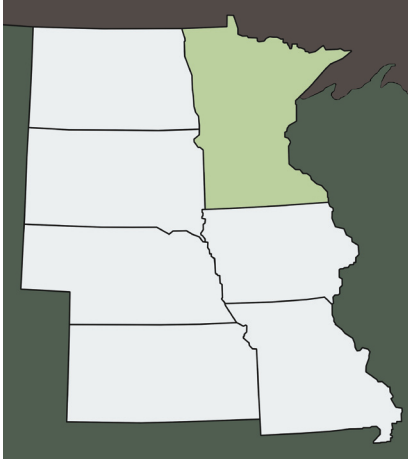


## MINNESOTA Budget Report Card



MINNESOTA RECEIVED AN A average in reserve funds for fiscal 2016 through 2018. The state not only ties its reserves to revenue volatility but also has well-established policies for disbursing and replenishing rainy day assets. In fact, its statute governing rainy day fund disbursements is more detailed and farsighted than that of many other states. Use of the reserve “should be governed by principles based on the full economic cycle rather than the budget cycle,” according to Minnesota law. “The budget reserve may be used when a negative budgetary balance is projected and when objective measures, such as reduced growth in total wages, retail sales, or employment, reflect downturns in the state’s economy.”

Minnesota also earned an A average in budget maneuvers by avoiding one-time actions to achieve budgetary balance. The top marks contrast with its D average in legacy costs. The state did not fully fund public worker pensions in accordance with actuarial recommendations, and the governor vetoed a 2017 measure increasing pension contributions and lowering cost-of-living raises for retirees. (Similar legislation was signed into law in May 2018, after the research cutoff for this report card. The act should put the pension system on a more sustainable path.) In 2017, Minnesota’s pension funded ratio was 63.3 percent, five percentage points below the US state total.


### WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	D	A	B
Missouri	D	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D	B	D	A	C
South Dakota	B	B	A	B	B
US AVERAGE	C	B	C	B	B


**NOTE** States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at [VolckerAlliance.org](http://VolckerAlliance.org).


## MINNESOTA Budget Report Card

BUDGET FORECASTING				
	2016	2017	2018	
	CATEGORY GRADE	<b>B</b>	<b>B</b>	<b>B</b>
	Consensus Revenue Forecasts	<b>X</b>	<b>X</b>	<b>X</b>
	Multiyear Expenditure Forecasts	✓	✓	✓
	Multiyear Revenue Forecasts	✓	✓	✓
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE <b>B</b>		3-YEAR TREND <b>—</b>		

BUDGET MANEUVERS				
	2016	2017	2018	
	CATEGORY GRADE	<b>A</b>	<b>A</b>	<b>A</b>
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	✓	✓	✓
	Funding Recurring Expenditures with Debt	✓	✓	✓
	Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE <b>A</b>		3-YEAR TREND <b>—</b>		

LEGACY COSTS				
	2016	2017	2018	
	CATEGORY GRADE	<b>D</b>	<b>D</b>	<b>D</b>
	Public Employee OPEB Funding	✓	✓	✓
	Public Employee Pension Funding	<b>X</b>	<b>X</b>	<b>X</b>
	Public Employee Pension Funded Ratio*	53%	63%	63%
3-YEAR AVERAGE <b>D</b>		3-YEAR TREND <b>—</b>		

RESERVE FUNDS				
	2016	2017	2018	
	CATEGORY GRADE	<b>A</b>	<b>A</b>	<b>A</b>
	Positive Reserve or General Fund Balance	✓	✓	✓
	Reserve Funds Disbursement Policy	✓	✓	✓
	Reserve Funds Replenishment Policy	✓	✓	✓
	Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE <b>A</b>		3-YEAR TREND <b>—</b>		

TRANSPARENCY				
	2016	2017	2018	
	CATEGORY GRADE	<b>B</b>	<b>B</b>	<b>B</b>
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	<b>X</b>	<b>X</b>	<b>X</b>
	Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE <b>B</b>		3-YEAR TREND <b>—</b>		

### KEY

✓	Followed best practice
<b>X</b>	Did not follow best practice

**BUDGET FORECASTING** evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

\* **SOURCE** Bloomberg; 2017 data also used for 2018.