121,322	$ 136,157
Covered-Member Payroll	$ 2,066,651	$ 2,179,626	$ 2,256,825	$ 2,374,710
Required Employer Contributions as a Percentage of Covered-Member Payroll	5.4%	5.3%	5.4%	5.7%

(1) Statutorily required contributions equal actual required contributions.
(2) 2019: The required contribution rate for employers increased from 5.5 percent to 5.875 percent.
(3) 2020: The required contribution rate for employers increased to 6.25 percent.
(4) 2024: Non-Employer contributions include a one-time state aid contribution of $76.440 million.

Correctional Employees Retirement Fund

	2016	2017	2018	2019 [2]
Statutorily Required Contribution as an:				
Employer[1]	$ 30,624	$ 31,663	$ 32,840	$ 38,141
Non-Employer Contributing Entity[1]	—	—	—	—
Total Statutorily Required Contribution	$ 30,624	$ 31,663	$ 32,840	$ 38,141
Covered-Member Payroll	$ 241,020	$ 248,653	$ 257,055	$ 267,212
Required Employer Contributions as a Percentage of Covered-Member Payroll	12.7%	12.7%	12.8%	14.3%

(1) Statutorily required contributions equal actual required contributions.
(2) 2019: The required contribution rate for employers increased from 12.9 percent to 14.4 percent.
(3) 2020: The required contribution rate for employers increased to 15.85 percent.
(4) 2021: The required contribution rate for employers increased to 17.35 percent.
(5) 2022: The required contribution rate for employers increased to 18.85 percent.
(6) 2024: Non-Employer contributions include a one-time state aid contribution of $10.446 million.

General Employees Retirement Fund

	2016	2017	2018	2019
Statutorily Required Contribution as an:				
Employer[1]	$ 2,540	$ 3,155	$ 2,283	$ 2,138
Non-Employer Contributing Entity[1]	6,000	6,000	16,000	16,000
Total Statutorily Required Contribution	$ 8,540	$ 9,155	$ 18,283	$ 18,138
Covered-Member Payroll	$ 41,328	$ 31,105	$ 28,849	$ 26,936
Required Employer Contributions as a Percentage of Covered-Member Payroll	6.1%	10.1%	7.9%	7.9%

(1) Statutorily required contributions equal actual required contributions.
(2) 2024: Non-Employer contributions include a one-time state aid contribution of $170.093 million.

2020 [3]	2021	2022	2023	2024 [4]	2025
$ 152,523	$ 156,738	$ 161,340	$ 172,451	$ 193,263	$ 217,197
—	—	—	—	76,440	—
$ 152,523	$ 156,738	$ 161,340	$ 172,451	$ 269,703	$ 217,197
$ 2,480,800	$ 2,545,750	$ 2,622,904	$ 2,787,717	$ 3,123,124	$ 3,457,609
6.1%	6.2%	6.2%	6.2%	6.2%	6.3%

2020 [3]	2021 [4]	2022 [5]	2023	2024 [6]	2025
$ 43,594	$ 48,662	$ 54,939	$ 58,356	$ 62,100	$ 69,431
—	—	—	—	10,446	—
$ 43,594	$ 48,662	$ 54,939	$ 58,356	$ 72,546	$ 69,431
$ 278,340	$ 282,542	$ 294,329	$ 310,576	$ 330,712	$ 367,494
15.7%	17.2%	18.7%	18.8%	18.8%	18.9%

2020	2021	2022	2023	2024 [2]	2025
$ 1,949	$ 1,720	$ 1,582	$ 1,439	$ 1,379	$ 1,298
16,000	16,000	16,000	16,000	186,093	16,000
$ 17,949	$ 17,720	$ 17,582	$ 17,439	$ 187,472	$ 17,298
$ 24,638	$ 21,880	$ 20,120	$ 18,930	$ 17,360	$ 17,361
7.9%	7.9%	7.9%	7.6%	7.9%	7.5%

Required Supplementary Information
Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions (Continued)
(In Thousands)

Police and Fire Fund[2]

	2016	2017	2018	2019
Statutorily Required Contribution as an:				
Employer[1]	N/A	N/A	N/A	$ —
Non-Employer Contributing Entity[1]	N/A	N/A	N/A	4,500
Total Statutorily Required Contribution	N/A	N/A	N/A	$ 4,500
Covered-Member Payroll	N/A	N/A	N/A	N/A
Required Employer Contributions as a Percentage of Covered-Member Payroll	N/A	N/A	N/A	N/A

(1) Statutorily required contributions equal actual required contributions.
(2) Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.
(3) 2020: The required contribution rate for employers increased from 16.95 percent to 17.7 percent.
(4) 2024: Non-Employer contributions include a one-time state aid contribution of $19.397 million.

Teachers Retirement Fund

	2016	2017	2018	2019 [2]
Statutorily Required Contribution as an:				
Employer[1]	$ 14,514	$ 14,885	$ 14,678	$ 15,447
Non-Employer Contributing Entity[1]	31,088	31,087	30,886	31,087
Total Statutorily Required Contribution	$ 45,602	$ 45,972	$ 45,564	$ 46,534
Covered-Member Payroll	$ 168,264	$ 174,018	$ 170,196	$ 177,753
Required Employer Contributions as a Percentage of Covered-Member Payroll	8.6%	8.6%	8.6%	8.7%

(1) Statutorily required contributions equal actual required contributions.
(2) 2019: The required contribution rate for employers increased from 7.5-11.5 percent to 7.71-11.71 percent.
(3) 2020: The required contribution rate for employers increased to 7.92-11.92 percent.
(4) 2021: The required contribution rate for employers increased to 8.13-12.13 percent.
(5) 2022: The required contribution rate for employers increased to 8.34-12.34 percent.
(6) 2023: The required contribution rate for employers increased to 8.55-12.55 percent.
(7) 2024: The required contribution rate for employers increased to 8.75-12.75 percent. Non-Employer contributions include a one-time state aid contribution of $176.167 million.
(8) 2025: Non-Employer contributions include a one-time state aid contribution of $28.462 million.

2020 (3)	2021	2022	2023	2024 (4)	2025
$ 543	$ 586	$ 586	$ 584	$ 571	$ 587
4,500	9,000	9,000	9,000	28,397	9,000
$ 5,043	$ 9,586	$ 9,586	$ 9,584	$ 28,968	$ 9,587
$ 2,949	$ 3,052	$ 3,088	$ 3,167	$ 3,027	$ 3,297
18.4%	19.2%	19.0%	18.4%	18.9%	17.8%

2020 (3)	2021 (4)	2022 (5)	2023 (6)	2024 (7)	2025 (8)
$ 16,115	$ 16,609	$ 17,139	$ 18,489	$ 19,813	$ 21,669
31,087	31,087	31,087	31,087	207,254	59,549
$ 47,202	$ 47,696	$ 48,226	$ 49,576	$ 227,067	$ 81,218
$ 179,645	$ 183,607	$ 185,816	$ 203,848	$ 210,708	$ 222,001
9.0%	9.0%	9.2%	9.1%	9.4%	9.8%

Required Supplementary Information
Non-Primary Government Administered Multiple-Employer Cost Sharing Plans
Schedule of Contributions
(In Thousands)

St. Paul Teachers' Retirement Fund

	2016	2017 (2)	2018 (3)	2019 (4)
Statutorily Required Contribution as an:				
Employer[1]	$ 64	$ 66	$ 41	$ 47
Non-Employer Contributing Entity[1]	10,665	10,665	10,665	15,666
Total Statutorily Required Contribution	$ 10,729	$ 10,731	$ 10,706	$ 15,713
Covered-Member Payroll	$ 443	$ 465	$ 274	$ 271
Required Employer Contributions as a Percentage of Covered-Member Payroll	14.4%	14.2%	15.0%	17.3%

(1) Statutorily required contributions equal actual required contributions.
(2) 2017: The required contribution rate for employers increased from 6.00-9.50 percent to 6.25-9.75 percent.
(3) 2018: The required contribution rate for employers increased to 6.50-10.00 percent.
(4) 2019: The required contribution rate for employers increased to 7.335-10.835 percent.
(5) 2020: The required contribution rate for employers increased to 8.17-11.67 percent.
(6) 2021: The required contribution rate for employers increased to 8.38-11.88 percent.
(7) 2022: The required contribution rate for employers increased to 8.59-12.09 percent.
(8) 2023: The required contribution rate for employers increased to 8.80-12.30 percent.
(9) 2024: The required contribution rate for employers increased to 9.00-12.50 percent. Non-Employer contributions include a one-time state aid contribution of $15.747 million.
(10) 2025: Non-Employer contributions include a one-time state aid contribution of $1.538 million.

2020 (5)	2021 (6)	2022 (7)	2023 (8)	2024 (9)	2025 (10)
$ 38	$ 27	$ 19	$ 20	$ 15	$ 20
15,663	15,664	15,665	15,663	31,411	17,203
$ 15,701	$ 15,691	$ 15,684	$ 15,683	$ 31,426	$ 17,223
$ 211	$ 148	$ 106	$ 110	$ 83	$ 61
18.0%	18.2%	17.9%	18.2%	18.1%	32.8%

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability
(In Thousands)

State Employees Retirement Fund

	2016	2017 (1)	2018 (2)	2019 (3)
Primary Government's Proportion of the Net Pension Liability as an Employer	73.93%	73.88%	74.15%	74.45%
Primary Government's Proportionate Share of the Net Pension Liability as an Employer	$ 1,138,125	$ 9,160,172	$ 5,500,428	$ 1,031,909
Primary Government's Covered-Member Payroll – Measurement Period	$ 2,006,862	$ 2,066,651	$ 2,179,626	$ 2,256,825
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	56.7%	443.2%	252.4%	45.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.3%	47.5%	62.7%	90.6%

(1) 2017: Benefit increase was changed to 2.0 percent for all future years. The discount rate changed from 7.9 percent to 4.17 percent.

(2) 2018: The discount rate changed to 5.42 percent.

(3) 2019: Benefit increase was changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

(4) 2022: The discount rate changed to 6.5 percent.

(5) 2023: The discount rate changed to 6.75 percent.

(6) 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 7.0 percent.

(7) 2025: Benefit increase was changed to 1.5 percent through December 31, 2025, and 1.75 percent thereafter.

2020	2021	2022 (4)	2023 (5)	2024 (6)	2025 (7)
74.94%	75.21%	76.55%	76.37%	76.41%	76.87%
$ 1,054,276	$ 998,968	$ 62,413	$ 1,255,049	$ 734,188	$ 25,569
$ 2,374,710	$ 2,480,800	$ 2,545,750	$ 2,622,904	$ 2,787,717	$ 3,123,124
44.4%	40.3%	2.5%	47.8%	26.3%	0.8%
90.7%	91.3%	99.5%	90.6%	94.5%	99.8%

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

Correctional Employees Retirement Fund

	2016	2017 (1)	2018 (2)	2019 (3)
Primary Government's Proportion of the Net Pension Liability as an Employer	99.86%	99.91%	99.91%	99.89%
Primary Government's Proportionate Share of the Net Pension Liability as an Employer	$ 653,352	$ 1,331,563	$ 1,127,087	$ 375,232
Primary Government's Covered-Member Payroll – Measurement Period	$ 231,126	$ 241,020	$ 248,653	$ 257,055
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	282.7%	552.5%	453.3%	146.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.1%	40.3%	47.6%	74.8%

(1) 2017: The discount rate changed from 6.25 percent to 4.24 percent.
(2) 2018: The discount rate changed to 5.02 percent.
(3) 2019: Benefit increase was changed to 2.0 percent through December 31, 2018, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.
(4) 2022: The discount rate changed to 6.5 percent.
(5) 2023: The discount rate changed to 6.75 percent.
(6) 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 7.0 percent.

2020	2021	2022 [4]	2023 [5]	2024 [6]	2025
99.87%	99.95%	99.96%	99.95%	99.91%	99.91%
$ 394,861	$ 447,093	$ 441,892	$ 599,385	$ 537,961	$ 471,114
$ 267,212	$ 278,340	$ 282,542	$ 294,329	$ 310,576	$ 330,712
147.8%	160.6%	156.4%	203.6%	173.2%	142.5%
75.0%	73.2%	78.2%	71.1%	74.8%	79.2%

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

General Employees Retirement Fund

	2016	2017 [1]	2018 [2]	2019 [3]
Primary Government's Proportion of the Net Pension Liability as an:				
Employer	0.62%	0.72%	0.51%	0.46%
Non-Employer Contributing Entity	3.56%	1.29%	1.24%	3.18%
Total Primary Government's Proportion of the Net Pension Liability	4.18%	2.01%	1.75%	3.64%
Primary Government's Proportionate Share of the Net Pension Liability as an:				
Employer	$ 32,022	$ 58,119	$ 32,252	$ 25,408
Non-Employer Contributing Entity	184,478	104,677	79,275	176,191
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 216,500	$ 162,796	$ 111,527	$ 201,599
Primary Government's Covered-Member Payroll – Measurement Period	$ 34,289	$ 41,328	$ 31,105	$ 28,849
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	93.4%	140.6%	103.7%	88.1%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.2%	68.9%	75.9%	79.5%

(1) 2017: Benefit increase of 2.5 percent was projected to start in 2036 changed to 1.0 percent for all future years. The discount rate changed from 7.9 percent to 7.5 percent.

(2) 2018: Benefit increase changed to 1.0 percent through 2044 and 2.5 percent thereafter.

(3) 2019: Benefit increase changed to 1.25 percent for all future years.

(4) 2022: The discount rate changed to 6.5 percent.

(5) 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and former MERF members of 4 percent minus the actual 2024 benefit increase and for coordinated members, 2.5 percent minus the actual 2024 benefit increase, payable in a lump sum by March 31, 2024. The discount rate changed to 7.0 percent.

2020	2021	2022 [4]	2023	2024 [5]	2025
0.41%	0.37%	0.32%	0.28%	0.25%	0.22%
3.02%	2.99%	2.97%	2.85%	2.69%	2.52%
3.43%	3.36%	3.29%	3.13%	2.94%	2.74%
$ 22,829	$ 22,051	$ 13,819	$ 22,628	$ 14,125	$ 8,004
166,659	179,348	126,546	225,578	150,014	93,185
$ 189,488	$ 201,399	$ 140,365	$ 248,206	$ 164,139	$ 101,189
$ 26,936	$ 24,638	$ 21,880	$ 20,120	$ 18,930	$ 17,360
84.8%	89.5%	63.2%	112.5%	74.6%	46.1%
80.2%	79.1%	87.0%	76.7%	83.1%	89.1%

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

Police and Fire Fund[1]

	2016	2017	2018	2019
Primary Government's Proportion of the Net Pension Liability as an:				
Employer	N/A	N/A	N/A	—%
Non-Employer Contributing Entity	N/A	N/A	N/A	5.27%
Total Primary Government's Proportion of the Net Pension Liability	N/A	N/A	N/A	5.27%
Primary Government's Proportionate Share of the Net Pension Liability as an:				
Employer	N/A	N/A	N/A	$ —
Non-Employer Contributing Entity	N/A	N/A	N/A	56,187
Total Primary Government's Proportionate Share of the Net Pension Liability	N/A	N/A	N/A	$ 56,187
Primary Government's Covered-Member Payroll – Measurement Period	N/A	N/A	N/A	N/A
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	N/A	88.8%

[1] Reporting data for P&FF begins with fiscal year 2019, due to a change in the statutorily required contribution.
[2] 2022: The discount rate changed from 7.5 percent to 6.5 percent.
[3] 2023: The discount rate changed to 5.4 percent.
[4] 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 3.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 7.0 percent.

2020	2021	2022 (2)	2023 (3)	2024 (4)	2025
0.25%	0.28%	0.28%	0.27%	0.26%	0.24%
5.15%	4.60%	4.30%	4.19%	3.87%	7.22%
5.40%	4.88%	4.58%	4.46%	4.13%	7.46%
$ 2,687	$ 3,635	$ 2,149	$ 11,919	$ 4,467	$ 3,072
54,801	60,676	33,209	182,147	66,866	95,008
$ 57,488	$ 64,311	$ 35,358	$ 194,066	$ 71,333	$ 98,080
$ 2,553	$ 2,949	$ 3,052	$ 3,088	$ 3,167	$ 3,027
105.2%	123.3%	70.4%	386.0%	141.0%	101.5%
89.3%	87.2%	93.7%	70.5%	86.5%	90.2%

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

Teachers Retirement Fund

	2016	2017 (1)	2018 (2)	2019 (3)
Primary Government's Proportion of the Net Pension Liability as an:				
Employer	3.88%	3.72%	3.71%	3.52%
Non-Employer Contributing Entity	9.74%	7.97%	7.70%	7.50%
Total Primary Government's Proportion of the Net Pension Liability	13.62%	11.69%	11.41%	11.02%
Primary Government's Proportionate Share of the Net Pension Liability as an:				
Employer	$ 239,701	$ 888,788	$ 740,843	$ 221,190
Non-Employer Contributing Entity	602,738	1,900,653	1,537,059	471,220
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 842,439	$ 2,789,441	$ 2,277,902	$ 692,410
Primary Government's Covered-Member Payroll – Measurement Period	$ 166,870	$ 168,264	$ 174,018	$ 170,196
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	143.6%	528.2%	425.7%	130.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.8%	44.9%	51.6%	78.1%

(1) 2017: A benefit increase was not projected to be attained instead of 2.5 percent in 2037. The discount rate changed from 8.00 percent to 4.66 percent.

(2) 2018: Benefit increase of 2.5 percent was projected to start in 2045. The discount rate changed to 5.12 percent.

(3) 2019: Benefit increase changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, then increase by 0.1 percent each year over five years, and 1.5 percent thereafter. The discount rate changed to 7.5 percent.

(4) 2022: The discount rate changed to 7.0 percent.

(5) 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and coordinated members of 2.9 percent and 1.4 percent, respectively, payable in a lump sum by March 31, 2024.

Required Supplementary Information
Multiple-Employer Cost Sharing Plans
Schedule of the Proportionate Share of the Net Pension Liability (Continued)
(In Thousands)

St. Paul Teachers' Retirement Fund

	2016	2017 [1]	2018 [2]	2019 [3]	2020	2021	2022 [4]	2023	2024 [5]	2025
Primary Government's Proportion of the Net Pension Liability as an:										
Employer	0.24%	0.17%	0.18%	0.10%	3.55%	3.48%	3.45%	3.33%	3.55%	3.46%
Non-Employer Contributing Entity	29.52%	28.79%	27.97%	27.48%	7.10%	6.75%	6.39%	6.03%	5.72%	5.36%
Total Primary Government's Proportion of the Net Pension Liability	29.76%	28.96%	28.15%	27.58%	10.65%	10.23%	9.84%	9.36%	9.27%	8.82%
Primary Government's Proportionate Share of the Net Pension Liability as an:										
Employer	$ 1,385	$ 1,082	$ 1,019	$ 630	$ 226,558	$ 256,907	$ 150,864	$ 266,953	$ 293,451	$ 219,682
Non-Employer Contributing Entity	171,776	182,226	161,970	166,431	452,696	499,032	279,641	482,875	472,132	340,763
Total Primary Government's Proportionate Share of the Net Pension Liability	$ 173,161	$ 183,308	$ 162,989	$ 167,061	$ 679,254	$ 755,939	$ 430,505	$ 749,828	$ 765,583	$ 560,445
Primary Government's Covered-Member Payroll – Measurement Period	$ 628	$ 443	$ 465	$ 274	$ 177,753	$ 179,645	$ 183,607	$ 185,816	$ 203,848	$ 210,708
Primary Government's Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Member Payroll	220.5%	244.2%	219.1%	229.9%	127.5%	143.0%	82.2%	143.7%	144.0%	104.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.6%	60.3%	64.1%	63.9%	78.2%	75.5%	86.6%	76.2%	76.4%	82.1%

(1) 2017: Benefit increase of 2.0 percent was projected to start in 2055 and 2.5 percent in 2066 instead of 2041 and 2051, respectively.

(2) 2018: Benefit increase of 2.0 percent was projected to start in 2042 and 2.5 percent in 2052.

(3) 2019: Benefit increase changed to 1.0 percent through December 31, 2018, no benefit increases through December 31, 2020, and 1.0 percent thereafter. The discount rate changed from 8.0 percent to 7.5 percent.

(4) 2023: The discount rate changed to 7.0 percent.

(5) 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase for basic members and coordinated members of 3.0 percent and 1.5 percent, respectively, payable in a lump sum by March 31, 2024.

2020	2021	2022	2023 [4]	2024 [5]	2025
0.10%	0.08%	0.05%	0.04%	0.04%	0.02%
33.67%	31.67%	30.90%	28.84%	29.02%	27.23%
33.77%	31.75%	30.95%	28.88%	29.06%	27.25%
$ 617	$ 503	$ 230	$ 243	$ 250	$ 155
205,790	207,016	134,248	200,407	195,832	162,831
$ 206,407	$ 207,519	$ 134,478	$ 200,650	$ 196,082	$ 162,986
$ 271	$ 211	$ 148	$ 106	$ 110	$ 83
227.7%	238.4%	155.4%	229.2%	227.3%	186.7%
63.9%	61.4%	74.9%	62.4%	64.3%	69.1%

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Contributions
(In Thousands)

Judges Retirement Fund

	2016	2017 [2]	2018 [3]	2019
Statutorily Required Contribution[1]	$ 10,219	$ 13,758	$ 17,027	$ 17,287
Covered-Member Payroll	$ 45,418	$ 47,813	$ 49,009	$ 50,164
Contributions as a Percentage of Covered-Member Payroll	22.5%	28.8%	34.7%	34.5%

(1) Statutorily required contributions equal actual required contributions.
(2) 2017: The required employer contribution rate included an additional $3 million over the percentage of covered payroll.
(3) 2018: The required employer contribution rate included an additional $3 million for a total of $6 million over the percentage of covered payroll each year until the earlier of the plan is fully funded for three consecutive years or July 1, 2048.
(4) 2024: Employer contributions include a one-time state aid contribution of $293 thousand.
(5) 2025: The additional $6 million required employer contribution changed to continue until the plan is 110 percent funded for three consecutive years.

Legislators Retirement Fund[2]

	2016	2017	2018	2019
Statutorily Required Contribution[1]	$ 5,087	$ 8,716	$ 8,856	$ 8,798
Covered-Member Payroll	$ 989	$ 889	$ 1,033	$ 1,011
Contributions as a Percentage of Covered-Member Payroll	514.4%	980.4%	857.3%	870.2%

(1) Statutorily required contributions equal actual required contributions.
(2) LRF employer contributions are on a pay-as-you-go basis.
(3) 2024: Employer contributions include a one-time state aid contribution of $91 thousand.

State Patrol Retirement Fund

	2016	2017 [2]	2018	2019 [3]
Statutorily Required Contribution[1]	$ 13,938	$ 15,783	$ 15,952	$ 19,479
Covered-Member Payroll	$ 69,343	$ 73,056	$ 74,007	$ 80,792
Contributions as a Percentage of Covered-Member Payroll	20.1%	21.6%	21.6%	24.1%

(1) Statutorily required contributions equal actual required contributions.
(2) 2017: The required employer contribution rate changed from 20.1 percent to 21.6 percent.
(3) 2019: The required employer contribution rate changed to 22.35 percent, plus an additional supplemental employer contribution of 1.75 percent.
(4) 2020: The required employer contribution rate changed to 23.1 percent, plus an additional supplemental employer contribution of 3.0 percent.
(5) 2021: The additional supplemental employer contribution rate changed to 5.0 percent.
(6) 2022: The additional supplemental employer contribution rate changed to 7.0 percent.
(7) 2024: Employer contributions include a one-time state aid contribution of $11.971 million.

2020	2021	2022	2023	2024 [4]	2025 [5]
$ 17,766	$ 17,915	$ 18,248	$ 18,245	$ 19,534	$ 19,857
$ 52,298	$ 52,960	$ 54,436	$ 54,422	$ 58,849	$ 60,629
34.0%	33.8%	33.5%	33.5%	33.2%	32.8%

2020	2021	2022	2023	2024 [3]	2025
$ 8,764	$ 8,639	$ 8,682	$ 8,699	$ 8,813	$ 8,364
$ 967	$ 856	$ 689	$ 544	$ 422	$ 401
906.3%	1009.2%	1260.1%	1599.1%	2088.4%	2085.8%

2020 [4]	2021 [5]	2022 [6]	2023	2024 [7]	2025
$ 21,975	$ 24,809	$ 32,258	$ 31,537	$ 46,035	$ 38,365
$ 84,530	$ 88,351	$ 107,240	$ 106,714	$ 113,331	$ 126,050
26.0%	28.1%	30.1%	29.6%	40.6%	30.4%

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Changes in the Net Pension Liability and Related Ratios
(In Thousands)

Judges Retirement Fund

	2016	2017 [1]	2018 [2]	2019 [3]
Total Pension Liability				
Service Cost	$ 12,251	$ 13,711	$ 9,483	$ 9,857
Interest on the Total Pension Liability	21,773	21,349	25,366	26,747
Benefit Changes	—	—	—	—
Difference Between Expected and Actual Experience of the Total Pension Liability	(4,366)	7,135	(4,958)	1,424
Changes in Assumptions	21,696	(85,756)	11,652	—
Benefit Payments, Including Refunds of Member Contributions	(21,893)	(22,378)	(23,094)	(23,585)
Net Change in Total Pension Liability	$ 29,461	$ (65,939)	$ 18,449	$ 14,443
Total Pension Liability, Beginning	$ 381,511	$ 410,972	$ 345,033	$ 363,482
Total Pension Liability, Ending	$ 410,972	$ 345,033	$ 363,482	$ 377,925
Fiduciary Net Position				
Contributions – Employer	$ 9,776	$ 10,219	$ 13,758	$ 17,027
Contributions – Member	3,629	3,763	3,932	3,973
Net Investment Income	7,572	(186)	24,729	19,265
Benefit Payments, Including Refunds of Member Contributions	(21,893)	(22,378)	(23,094)	(23,585)
Pension Plan Administrative Expenses	(60)	(94)	(89)	(65)
Net Change in Plan Fiduciary Net Position	$ (976)	$ (8,676)	$ 19,236	$ 16,615
Plan Fiduciary Net Position, Beginning	$ 175,556	$ 174,580	$ 165,904	$ 185,140
Plan Fiduciary Net Position, Ending	$ 174,580	$ 165,904	$ 185,140	$ 201,755
Net Pension Liability	$ 236,392	$ 179,129	$ 178,342	$ 176,170
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.5%	48.1%	50.9%	53.4%
Covered-Member Payroll – Measurement Period	$ 43,449	$ 45,418	$ 47,813	$ 49,009
Net Pension Liability as a Percentage of Covered-Member Payroll	544.1%	394.4%	373.0%	359.5%

[1] 2017: Benefit increase of 1.75 percent was projected for all future years changed to 1.75 percent through 2041, 2.0 percent for 2042-2054, and 2.5 percent thereafter. The discount rate changed from 5.25 percent to 7.50 percent.

[2] 2018: Benefit increase rate changed to 1.75 percent through 2038, 2.0 percent for 2039-2053, and 2.5 percent thereafter.

[3] 2019: Benefit increase rate changed to 1.75 percent through 2037, 2.0 percent for 2038-2051, and 2.5 percent thereafter.

[4] 2020: Benefit increase rate changed to 1.75 percent through 2039, 2.0 percent for 2040-2056, and 2.5 percent thereafter.

[5] 2021: Benefit increase rate changed to 1.75 percent through 2041, 2.0 percent for 2042-2058, and 2.5 percent thereafter.

[6] 2022: Benefit increase rate changed to 1.75 percent through December 31, 2021 and 1.5 percent thereafter. The discount rate changed to 6.5 percent.

[7] 2023: The discount rate changed to 6.75 percent.

[8] 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 7.00 percent.

2020 [4]	2021 [5]	2022 [6]	2023 [7]	2024 [8]	2025
$ 9,881	$ 9,897	$ 10,204	$ 11,707	$ 11,063	$ 10,043
27,769	28,721	29,568	27,360	28,538	29,416
—	—	(9,525)	—	295	—
804	(802)	(1,481)	2,040	(2,002)	7,281
—	—	24,695	(10,257)	(9,979)	—
(25,233)	(26,302)	(27,038)	(28,035)	(29,287)	(30,626)
$ 13,221	$ 11,514	$ 26,423	$ 2,815	$ (1,372)	$ 16,114
$ 377,925	$ 391,146	$ 402,660	$ 429,083	$ 431,898	$ 430,526
$ 391,146	$ 402,660	$ 429,083	$ 431,898	$ 430,526	$ 446,640
$ 17,287	$ 17,766	$ 17,915	$ 18,248	$ 18,245	$ 19,534
4,049	4,168	4,166	4,214	4,121	4,420
14,491	8,955	64,934	(17,022)	22,013	32,493
(25,233)	(26,302)	(27,038)	(28,035)	(29,287)	(30,626)
(87)	(112)	(76)	(72)	(76)	(105)
$ 10,507	$ 4,475	$ 59,901	$ (22,667)	$ 15,016	$ 25,716
$ 201,755	$ 212,262	$ 216,737	$ 276,638	$ 253,971	$ 268,987
$ 212,262	$ 216,737	$ 276,638	$ 253,971	$ 268,987	$ 294,703
$ 178,884	$ 185,923	$ 152,445	$ 177,927	$ 161,539	$ 151,937
54.3%	53.8%	64.5%	58.8%	62.5%	66.0%
$ 50,164	$ 52,298	$ 52,960	$ 54,436	$ 54,422	$ 58,849
356.6%	355.5%	287.8%	326.9%	296.8%	258.2%

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)
(In Thousands)

Legislators Retirement Fund

	2016	2017 [1]	2018 [2]	2019 [3]
Total Pension Liability				
Service Cost	$ 428	$ 495	$ 546	$ 437
Interest on the Total Pension Liability	6,113	5,332	4,293	5,094
Benefit Changes	—	—	—	(9,839)
Difference Between Expected and Actual Experience of the Total Pension Liability	(7,303)	(1,597)	1,518	6,119
Changes in Assumptions	7,057	14,653	(5,017)	(856)
Benefit Payments, Including Refunds of Member Contributions	(8,441)	(8,536)	(8,716)	(8,912)
Net Change in Total Pension Liability	$ (2,146)	$ 10,347	$ (7,376)	$ (7,957)
Total Pension Liability, Beginning	$ 146,499	$ 144,353	$ 154,700	$ 147,324
Total Pension Liability, Ending	$ 144,353	$ 154,700	$ 147,324	$ 139,367
Fiduciary Net Position				
Contributions – Employer	$ 3,216	$ 5,087	$ 8,716	$ 8,856
Contributions – Member	153	89	80	93
Net Investment Income	281	(69)	—	—
Benefit Payments, Including Refunds of Member Contributions	(8,441)	(8,536)	(8,716)	(8,912)
Pension Plan Administrative Expenses	(37)	(42)	(39)	(37)
Other Changes	—	41	(41)	—
Net Change in Plan Fiduciary Net Position	$ (4,828)	$ (3,430)	$ —	$ —
Plan Fiduciary Net Position, Beginning	$ 8,258	$ 3,430	$ —	$ —
Plan Fiduciary Net Position, Ending	$ 3,430	$ —	$ —	$ —
Net Pension Liability	$ 140,923	$ 154,700	$ 147,324	$ 139,367
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.4%	—%	—%	—%
Covered-Member Payroll – Measurement Period	$ 1,700	$ 989	$ 889	$ 1,033
Net Pension Liability as a Percentage of Covered-Member Payroll	8,289.6%	15,642.1%	16,571.9%	13,491.5%

(1) 2017: Benefit increase of 2.5 percent was projected to start in 2044 changed to 2.0 percent for all future years. The discount rate changed from 3.80 percent to 2.85 percent.

(2) 2018: The discount rate changed to 3.56 percent.

(3) 2019: Benefit increase rate changed to 2.0 percent through December 31, 2018, 1.0 percent through December 31, 2023, and 1.5 percent thereafter. The discount rate changed to 3.62 percent.

(4) 2020: The discount rate changed to 3.13 percent.

(5) 2021: The discount rate changed to 2.45 percent.

(6) 2022: The discount rate changed to 1.92 percent.

(7) 2023: The discount rate changed to 3.69 percent.

(8) 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 1.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 3.86 percent.

(9) 2025: The discount rate changed to 3.97 percent.

2020 [4]	2021 [5]	2022 [6]	2023 [7]	2024 [8]	2025 [9]
$ 496	$ 527	$ 657	$ 532	$ 340	$ 199
4,894	4,258	3,498	2,625	4,052	4,018
—	—	—	—	87	—
(2,441)	645	(527)	(415)	230	(558)
6,722	9,986	(942)	(20,826)	(1,607)	(2,784)
(8,853)	(8,812)	(8,679)	(8,705)	(8,712)	(8,811)
$ 818	$ 6,604	$ (5,993)	$ (26,789)	$ (5,610)	$ (7,936)
$ 139,367	$ 140,185	$ 146,789	$ 140,796	$ 114,007	$ 108,397
$ 140,185	$ 146,789	$ 140,796	$ 114,007	$ 108,397	$ 100,461
$ 8,798	$ 8,764	$ 8,639	$ 8,682	$ 8,699	$ 8,813
91	87	77	62	49	38
—	—	—	—	—	—
(8,853)	(8,812)	(8,679)	(8,705)	(8,712)	(8,811)
(36)	(39)	(37)	(39)	(36)	(40)
—	—	—	—	—	—
$ —	$ —	$ —	$ —	$ —	$ —
$ —	$ —	$ —	$ —	$ —	$ —
$ —	$ —	$ —	$ —	$ —	$ —
$ 140,185	$ 146,789	$ 140,796	$ 114,007	$ 108,397	$ 100,461
—%	—%	—%	—%	—%	—%
$ 1,011	$ 967	$ 856	$ 689	$ 544	$ 422
13,866.0%	15,179.8%	16,448.1%	16,546.7%	19,925.9%	23,805.9%

Required Supplementary Information
Primary Government Administered Single-Employer Plans
Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)
(In Thousands)

State Patrol Retirement Fund

	2016	2017 [1]	2018 [2]	2019 [3]
Total Pension Liability				
Service Cost	$ 16,144	$ 16,555	$ 29,758	$ 24,935
Interest on the Total Pension Liability	63,753	64,592	58,865	65,110
Benefit Changes	—	—	—	(2,604)
Difference Between Expected and Actual Experience of the Total Pension Liability	(12,855)	(22,222)	(2,418)	(8,369)
Changes in Assumptions	—	283,584	(112,694)	(126,888)
Benefit Payments, Including Refunds of Member Contributions	(55,480)	(57,774)	(58,565)	(59,692)
Net Change in Total Pension Liability	$ 11,562	$ 284,735	$ (85,054)	$ (107,508)
Total Pension Liability, Beginning	$ 826,673	$ 838,235	$ 1,122,970	$ 1,037,916
Total Pension Liability, Ending	$ 838,235	$ 1,122,970	$ 1,037,916	$ 930,408
Fiduciary Net Position				
Contributions – Employer	$ 14,763	$ 14,938	$ 16,783	$ 16,952
Contributions – Member	9,174	9,292	10,520	10,657
Net Investment Income	28,903	(774)	93,077	70,474
Benefit Payments, Including Refunds of Member Contributions	(55,480)	(57,774)	(58,565)	(59,692)
Pension Plan Administrative Expenses	(170)	(220)	(208)	(184)
Other Changes	—	—	—	(7)
Net Change in Plan Fiduciary Net Position	$ (2,810)	$ (34,538)	$ 61,607	$ 38,200
Plan Fiduciary Net Position, Beginning	$ 667,340	$ 664,530	$ 629,992	$ 691,599
Plan Fiduciary Net Position, Ending	$ 664,530	$ 629,992	$ 691,599	$ 729,799
Net Pension Liability	$ 173,705	$ 492,978	$ 346,317	$ 200,609
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.3%	56.1%	66.6%	78.4%
Covered-Member Payroll – Measurement Period	$ 68,463	$ 69,343	$ 73,056	$ 74,007
Net Pension Liability as a Percentage of Covered-Member Payroll	253.7%	710.9%	474.0%	271.1%

(1) 2017: Benefit increase of 1.0 percent was projected to start in 2031, 1.5 percent through 2052, and 2.5 percent thereafter changed to 1.0 percent for all future years. The discount rate changed from 7.9 percent to 5.31 percent.

(2) 2018: Benefit increase changed to 1.0 percent through 2064, and 1.5 percent thereafter. The discount rate changed to 6.38 percent.

(3) 2019: Benefit increase changed to 1.0 percent for all future years. The discount rate changed to 7.5 percent.

(4) 2022: The discount rate changed to 6.5 percent.

(5) 2023: The discount rate changed to 6.75 percent.

(6) 2024: For January 1, 2024 through December 31, 2024 there is a one-time, non-compounding benefit increase of 3.0 percent payable in a lump sum by March 31, 2024. The discount rate changed to 7.00 percent.

(7) 2025: Benefit increase changed to 1.0 percent through December 31, 2025, and 1.25 percent thereafter.

2020	2021	2022 [4]	2023 [5]	2024 [6]	2025 [7]
$ 19,375	$ 21,122	$ 21,795	$ 26,648	$ 29,951	$ 29,442
68,227	70,465	72,625	71,049	77,346	80,498
—	—	—	—	2,002	—
2,757	(535)	1,596	54,474	(1,787)	(2,687)
—	—	90,144	(35,484)	(34,912)	—
(60,803)	(61,971)	(63,210)	(64,506)	(66,580)	(69,890)
$ 29,556	$ 29,081	$ 122,950	$ 52,181	$ 6,020	$ 37,363
$ 930,408	$ 959,964	$ 989,045	$ 1,111,995	$ 1,164,176	$ 1,170,196
$ 959,964	$ 989,045	$ 1,111,995	$ 1,164,176	$ 1,170,196	$ 1,207,559
$ 20,479	$ 22,975	$ 25,809	$ 33,258	$ 32,537	$ 47,035
12,038	12,595	13,606	16,515	16,434	17,453
51,823	31,073	224,273	(59,360)	77,364	115,542
(60,803)	(61,971)	(63,210)	(64,506)	(66,580)	(69,890)
(191)	(224)	(204)	(190)	(235)	(272)
(1)	(2)	—	—	(2)	(1)
$ 23,345	$ 4,446	$ 200,274	$ (74,283)	$ 59,518	$ 109,867
$ 729,799	$ 753,144	$ 757,590	$ 957,864	$ 883,581	$ 943,099
$ 753,144	$ 757,590	$ 957,864	$ 883,581	$ 943,099	$ 1,052,966
$ 206,820	$ 231,455	$ 154,131	$ 280,595	$ 227,097	$ 154,593
78.5%	76.6%	86.1%	75.9%	80.6%	87.2%
$ 80,792	$ 84,530	$ 88,351	$ 107,240	$ 106,714	$ 113,331
256.0%	273.8%	174.5%	261.7%	212.8%	136.4%

Defined Benefit Other Postemployment Benefits

The state of Minnesota offers other postemployment benefits (OPEB) to state employees and their dependents through a single-employer defined benefit health care plan. The state does not fund this plan and operates on a pay-as-you-go basis. The state implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" in fiscal year 2018, which is the first year the data is available. This statement requires the presentation of supplementary information for each of the ten most recent years. However, until a full 10-year trend is available, the state will present information for the years which the information is available.

Required Supplementary Information
Single Employer Defined Benefit OPEB Plan
Schedule of Changes in Total OPEB Liability
(In Thousands)

	2018	2019 [2]	2020 [3]	2021 [4]
Total OPEB Liability[1]				
Service Cost	$ 51,415	$ 48,056	$ 47,473	$ 46,502
Interest	18,612	23,378	24,963	23,128
Differences Between Expected and Actual Experience	—	(42,541)	(16,846)	(76,320)
Changes in Assumptions or Other Inputs	(32,277)	(596)	(2,444)	101,123
Benefit Payments	(32,627)	(36,358)	(35,030)	(37,754)
Net Changes in Total OPEB Liability	$ 5,123	$ (8,061)	$ 18,116	$ 56,679
Total OPEB Liability, Beginning	$ 617,856	$ 622,979	$ 614,918	$ 633,034
Total OPEB Liability, Ending	$ 622,979	$ 614,918	$ 633,034	$ 689,713
Covered-Employee Payroll	$ 3,545,697	$ 3,603,462	$ 3,664,566	$ 3,814,738
Total OPEB Liability as a Percentage of Covered-Employee Payroll	17.6%	17.1%	17.3%	18.1%

(1) Amounts represent the total of the primary government's proportionate share and its discretely presented component units' proportionate share.
(2) 2019: The discount rate changed from 3.58 percent to 3.87 percent.
(3) 2020: The discount rate changed to 3.50 percent.
(4) 2021: The discount rate changed to 2.21 percent.
(5) 2022: The discount rate changed to 2.16 percent.
(6) 2023: The discount rate changed to 3.54 percent.
(7) 2024: The discount rate changed to 3.65 percent.
(8) 2025: The discount rate changed to 3.93 percent.

2022 [5]	2023 [6]	2024 [7]	2025 [8]
$ 48,014	$ 49,853	$ 43,625	$ 46,156
15,947	16,278	26,792	29,642
—	48,361	9,752	43,591
2,571	(63,846)	17,163	(31,355)
(32,518)	(40,105)	(42,504)	(46,745)
$ 34,014	$ 10,541	$ 54,828	$ 41,289
$ 689,713	$ 723,727	$ 734,268	$ 789,096
$ 723,727	$ 734,268	$ 789,096	$ 830,385
$ 3,949,086	$ 3,997,574	$ 4,225,121	$ 4,770,232
18.3%	18.4%	18.7%	17.4%

Public Employees Insurance Program Development Information

The Public Employees Insurance Program's medical claim is a self-funded program. The following table illustrates how the fund's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the past ten years (in thousands).

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1. Required Contribution and Investment Revenue:										
Earned	$109,484	$120,780	$169,172	$208,391	$268,602	$331,570	$333,233	$293,294	$260,706	$251,805
2. Unallocated Expenses:										
	$ 7,846	$ 8,518	$ 10,891	$ 13,213	$ 15,822	$ 19,737	$ 18,830	$ 16,223	$ 14,478	$ 14,098
3. Estimated Claims and Expenses End of Policy Year:										
Incurred	$ 97,089	$ 99,399	$148,773	$196,311	$247,273	$314,643	$318,330	$263,209	$223,628	$231,206
4. Net Paid (Cumulative) as of:										
End of Policy Year	$ 87,378	$ 90,091	$135,199	$180,716	$223,215	$284,132	$288,708	$244,684	$203,277	$212,937
One Year Later	96,681	98,880	147,318	195,547	246,968	322,890	315,565	272,095	226,093	
Two Years Later	96,506	98,873	148,026	195,573	247,971	323,832	316,338	272,128		
Three Years Later	96,506	99,131	147,987	195,572	247,866	323,810	316,410			
Four Years Later	96,602	99,131	147,987	195,572	247,866	323,810				
Five Years Later	96,602	99,131	147,987	195,572	247,866					
Six Years Later	96,602	99,131	147,987	195,572						
Seven Years Later	96,602	99,131	147,987							
Eight Years Later	96,602	99,131								
Nine Years Later	96,602									
5. Reestimated Net Incurred Claims and Expenses:										
End of Policy Year	$ 97,089	$ 99,399	$148,773	$196,311	$247,273	$314,643	$318,330	$263,209	$223,628	$231,206
One Year Later	97,415	99,323	148,678	196,227	247,611	323,974	316,487	273,007	226,595	
Two Years Later	96,506	99,443	148,167	195,573	247,971	323,832	316,338	272,128		
Three Years Later	96,601	99,131	147,987	195,572	247,866	323,810	316,410			
Four Years Later	96,602	99,131	147,987	195,572	247,866	323,810				
Five Years Later	96,602	99,131	147,987	195,572	247,866					
Six Years Later	96,602	99,131	147,987	195,572						
Seven Years Later	96,602	99,131	147,987							
Eight Years Later	96,602	99,131								
Nine Years Later	96,602									
6. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year:										
	$ (487)	$ (268)	$ (786)	$ (739)	$ 593	$ 9,167	$ (1,920)	$ 8,919	$ 2,967	$ —

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.
3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally estimated. As data for individual policy years mature, the correlation between original estimates and reestimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

APPENDIX G

CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

The Commissioner's Order authorizing the issuance of the Bonds will contain provisions enabling participating underwriters in the primary offering of the Bonds to comply with the requirements of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15C2-12, paragraph (b)(5), in substantially the following form:

3.01 **Official Statement.** The Official Statement dated September 9, 2026 relating to the Bonds (the "Official Statement"), is a final official statement within the meaning of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, as in effect and interpreted from time to time ("Rule 15c2-12"). The respective purchasers of the Bonds designated in Section 4 hereof (collectively, the "Initial Purchasers") are authorized and directed to distribute the Official Statement to all persons to whom the Bonds of a series are reoffered.

3.02 **Continuing Disclosure.**

(a) General Undertaking. On behalf of the State, the Commissioner covenants and agrees with the Registered Owners (as hereinafter defined) from time to time of the Bonds to comply with Rule 15c2-12, paragraph (b)(5); and, for this purpose, to provide to the Municipal Securities Rulemaking Board ("MSRB"), annual financial information of the type included in the Official Statement and notice of the occurrence of certain specified events which materially affect the terms, payment, security, rating or tax status of the Bonds, as set forth in this Section. The State is the only "obligated person" in respect of the Bonds within the meaning of Rule 15c2-12. As used in this Section 3.02, "Registered Owner" means, in respect of a Bond of a series, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Bond of a series, any person or entity which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The Commissioner will provide, in the manner set forth in paragraph (c) hereof, either directly or indirectly through an agent designated by the Commissioner, the following information (the "Disclosure Information") at the following times:

(i) On or before December 31 of each year, commencing in 2026 (each a "Reporting Date"):

(A) The Annual Comprehensive Financial Report of the State for the fiscal year ending on the previous June 30, prepared by the State's Department of Management and Budget in accordance with generally accepted accounting principles for governmental entities as prescribed by the Government Accounting Standards Board as in effect from time to time or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles, noting the variances therefrom and the effect thereof, together with an independent auditor's report prepared with respect thereto by the Office of the Legislative Auditor of the State or other auditing authority designated by State law; provided, however, that if audited financial statements are not available by such date, the financial statements to be delivered shall be unaudited, but the State undertakes and agrees to provide, within 10 days after the receipt thereof by the State, the audited general purpose financial statements of the State and the related audit report described above; and

(B) To the extent not included in the financial statements referred to in clause (A) hereof, the information for such fiscal year of the type contained in the Official Statement, which information may be unaudited.

Any or all of the information may be incorporated by reference from other documents, including official statements, which have been filed with the Securities and Exchange Commission (the "SEC") or have been made available to the public on the

MSRB's Electronic Municipal Market Access ("EMMA") facility for municipal securities disclosure. The Commissioner shall clearly identify in the information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the State have materially changed or been discontinued, such Disclosure Information need no longer be provided if the State includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other State operations in respect of which data is not included in the Disclosure Information and the State determines that certain specified data regarding such replacement operations would be "Material" (as defined in subparagraph (ii) of this paragraph (b)), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Section 3.02 is amended as permitted by this subparagraph (i) or paragraph (d), then the State shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(ii) In a timely manner, not in excess of 10 business days after the occurrence of an event, notice of the occurrence of any of the following events:

(A) Principal and interest payment delinquencies;

(B) Non-payment related defaults, if material;

(C) Unscheduled draws on debt service reserves reflecting financial difficulties;

(D) Unscheduled draws on credit enhancements reflecting financial difficulties;

(E) Substitution of credit or liquidity providers, or their failure to perform;

(F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(G) Modifications to rights of security holders, if material;

(H) Bond calls, if material, and tender offers;

(I) Defeasances;

(J) Release, substitution or sale of property securing repayment of the securities, if material;

(K) Rating changes;

(L) Bankruptcy, insolvency, receivership or similar event of the State;

(M) The consummation of a merger, consolidation or acquisition involving the State or the sale of all or substantially all of the assets of the State or other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(N) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

(O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

As used herein, an event is "material" if it would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of the occurrence of the event.

With respect to (O) and (P) above, Rule 15c2-12 defines "financial obligation" as a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledge as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). However, "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

(iii) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the State to provide the information required under subparagraph (i) of this paragraph (b) at the time specified thereunder;

(B) the amendment or supplementing of this Section 3.02 pursuant to paragraph (d), together with a copy of such amendment or supplement and any explanation provided by the State under subparagraph (ii) of paragraph (d);

(C) the termination of the obligations of the State under this Section 3.02 pursuant to paragraph (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the information required under subparagraph (i) of this paragraph (b) are prepared; and

(E) any change in the fiscal year of the State.

(c) Manner of Disclosure.

(i) The Commissioner agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in paragraph (b).

(ii) The Commissioner further agrees to make available by electronic transmission, overnight delivery, mail or other means, as appropriate, the information described in paragraph (b) to any rating agency then maintaining a rating of the Bonds and, at the expense of any Registered Owner, to any Registered Owner who requests in writing such information at the time of transmission under subparagraph (i) of this paragraph (c), or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(iii) All documents provided to the MSRB pursuant to this paragraph (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(iv) The State shall determine in the manner it deems appropriate whether there has occurred a change in the MSRB's email address or filing procedures and requirement under the MSRB's EMMA facility each time the State is required to file information with the MSRB.

(d) Term; Amendments; Interpretation.

(i) The covenants of the State in this Section 3.02 shall remain in effect with respect to a series of Bonds so long as any Bonds of such series are outstanding. Notwithstanding the preceding sentence, however, the obligations of the State under this Section 3.02 shall terminate and be without further effect as of any date on which the State delivers to the Registrar an opinion of bond counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the State to comply with the requirements of this Section 3.02 will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule 15c2-12 or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(ii) This Section 3.02 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the State from time to time, without notice to (except as provided in subparagraph (ii) of paragraph (c)) or the consent of the Registered Owners of any Bonds, by an order of the Commissioner accompanied by an opinion of bond counsel, who may rely on certificates of the State and others and the opinion may be subject to customary qualifications, to the effect that: (A) such amendment or supplement (1) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the type of operations conducted by the State, or (2) is required by, or better complies with, the provisions of paragraph (b)(5) of Rule 15c2-12; (B) this Section 3.02 as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of Rule 15c2-12 at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (A)(1) and assuming that Rule 15c2-12 as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (C) such amendment or supplement does not materially impair the interests of the Registered Owners under Rule 15c2-12.

(iii) If the Disclosure Information is so amended, the Commissioner agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(iv) This Section 3.02 is entered into to comply with the continuing disclosure provisions of Rule 15c2-12 and should be construed so as to satisfy the requirements of Rule 15c2-12.

(e) Failure to Comply; Remedies. If the State fails to comply with any provision of this Section 3.02, any person aggrieved thereby, including the Registered Owner of any outstanding Bond of a series, may take whatever action at law or in equity as may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section 3.02. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 3.02 constitute a default with respect to the Bonds or under any other provision of this Order.

(f) Further Limitation of Liability of State. If and to the extent the limitations of liability contained in subparagraph (e) are not effective, anything contained in this Section 3.02 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 3.02, the State has not obligated itself to pay damages resulting from any violation thereof. None of the agreements or obligations of the State contained herein shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the full faith and credit or taxing powers of the State, a waiver of the State's sovereign immunity, or a waiver of any of the limitations contained in Minnesota Statutes, Section 3.736, except as provided under the laws of the State.

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APPENDIX H

FORM OF LEGAL OPINION

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September 22, 2026

The Honorable Erin Campbell
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $646,495,000 General Obligation State Various Purpose Bonds, Series 2026A
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $646,495,000 General Obligation State Various Purpose Bonds, Series 2026A, dated September 22, 2026 (the "Series 2026A Bonds"). The Series 2026A Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2026A Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

2. Interest on the Series 2026A Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, interest on the Series 2026A Bonds may affect the federal alternative minimum tax imposed on certain corporations.

The opinions expressed in paragraph 2 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2026A Bonds in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Series 2026A Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2026A Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2026A Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2026A Bonds. No provision has been made for an increase in the interest payable on the Series 2026A Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Series 2026A Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

September 22, 2026

The Honorable Erin Campbell
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $256,285,000 General Obligation State Trunk Highway Bonds, Series 2026B
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $256,285,000 General Obligation State Trunk Highway Bonds, Series 2026B, dated September 22, 2026 (the "Series 2026B Bonds"). The Series 2026B Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2026B Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State.

2. The principal of and interest on the Series 2026B Bonds are payable from revenues of the State Trunk Highway Fund; but, if necessary for the payment thereof, the full faith and credit of the State are pledged, and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

3. Interest on the Series 2026B Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, interest on the Series 2026B Bonds may affect the federal alternative minimum tax imposed on certain corporations.

The opinions expressed in paragraph 3 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2026B Bonds in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Series 2026B Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2026B Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2026B Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2026B Bonds. No provision has been made for an increase in the interest payable on the Series 2026B Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Series 2026B Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

September 22, 2026

The Honorable Erin Campbell
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $5,705,000 General Obligation Taxable State Various Purpose Bonds, Series 2026C
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $5,705,000 General Obligation Taxable State Various Purpose Bonds, Series 2026C, dated September 22, 2026 (the "Series 2026C Bonds"). The Series 2026C Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue.

From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that the Series 2026C Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

The interest on the Series 2026C Bonds is includable in gross income for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. We express no other opinion regarding federal, state or other tax consequences to holders of the Series 2026C Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

September 22, 2026

The Honorable Erin Campbell
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $121,220,000 General Obligation State Various Purpose Refunding Bonds, Series 2026D State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $121,220,000 General Obligation State Various Purpose Refunding Bonds, Series 2026D, dated September 22, 2026 (the "Series 2026D Bonds"). The Series 2026D Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, regulations, rulings and judicial decisions now in effect, it is our opinion that:

1. The Series 2026D Bonds have been authorized and issued in accordance with the constitution and laws of the State and constitute valid and binding general obligations of the State, for the payment of which, with interest thereon, the full faith and credit of the State are pledged; and the State has provided for the levy of ad valorem taxes on all taxable property therein to make such payment when due, without limitation as to rate or amount, except to the extent that moneys appropriated for this purpose are received in the State Bond Fund prior to the date when such levy is required to be made.

2. Interest on the Series 2026D Bonds (a) is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax and (c) is not a specific preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; however, interest on the Series 2026D Bonds may affect the federal alternative minimum tax imposed on certain corporations.

The opinions expressed in paragraph 2 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2026D Bonds in order that interest thereon may be, and continue to be, excludable from gross income for federal income tax purposes. Noncompliance by the State, following the issuance of the Series 2026D Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2026D Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2026D Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2026D Bonds. No provision has been made for an increase in the interest payable on the Series 2026D Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state and other tax consequences to holders of the Series 2026D Bonds.

Very truly yours,

[To be signed and delivered at Closing by Kutak Rock LLP]

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