

MOODY'S

RATINGS

State of Minnesota Credit Transparency February 2025

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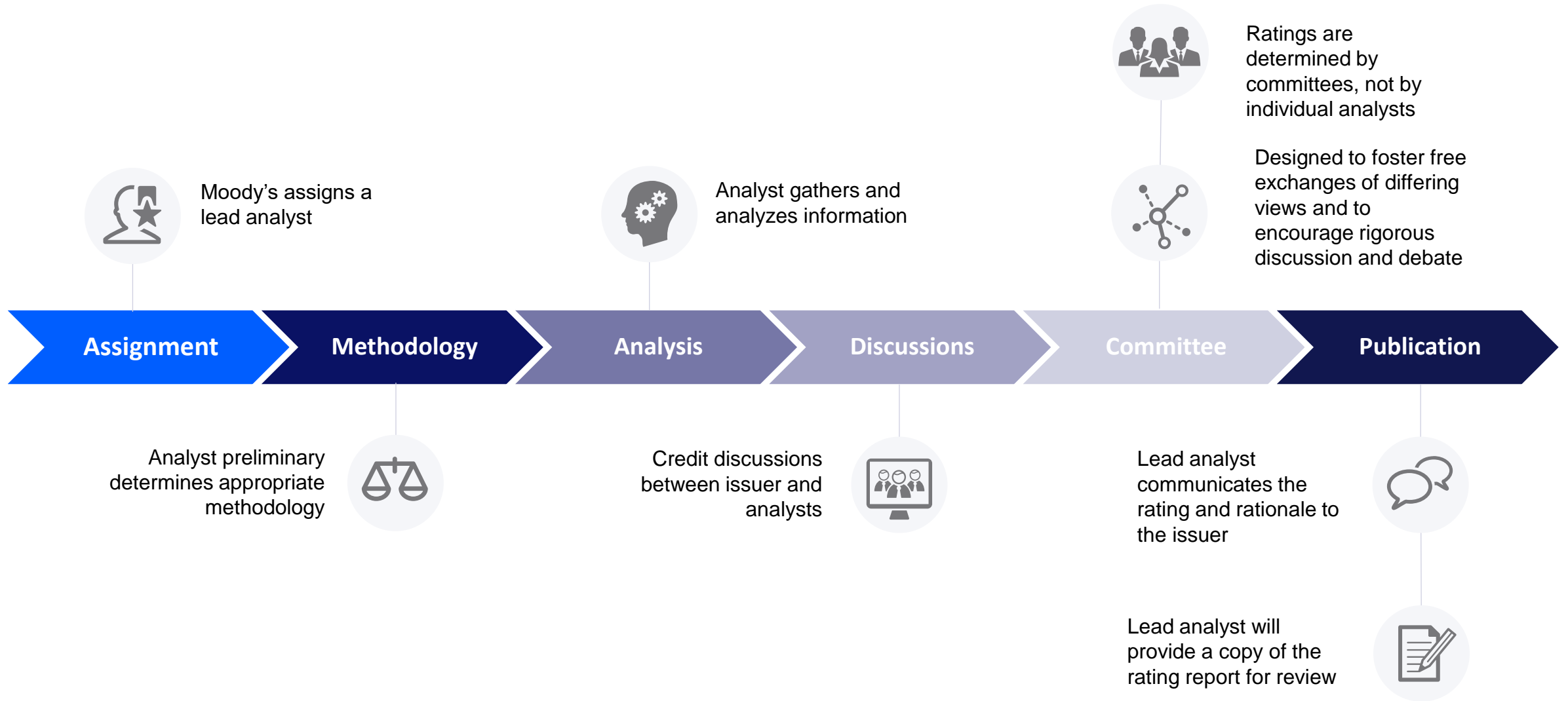
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What is a Moody's Credit Rating?

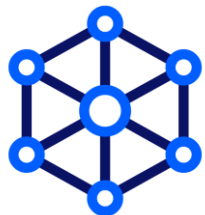
Provide investors with a simple system of gradation by which future relative creditworthiness of securities may be gauged

Rating	Description
Aaa	Highest quality, with lowest level of credit risk
Aa	High quality and subject to very low credit risk
A	Upper-medium grade and subject to low credit risk
Baa	Medium grade, moderate credit risk, and may possess certain speculative characteristics
Ba	Speculative and subject to substantial credit risk
B	Speculative and subject to high credit risk
Caa	Speculative of poor standing and subject to very high credit risk
Ca	Highly speculative and likely in, or very near, default, with some prospect of recovery of principal and interest
C	Typically in default, with little prospect for recovery of principal or interest

The Rating Process – Six Steps



Moody's Rating Methodologies



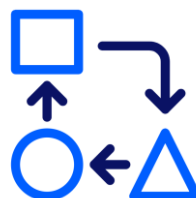
Published rating methodologies ensure **a consistent approach**



Methodologies include **a scorecard**: a summary of the main qualitative and quantitative factors considered



Methodologies provide **transparency for issuers and investors** to understand the rating outcome



It is **not an exhaustive treatment** of all factors reflected in Moody's ratings: the indicated outcome from the scorecard can and does often differ from the actual rating assigned



All financial ratios are adjusted using **Moody's Global Standard Adjustments**

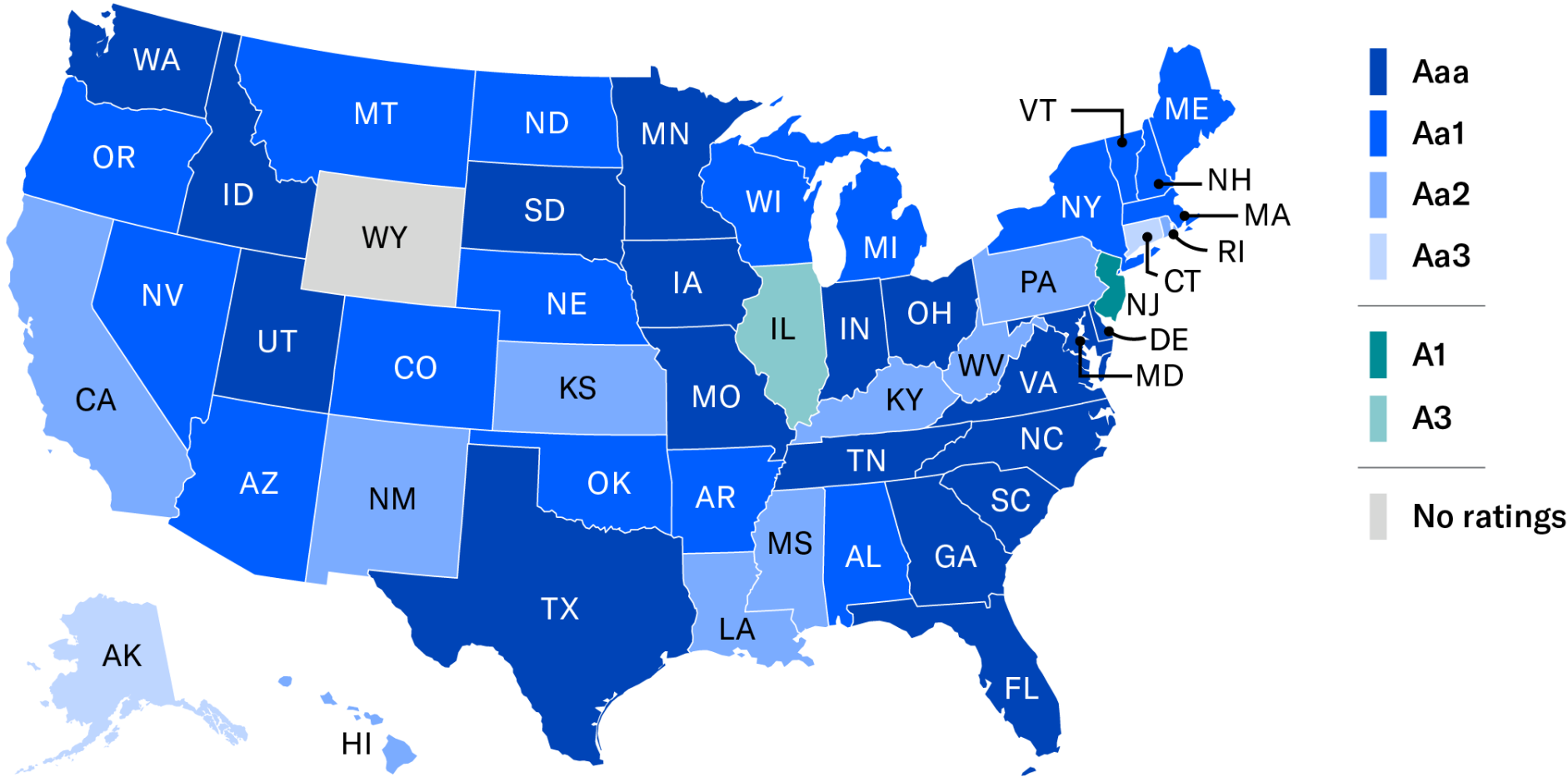


Rating assignments/changes are made by rating committees, taking into account a wide range of factors, which are not restricted to credit metrics or the methodology

The background of the slide is a solid dark blue. Overlaid on this are several sets of thin, light blue wavy lines. These lines form a complex, layered pattern that resembles a stylized topographical map or a series of overlapping waves. The lines are most concentrated in the upper left and right areas, creating a sense of depth and movement. The overall effect is modern and professional.

State of Minnesota Credit Profile

Minnesota is one of 18 states rated Aaa by Moody's



Scorecard

Fiscal 2023

	Measure	Weight	Score
Economy			
Resident Income (PCI Adjusted for RPP / US PCI)	105.6%	15%	Aa a
Economic Growth (5-year CAGR real GDP - 5-year CAGR US real GDP)	-0.6%	15%	Aa
Financial performance			
Financial performance	Aa a	20%	Aa a
Governance/Institutional Framework			
Governance/Institutional Framework	Aa a	20%	Aa a
Leverage			
Long-term liabilities ratio (adjusted long-term liabilities / own-source revenue)	53.6%	20%	Aa a
Fixed-costs ratio (adjusted fixed costs / own-source revenue)	3.0%	10%	Aa a
Notching factors			
Very limited and concentrated economy			
Scorecard-Indicated Outcome			Aa a
Assigned rating			Aa a

Methodology factors, detailed

	Weight	Aaa	Aa	A	Baa
Economy (30%)					
Resident Income (RPP-Adjusted Per Capita Income/ US Per Capita Income)	15%	≥ 100%	85% - 100%	70% - 85%	60% - 70%
Economic Growth (Difference Between Five Year Compound Annual Growth in Real GDP and Five-Year CAGR in Real US GDP)	15%	≥ 0%	(1)% - 0%	(2)% - (1)%	(3)% - (2)%
Financial Performance (20%)					
Financial Performance	20%	Fund balance approximates or exceeds 15% of own-source revenue and liquidity is very strong; revenue and expenditures are expected to remain in structural balance.	Fund balance approximates or exceeds 10% of own-source revenue and liquidity is strong, or fund balance is below 10% of own-source revenue and liquidity is very strong; revenue and expenditures face a modest structural imbalance, with an expected return to balance.	Fund balance approximates or exceeds 5% of own-source revenue and liquidity is adequate, or fund balance is below 5% of own-source revenue and liquidity is strong; revenue and expenditures face a noteworthy structural imbalance, with an expected return to balance.	Fund balance approximates or exceeds 0% of own-source revenue and liquidity is somewhat weak, or fund balance is below 0% of own-source revenue and liquidity is adequate; revenue and expenditures face a significant structural imbalance, with a potential return to balance.
Institutional Framework / Governance (20%)					
Institutional Framework / Governance	20%	Extremely strong fiscal planning and operational management, with financial projections that are routinely conservative; and consistent long-term planning and in-year monitoring; and extremely conservative debt and liability management; strong revenue-generating flexibility and strong expenditure flexibility.	Strong fiscal planning and operational management, with financial projections that are typically conservative; and consistent long-term planning and in-year monitoring; and conservative debt and liability management; strong revenue-generating flexibility and moderate expenditure flexibility, or strong expenditure flexibility and moderate revenue-generating flexibility.	Adequate fiscal planning and operational management, with financial projections that are somewhat conservative; somewhat inconsistent long-term planning and in-year monitoring; somewhat conservative debt and liability management; moderate revenue-generating flexibility and moderate expenditure flexibility.	Moderately weak fiscal planning and operational management, with somewhat optimistic financial projections; inconsistent long-term planning and in-year monitoring; some debt and liability management weaknesses; moderate revenue-generating flexibility and weak expenditure flexibility, or moderate expenditure flexibility and weak revenue-generating flexibility.
Leverage (30%)					
Long-term Liabilities Ratio ((Debt + ANPL + Adjusted Net OPEB + Other Long-term Liabilities) / Own-Source Revenue)	20%	≤ 100%	100% - 200%	200% - 350%	350% - 500%
Fixed-costs Ratio (Adjusted Fixed Costs / Own-Source Revenue)	10%	≤ 10%	10% - 15%	15% - 20%	20% - 25%

Comparable data

Fiscal Year 2023

	Minnesota	50-states median	Wisconsin	Indiana	Iowa	South Dakota
Rating and outlook	Aaa stable	Aa1 stable	Aa1 stable	Aaa stable	Aaa stable	Aaa stable
RPP adjusted PCI as % of US*	105.61%	97.64%	81.20%	95.08%	101.21%	93.14%
5YR CAGR of real GDP vs US	-0.55%	-0.52%	-1.45%	-1.02%	-0.52%	0.72%
5YR CAGR of population growth	0.66%	0.56%	0.40%	0.68%	0.53%	1.16%
Available fund balance/revenue	43.39%	44.40%	21.94%	37.14%	56.21%	48.51%
Net unrestricted cash/revenue	76.57%	72.40%	56.26%	56.71%	67.95%	123.93%
Institutional framework	Aaa	Aaa	Aa	Aaa	Aaa	Aaa
Long-term liabilities as % of own source revenue	53.60%	99.40%	72.18%	58.14%	29.22%	25.89%
Fixed costs as % of own source revenue	3%	5.20%	4.23%	3.31%	1.77%	1.19%

Credit Summary and Outlook

From May 2024 Credit Opinion

“Minnesota’s stable outlook reflects our expectation that the state will maintain low leverage and good fiscal governance practices while fund balances will remain ample following expected draws over the next two years.”

Strengths

- Low leverage and fixed costs from debt, pension, OPEB and other long-term liabilities
- Strong economic fundamentals including above average incomes, high workforce participation, low unemployment and a diverse industry mix
- Reserves and liquidity will remain strong over FY24 and FY25 despite expected draws on balances
- Prudent financial governance practices with long-term forecasting, automatic deposits to a budget reserve, and budget flexibility with a simple legislative majority needed for tax rate changes and executive approval for unallotment

Challenges

- Sluggish real GDP and employment growth compared to the nation, though recent resurgence of in-migration may provide a boost
- History of political gridlock compared to similarly rated states, which has led to government shutdowns and budget challenges, offset by a more recent track record of strong fiscal policymaking and more collaborative governance

Rating Triggers

From May 2024 Credit Opinion

What could change the rating up

- Not applicable for Aaa ratings

What could change the rating down

- Signs of long-term structural budgetary imbalance alongside GAAP-basis fund balances forecast to fall below 15% of revenue
- Large growth in debt, pension or other liabilities to levels above the median for US states
- Sustained decline in economic metrics such as resident incomes, population and employment
- Political intractability that disrupts financial operations

Leverage by type

State	Issuer Rating	Fiscal 2023 total long-term liabilities				(NTSD + ANOL + ANOL + other long-term liabilities) as % of own-source revenue	
		NTSD (billions)	ANPL (billions)	ANOL (billions)	Other liabilities (billions)		
Illinois*	A3	\$36.0	\$225.5	\$39.4	\$1.1		425.2%
Connecticut	Aa3	\$28.5	\$66.7	\$15.3	\$1.8		424.8%
New Jersey	A1	\$44.1	\$115.9	\$64.3	\$2.4		374.8%
Kentucky	Aa2	\$6.5	\$44.2	\$3.5	\$1.0		270.5%
Hawaii	Aa2	\$9.9	\$13.1	\$7.7	\$0.6		250.1%
Massachusetts	Aa1	\$48.5	\$75.7	\$11.6	\$2.5		247.4%
Maryland	Aaa	\$18.2	\$40.7	\$9.7	\$0.9		201.2%
Delaware	Aaa	\$4.7	\$5.4	\$6.3	\$0.4		189.5%
Pennsylvania	Aa2	\$19.7	\$69.3	\$15.9	\$4.4		179.1%
Vermont	Aa1	\$0.7	\$5.7	\$2.1	\$0.2		174.7%
California*	Aa2	\$98.0	\$202.6	\$77.4	\$15.9		171.2%
Maine	Aa1	\$1.7	\$6.6	\$3.3	\$0.2		164.7%
South Carolina	Aaa	\$2.3	\$26.4	\$2.5	\$1.2		152.3%
Rhode Island	Aa2	\$3.4	\$5.2	\$0.3	\$0.2		151.5%
Texas	Aaa	\$20.0	\$107.2	\$34.6	\$1.9		145.1%
Louisiana	Aa2	\$8.9	\$12.0	\$4.5	\$3.1		144.9%
Montana	Aa1	\$0.2	\$5.9	\$0.0	\$0.3		141.7%
West Virginia	Aa2	\$4.1	\$7.9	\$0.3	\$1.5		136.8%
Colorado	Aa1	\$6.0	\$19.7	\$0.2	\$0.9		131.5%
Kansas	Aa2	\$4.0	\$15.3	\$0.0	\$0.3		123.1%
Washington	Aaa	\$27.4	\$12.0	\$3.1	\$3.9		115.4%
Missouri	Aaa	\$2.5	\$13.0	\$2.7	\$2.8		111.1%
Michigan	Aa1	\$10.2	\$28.5	\$6.3	\$2.0		103.3%
Mississippi	Aa2	\$5.6	\$7.3	\$0.1	\$0.2		101.8%
Oregon	Aa1	\$13.1	\$11.0	\$0.0	\$1.9		101.2%
Nevada*	Aa1	\$2.2	\$7.9	\$0.8	\$0.1		99.9%
Alaska	Aa3	\$1.4	\$8.6	\$0.3	\$0.6		97.7%
New Hampshire	Aa1	\$1.1	\$1.9	\$1.3	\$0.3		95.3%
New York	Aa1	\$67.6	\$30.3	\$45.1	\$9.7		93.4%
Alabama	Aa1	\$5.7	\$7.2	\$1.2	\$1.0		77.3%
Ohio	Aaa	\$18.4	\$12.7	\$0.4	\$0.9		74.0%
Wisconsin	Aa1	\$11.1	\$3.8	\$0.5	\$2.9		72.2%
Georgia	Aaa	\$12.1	\$12.9	\$0.8	\$0.4		69.7%
Virginia	Aaa	\$17.7	\$9.0	\$1.1	\$0.3		69.2%
Arkansas	Aa1	\$0.9	\$6.0	\$1.2	\$0.4		66.5%
Florida	Aaa	\$16.1	\$17.3	\$4.9	\$7.1		61.0%
New Mexico	Aa2	\$3.6	\$8.7	\$0.7	\$0.4		58.8%
Indiana	Aaa	\$2.4	\$13.9	\$0.1	\$0.3		58.1%
Minnesota	Aaa	\$8.9	\$9.7	\$0.6	\$1.3		53.6%
North Carolina	Aaa	\$6.9	\$9.5	\$4.0	\$1.9		52.3%
Idaho	Aaa	\$1.5	\$2.0	-\$0.1	\$0.3		44.8%
Arizona	Aa1	\$2.2	\$6.8	\$0.5	\$0.5		38.1%
Wyoming	NR	\$0.2	\$1.0	\$0.3	\$0.2		37.5%
Nebraska	Aa1	\$0.1	\$2.5	\$0.0	\$0.5		36.1%
Utah	Aaa	\$2.4	\$2.7	\$0.0	\$0.3		33.6%
Oklahoma	Aa1	\$1.9	\$3.0	\$0.1	\$0.3		33.0%
Tennessee	Aaa	\$1.9	\$5.1	\$1.1	\$1.2		31.3%
North Dakota	Aa1	\$0.9	\$1.4	\$0.1	\$0.1		30.1%
Iowa	Aaa	\$1.3	\$2.2	\$0.2	\$0.4		29.2%
South Dakota	Aaa	\$0.5	\$0.9	\$0.0	\$0.2		25.9%
Median		\$5.1	\$9.3	\$1.1	\$0.7		100.5%

Capital asset depreciation ratios

State	FY 2013 Capital assets subject to depreciation				FY 2023 Capital assets subject to depreciation			
	Gross capital assets (\$ million)	Accumulated depreciation (\$ million)	Capital asset depreciation ratio (%) [1]	Share of capital assets not subject to depreciation	Gross capital assets (\$ million)	Accumulated depreciation (\$ million)	Capital asset depreciation ratio (%) [1]	Share of capital assets not subject to depreciation
Texas	67,657	-35,928	53%	53%	207,423	-76,101	37%	44%
North Dakota	6,681	-4,077	61%	14%	13,432	-6,097	45%	13%
Oregon	24,776	-12,502	50%	12%	30,718	-13,140	43%	17%
Massachusetts	14,487	-7,356	51%	17%	25,741	-12,525	49%	18%
Montana	6,799	-2,827	42%	19%	10,060	-4,046	40%	29%
Virginia[4]	56,315	-23,252	41%	15%	92,661	-37,189	40%	21%
Kentucky[3]	8,502	-3,884	46%	72%	15,802	-7,206	46%	77%
Nebraska[3]	1,097	-634	58%	88%	1,910	-1,102	58%	90%
New Mexico[4]	21,845	-12,652	58%	5%	21,696	-12,636	58%	11%
Tennessee[3]	9,439	-4,302	46%	73%	17,451	-8,018	46%	78%
Kansas[3]	6,021	-2,826	47%	66%	10,653	-5,061	48%	71%
Utah[3]	9,576	-4,191	44%	62%	22,072	-9,806	44%	71%
Vermont[4]	2,507	-1,149	46%	21%	5,148	-2,424	47%	25%
Arizona[3][5]	10,521	-5,007	48%	65%	18,008	-8,822	49%	71%
Ohio[3]	12,062	-6,453	53%	67%	22,054	-12,180	55%	71%
South Dakota	5,869	-2,341	40%	16%	8,785	-3,705	42%	18%
Mississippi	17,163	-6,242	36%	29%	26,896	-10,458	39%	26%
Alabama[3][4]	15,142	-6,658	44%	57%	24,479	-11,496	47%	61%
Missouri	58,912	-28,776	49%	10%	72,663	-37,888	52%	11%
Connecticut	26,988	-15,952	59%	16%	39,698	-24,796	62%	26%
Illinois[2][4]	49,747	-22,785	46%	8%	65,862	-32,432	49%	14%
Hawaii[4]	17,150	-9,806	57%	19%	26,322	-15,981	61%	24%
Iowa	20,293	-10,081	50%	9%	36,040	-19,182	53%	10%
North Carolina	55,012	-17,005	31%	27%	89,994	-31,049	35%	36%
New Hampshire	7,085	-3,598	51%	13%	9,877	-5,405	55%	13%
California[2][3]	80,056	-34,751	43%	56%	127,327	-60,637	48%	63%
Louisiana[4]	36,705	-21,684	59%	15%	36,636	-23,231	63%	13%
Oklahoma	30,496	-15,021	49%	8%	44,971	-24,128	54%	12%
Michigan[3]	12,527	-5,488	44%	60%	17,331	-8,421	49%	65%
New York[3]	75,791	-31,686	42%	8%	138,272	-65,422	47%	15%
Nevada[2][3]	5,315	-2,227	42%	47%	7,285	-3,490	48%	65%
Indiana[3]	2,755	-1,527	55%	83%	5,195	-3,197	62%	87%
South Carolina[4]	28,567	-10,744	38%	20%	41,413	-18,164	44%	26%
Washington[3]	22,295	-9,733	44%	53%	35,294	-17,721	50%	60%
Arkansas	21,004	-9,813	47%	12%	32,493	-17,375	53%	17%
Florida[3]	32,473	-14,074	43%	71%	50,234	-25,475	51%	78%
Georgia[4]	48,661	-23,406	48%	14%	71,619	-39,760	56%	22%
Rhode Island[4]	7,503	-3,418	46%	16%	12,634	-6,778	54%	23%
Idaho[3][4]	4,458	-1,782	40%	51%	6,915	-3,338	48%	61%
Wyoming[3][4]	2,216	-879	40%	9%	2,146	-1,037	48%	18%
Alaska[4]	15,891	-8,150	51%	16%	24,161	-14,821	61%	17%
Wisconsin[3][4]	10,787	-5,086	47%	66%	17,751	-10,166	57%	71%
West Virginia	18,578	-8,475	46%	12%	25,101	-13,992	56%	19%
Colorado	22,860	-8,084	35%	13%	37,371	-17,087	46%	20%
Maryland	35,469	-17,891	50%	18%	50,545	-30,866	61%	32%
New Jersey	28,341	-11,625	41%	21%	42,004	-22,042	52%	30%
Delaware[3][4]	4,451	-1,603	36%	52%	6,835	-3,257	48%	58%
Minnesota[3]	17,847	-7,465	42%	39%	25,900	-13,858	54%	55%
Pennsylvania	47,686	-20,266	42%	12%	87,884	-48,396	55%	20%
Maine[3][4]	1,141	-527	46%	81%	1,571	-934	59%	78%

Questions?

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