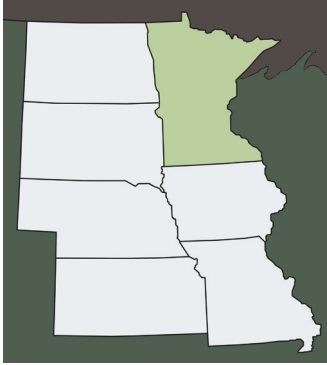# MINNESOTA Budget Report Card

UNTIL 2019, Minnesota did not fund state worker pensions in line with actuarial recommendations—a failure that kept it to a C average in legacy costs from fiscal 2015 through 2019. But that grade masks several improvements the state made in the last two years of the period.

In 2019, annual pension funding was aligned with the actuarially determined contribution for the first time. In addition, a 2018 agreement with retired teachers and local government employees to reduce certain benefits helped cut Minnesota's unfunded pension liability by $3.4 billion. While the state's pension funding ratio was 63 percent in 2017, it rose to 82 percent in 2018 and stayed at that level in 2019, 11 percentage points above the total for all states. The state has only a modest liability for other postemployment benefits (OPEB), primarily health care, and can safely fund them on a pay-as-you-go basis.

Despite shortchanging annual pension contributions before 2019, Minnesota did not defer current costs into the future in each of the years studied. By consistently avoiding a variety of one-time measures that other states routinely use to achieve balance, the state earned a top A average in budget maneuvers.

Minnesota also averaged an A in reserve funds, with solid policies concerning disbursements and replenishments for its budget reserve and cash flow accounts. Like nineteen other states, Minnesota links historical revenue volatility and reserve fund policies. It had $2.5 billion in rainy day savings in 2019, an amount equivalent to 10.7 percent of general fund expenditures.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	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: Preparing for the Storm* at VolckerAlliance.org.

MINNESOTA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	B	B	B	B	B	
Consensus Revenue Forecasts	X	X	X	X	X	
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	● ● ● ● ●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓	
Revenue Growth Projections	✓	✓	✓	✓	✓	
5-YEAR AVERAGE B						

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	A	A	A	A	A	
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	● ● ● ● ●
Revenue and Cost Shifting	✓	✓	✓	✓	✓	
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓	
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓	
5-YEAR AVERAGE A						

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	C	D	D	C	A	
Public Employee OPEB Funding	✓	✓	✓	✓	✓	●
Public Employee Pension Funding	X	X	X	X	✓	● ● ●
Public Employee Pension Funded Ratio*	80%	53%	63%	82%	82%	● ●
5-YEAR AVERAGE C						

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	A	A	A	A	A	
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	● ● ● ● ●
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓	
5-YEAR AVERAGE A						

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	B	B	B	B	B	
Consolidated Budget Website	✓	✓	✓	✓	✓	
Provides Debt Tables	✓	✓	✓	✓	✓	● ● ● ● ●
Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X	
Discloses Tax Expenditures	✓	✓	✓	✓	✓	
5-YEAR AVERAGE B						

KEY

✓	Followed best practice
X	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.