The 2012 legislature passed a bill that establishes a Minnesota Sports Facilities Authority and provides for the financing of a stadium located in Minneapolis. This document will summarize the public’s contribution to the stadium in detail.
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Authorization

Laws of Minnesota 2012, Chapter 299 authorizes the construction of a 65,000 seat, fixed roof stadium in the City of Minneapolis (Minneapolis Downtown East Site in the vicinity of where the Metrodome is currently located). Project costs total $975 million with $828 million for stadium construction and $147 million for site and relocation costs. Site and relocation costs include $81.1 million in public infrastructure costs, $25.8 million in total site acquisition, and $21.8 million in team costs to play at TCF stadium. The new stadium is expected to be ready for the 2016 NFL season.

Fiscal Scope and Structure

The Minnesota Sports Facilities Authority (“The Authority”) is established as a political subdivision of the State directed to (1) establish a collaborative process with the NFL team to construct the stadium; and (2) operate the stadium in a first class manner with the NFL team. This section summarizes the fiscal contributions by the State, the City of Minneapolis and the Minnesota Vikings for the construction of the stadium and for the stadium’s on-going operations and capital reserves.

Stadium Construction. As illustrated in chart 1, there are public and private sources financing the $975 million in acquisition and construction costs. The public share accounts for 51 percent and the private share accounts for 49 percent of the total. The 51 percent public share consists of $348 million (36 percent) from the State of Minnesota and $150 million (15 percent) from the City of Minneapolis. The State of Minnesota’s share is to be funded by lawful gambling tax changes and the City’s share will be funded by the imposition of Minneapolis City taxes (through calendar year 2046) which were originally created to support the convention center. These designated City taxes include the general local sales tax (0.5 percent), the liquor tax (3.0 percent), lodging tax (2.65 percent), and the restaurant tax (3.0 percent).

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1 Chapter 299 authorizes a roof that is either fixed or retractable. If the roof is retractable, the additional cost may not be funded from state and or city sources.

2 Above the public share of 51 percent, the state has also authorized tax exemptions to help lower the overall construction costs of the stadium project. These exemptions have either a state revenue impact or a cost. The sales tax exemption on construction materials for the stadium and stadium infrastructure is estimated to reduce state revenue by $22.5 million over 5 years. The property tax exemption is also expected to result in state-paid property tax refunds of about $1.1 million per year from 2019 to 2046. These exemptions will be discussed in greater details in other sections of this summary.
The 49 percent private share of funding, a minimum of $477 million, will be paid by the Minnesota Vikings NFL Team. Chapter 299 provides that the Minnesota Vikings will receive all NFL and team related revenues from the facility such as suite rentals, naming rights, concessions and user fees, which the team will use to help pay for its share of the facility costs.

**Construction Cost Overruns.** The Authority can accept cost overruns if the overruns are then assumed by the bidder of the construction project. If the Minnesota Vikings agree to manage the construction of the stadium as anticipated, then they will be responsible for any cost overruns.

**Chart 1: Share of Stadium Construction Costs by Public and Private Sources.**

![Chart 1](chart1.png)

**Stadium Operations/ Capital Funding.** In addition to construction costs, chapter 299 authorizes annual expenditures for operations and funding a capital reserve for the Authority and the Minnesota Vikings at the new stadium starting in FY 2016. From FY 2016 to FY 2020, the State will assume these operational/capital payments. After FY 2020, the City will be responsible for these payments and the amount needed to pay the Authority will be deducted from the designated City tax revenue collected by the State. Also, the State will be reimbursed by the City from the designated local tax revenue after 2020 for the payments to the Authority from FY 2016 to FY 2020.

For operations in FY 2016, chapter 299 authorizes $14.5 million. Of the $14.5 million to the Authority, the State/City is required to spend $6 million (41.3 percent) and the Minnesota Vikings are required to spend $8.5 million (58.6 percent). For capital reserve funding, $3 million is required. Of that amount, the State/City is required to spend $1.5 million (50 percent) and the Minnesota Vikings are mandated to spend $1.5 million (50 percent). After FY 2016, operational funding and capital reserve appropriations to the Authority are adjusted annually for inflation as specified in chapter 299. Flow chart 1 shows how the Authority is funded in FY 2016.
Chapter 299 also requires that the Minnesota Vikings pay all game-day expenses for: (1) NFL games, (2) NFL team-owned major league soccer (MLS) games; and (3) NFL team-sponsored events within the stadium and stadium plaza areas. The Minnesota Vikings estimate that game-day expenses are about $3 million annually.

**Operating Cost Overruns.** The Authority may establish an operating reserve to cover operating expense shortfalls and is responsible for operating cost overruns. Stadium cost overruns may be shifted to a third party if a third party manager has been jointly selected by the Authority and the team.

**Flow Chart 1: Stadium Operational/Capital Expense Flow Chart for FY 2016.**

![Flow Chart 1](image)

**State Public Sources & Uses: Taxes & Fees, Bonding and Supporting Appropriations.**

The State provides significant support to the construction of the stadium and on-going support of the stadium and its operations. The State contribution will be paid with general fund appropriations. It is expected that the amount of these appropriations will be offset by additional general fund revenues that result from other provisions enacted as part of chapter 299.

**State Tax Revenue**

The taxation of lawful charitable gambling is restructured in chapter 299. This restructuring includes three major changes:
(1) Expand the base by legalizing new types of electronic gambling: (a) electronic linked
ingo games; and (b) electronic pull-tabs. These changes are effective the day following
enactment.

(2) Repeal two of the three lawful gambling taxes under current law:
   a) Repeal distributor level tax on pull tabs and tip boards;
   b) Repeal combined receipts tax; and
   c) Retain current law net receipts tax. Paper bingo, raffles and paddlewheels remain
subject to the 8.5 percent Net Receipts Tax.

The repealed taxes would be replaced with a new net receipts tax on all tip-boards (except
sports tip boards) and on electronic bingo. The new graduated tax is set at 9 percent for net
receipts over $87,500 on the low end and at 36 percent for net receipts over $157,000 at
the high end. These tax changes are effective July 1, 2012.

(3) Authorize sports-themed tip boards and make them exempt from lawful gambling
taxation.

The sum of these lawful gambling tax changes in chapter 299 is estimated to yield additional
general fund revenue of $35.2 million in FY 2013 and $57.9 million each year starting in
FY 2014. The increased general fund tax revenue is to be deposited into the general fund to pay
for the costs within Chapter 299.3

**Chart 2. Lawful Gambling Tax General Fund Revenues (000’s in thousands)**

<table>
<thead>
<tr>
<th>FY 2013</th>
<th>Total: $72,100</th>
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<td>$190,600</td>
</tr>
<tr>
<td>$100,000</td>
<td>Total: $94,800</td>
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</table>

<table>
<thead>
<tr>
<th>FY 2014</th>
<th>Total: $57,900</th>
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<tr>
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<tr>
<td>$100,000</td>
<td>Total: $94,800</td>
</tr>
</tbody>
</table>

3 Based on a [Minnesota Department of Revenue Estimate (DOR) for HF 1485 as proposed to be amended by the A12-1019](https://www.revisor.mn.gov/laws/12-1485-amended/12-1019/) on May 10, 2012. This estimate uses assumptions from the Gambling Control Board.
According to the 2012 February forecast and before any tax changes in Chapter 299, the general fund tax base for lawful charitable gambling taxes is $36.9 million each year. Chart 2 shows if the stadium tax changes in chapter 299 are added to the lawful gambling tax general fund base, the total new lawful charitable gambling tax base total is $72.1 million in FY 2013 and $94.8 million each year starting in FY 2014. There are approximately 582 organizations (with about 3,000 sites) paying this tax that will be affected by these tax changes.

Allocation of Lawful Gambling Gross Receipts. Also, before the lawful gambling tax changes in chapter 299, the Gambling Control Board estimated that annual gross receipts for lawful gambling are $989.796 million. Of that amount, 82 percent was paid out in prizes, 4 percent was paid in taxes and 4 percent was paid to charitable organizations. With the passage of chapter 299, the Gambling Control Board estimates that gross annual receipts for lawful gambling will increase by 132 percent (excluding sports themed tip boards) from $989.796 million to $2.297 billion. Of the projected $2.297 billion in annual gross receipts, it is estimated that percentage paid out in prizes, taxes and to charitable organizations will be about the same as the percentage paid out before the enacted tax law changes but that the dollar amounts paid out will increase substantially due to the projected increase in total gross receipts. Table 1 below provides a detailed estimate of the distribution of current law gross receipts and the total projected gross receipts based on the tax changes in chapter 299.

| Table 1. Distribution of Lawful Gambling Gross Receipts Based on FY 2011 Data |
|---------------------------------|----------|-------------|-----------|-----------|----------|
|                                | A        | B           | A + B = C | percent   |
| Dollars in 000's               | Current  | %           | New       | %         | Total    |
| Prizes                        | 808,172  | 82%         | 1,116,331 | 85%       | 1,924,503 | 84%       |
| Taxes                         | 37,058   | 4%          | 57,900    | 4%        | 94,958    | 4%        |
| Charitable Orgs               | 44,278   | 4%          | 67,100    | 5%        | 111,378   | 5%        |
| Rent/Bar                      | 17,832   | 2%          | 28,100    | 2%        | 45,932    | 2%        |
| Games/Equipment               | 18,101   | 2%          | 29,900    | 2%        | 48,001    | 2%        |
| Salary/Other                  | 64,355   | 7%          | 8,400     | 1%        | 72,755    | 3%        |
| Total                         | $989,796 | 100%        | $1,307,731| 100%      | $2,297,527| 100%      |

Source: Gambling Control Board, May 2012

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4 Contingent Tax Rate Reduction for Lawful Gambling Organizations: If the Commissioner of Revenue certifies that the amount collected equals or exceeds $94.8 million on or before April 1, 2016, the four brackets in the graduated tax rate schedule are reduced by 5.56 percent from 9.0 percent to 8.5 percent on the low end and 36 percent to 34 percent on the high end for taxes paid in FY 2017.

Non Tax Revenue

Another source of non tax revenue authorized in Chapter 299 is from commemorative bricks. The Authority shall sell commemorative bricks to be displayed at the new stadium. Proceeds from this non tax revenue are appropriated to the Commissioner of Minnesota Management and Budget for transfer to the Authority. At this time, the amount to be generated by this non tax revenue source is unknown because it is unclear how many bricks will be sold at what price.

Tax Exemptions

Chapter 299 also contains three tax provisions that support the construction of the new stadium but result in reduced general fund revenue to the State. Building materials and supplies used or consumed in the construction or improvement of the football stadium and stadium infrastructure are exempt from sales and use taxes. The estimated total tax benefit for all fiscal years (FY 2013 to FY 2017) with this exemption is $22.5 million. Of the $22.5 million, the general fund is reduced by $21.250 million and the legacy funds are reduced by $1.244 million. General fund tax revenue reductions from this exemption are offset by increased tax revenue from the lawful gambling tax changes in chapter 299.

Outside of the stadium, Chapter 299 also contains a sales tax exemption for materials and supplies used or consumed in the construction or improvement of a capital project of regional significance (construction, expansion, or renovation of a sports facility or convention center with at least $40 million in construction costs paid over two years) for cities of the first class. Cities of the first class are: Minneapolis, St. Paul, Rochester and Duluth. The sales tax would be paid by the cities but refunded by the State. It is not known if any of the projects planned in the cities of the first class qualify for this exemption at this time.

Finally, Chapter 299 includes provisions for property tax exemptions for real or personal property owned, leased, used or occupied by the Authority. The stadium and stadium infrastructure are exempt from any ad valorem taxation by the State or any political subdivision of the State, but is subject to its fair-share of special assessments for local improvements. (Note: This type of exemption was also done for the Metropolitan Sports Facilities Commission, which does not pay property taxes on the Metrodome.) Real or personal property that is leased or used by the Authority for bonafide activities, including stadium operations and related parking, is also exempt from taxation. This exemption does not apply to a property that is leased for residential, business, or commercial development, nor to a restaurant open for more than 200 days per year, nor to property with an alternative purpose.

For several reasons, the fiscal impact of these property tax exemptions is not fully known at this time. Preliminary site plans anticipate the stadium site to grow from 20 acres to 33 acres, acquiring up to 14 existing parcels, some of which are privately owned and currently on the property tax rolls. One parcel, owned by Hennepin County, houses the County Medical Examiner’s office and lab, which would need to be relocated. And the actual cost of the new
stadium is an estimate based on current construction and financing costs, no change orders, and a timely completion. However, revenue estimates provided by the Minnesota Department of Revenue on April 12, 2012 provides some insight to the impact on the state general fund. Assuming a stadium value of $715 million and a completion date of August 2016 (with assessment in calendar year 2017 and taxes payable in calendar year 2018), the stadium’s property tax exemption would shift additional property tax burden onto homesteads. This additional burden would increase state-paid homeowner property tax refunds by about $1.1 million each year starting in FY 2019.6

### Blink-on Revenues

Stadium “blink-on” revenue options are authorized in chapter 299 if the Commissioner of MMB determines that the available lawful gambling revenues for the stadium are less than the amounts needed for stadium related costs. The amount needed to fund the stadium is equal to $35.2 million in FY 2013 and $57.9 million in FY 2014 and each year thereafter (the operating appropriations and capital contributions are indexed). If that target amount is not reached, the Commissioner of MMB may decide to trigger a blink-on revenue source or sources. The “blink-on” revenue sources must be implemented in this order:

1. **Sports-themed lottery game is estimated to generate about $2.1 million from the general fund.**

2. **A tax on suites at the new stadium. If this tax is triggered, the Authority may impose a 10 percent tax on luxury box and suite rentals at the new stadium when it opens in 2016. Based on preliminary data from the Vikings, the suite and luxury box revenue is estimated to be in the $10 to $12 million range each season. If imposed for the 2016 season, a 10 percent on $10 million could generate about $1 million per year.**

### Stadium-Related Expenditures

**Appropriations to State Agencies.** Two new dedicated state appropriations are created in Chapter 299 from the lawful gambling tax revenue changes. Starting in FY 2013, one percent of the revenue deposited in the general fund from the lawful gambling taxes is appropriated to the commissioner of Human Services (DHS) to be distributed as follows:

- One-half of one percent is appropriated for compulsive gambling treatment programs. An estimated $360,000 will be available in FY 2013 and an estimated $470,000 will be available in FY 2014 and each year thereafter.

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6 The official revenue estimate from DOR assumes that the stadium will be built. Thus, the shift in property taxes is measured relative to an assumption that the stadium would (absent the exemption) be bearing a share of the regular local property tax burden.
One-half of one percent is appropriated for a grant to the State affiliate recognized by the National Council on Problem Gambling. An estimated $360,000 will be available in FY 2013 and $470,000 will be available in FY 2014 and each year thereafter.

The actual amount appropriated to DHS for these programs is contingent on the amount of revenue deposited into the general fund from lawful gambling taxes. These dedicated appropriations created in chapter 299 are appropriations in addition to any on-going appropriations for the compulsive gambling treatment programs or any one-time appropriations to the National Council on Problem Gambling. Currently, DHS compulsive gambling treatment programs receive $1.665 million per year from the general fund. In FY 2012 and FY 2013, the National Council on Problem Gambling received a one-time appropriation of $225,000 from the general fund each year.

**Other General Fund Appropriations.** Chapter 299 also contains an annual appropriation for $2.7 million from the general fund starting in FY 2014 through FY 2033 for a grant to the City of St. Paul for the operating or capital costs of new or existing sports facilities. These grants will help facilitate the retirement of debt on the RiverCentre Convention Center in Saint Paul.

**Special Revenue Fund Appropriations.** Chapter 299 includes two appropriations totaling $1.47 million from the lawful gambling regulation account in the Special Revenue fund. This account is funded through two sources:

- License and permit fees, and game approval testing fees,
- A regulatory fee of 0.1 percent of gross receipts from lawful gambling.

The electronic pull-tabs, electronic bingo, and sports themed tip boards authorized in the stadium legislation are projected to increase revenues to this account through additional gross receipts and license fees⁷.

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⁷ Revenues for the lawful gambling regulation account were projected at $2.4 million for FY 2013. With the enactment of Chapter 299, total estimated revenues will increase to $3.8 million each year.
Table 2. Special Revenue Appropriations in Chapter 299
(dollars in thousands)

<table>
<thead>
<tr>
<th>Total New Annual Revenues - Special Revenue Fund:</th>
<th>1,362</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Pull-tabs and bingo</td>
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</tr>
<tr>
<td>Sports themed tip boards*</td>
<td>[560]</td>
</tr>
<tr>
<td><strong>Total Projected Revenues:</strong></td>
<td>1,362</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total New Appropriations:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gambling Control Board</td>
<td></td>
</tr>
<tr>
<td>Electronic Pull-tabs/Bingo Costs</td>
<td>785</td>
</tr>
<tr>
<td>Sports-themed tip board costs *</td>
<td>[434]</td>
</tr>
<tr>
<td><strong>Total Gambling Control Board</strong></td>
<td>785</td>
</tr>
<tr>
<td>Department of Public Safety</td>
<td></td>
</tr>
<tr>
<td>Background investigations / criminal history</td>
<td>250</td>
</tr>
<tr>
<td><strong>Total Appropriations:</strong></td>
<td>1,035</td>
</tr>
<tr>
<td><strong>Difference between New Revenues / Appropriations:</strong></td>
<td>327</td>
</tr>
</tbody>
</table>

*Note: There is some question about the legality of allowing sports-themed tip boards (which could be construed as wagering based on the outcome of a sporting event) that may eventually be settled by court action. The official position of the Gambling Control Board is that federal law currently prohibits the allowance of sports-themed tip boards. Because of this uncertainty, revenues and expenditures from the sports-themed tip boards are shown in Table 2, but are not included in the totals.

**Gambling Control Board (GCB).** $1.22 million is appropriated each year to the Gambling Control Board to cover its expenses for regulation and oversight of the electronic pull-tabs, electronic linked bingo, and sports-themed tip boards. The board estimated a need for an additional 12 positions to handle the regulatory impact of the projected increase in lawful gambling activities: 8 FTE for activity related to the electronic devices, and 4 FTE for oversight of the new tip boards.

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8 Reference: Professional & Amateur Sports Protection Act; Title 28, Part VI, Chapter 178, Section 3701 of the U.S. Code.

June 20, 2012 notice from the GCB: “At its June 18, 2012 board meeting, the Gambling Control Board, with advice from the Minnesota Attorney General’s Office, took action to affirm that based on the federal law pertaining to the Professional and Amateur Sports Protection Act and the prohibition of wagering on the outcome of sporting events, the Board shall not consider or approve any game form from a licensed manufacturer where the winner is determined, directly or indirectly, by the outcome of a sporting event until such time that federal restrictions are successfully challenged or removed.”

9 Authorized funding for the GCB prior to the stadium legislation was $2.74 million each year. With the additional appropriation, total funding is increased by 44 percent to $3.98 million annually, although a portion of this funding may not be needed if sports-themed tip boards are not authorized. Projected FTE will increase from 28 to 40.
**Department of Public Safety.** $250,000 is appropriated each year to the Department of Public Safety for its oversight responsibilities related to the electronic pull-tabs and electronic linked bingo. While the Gambling Control Board has regulatory oversight over lawful gambling, the Department of Public Safety is tasked with conducting license background investigations and criminal history checks on behalf of the GCB, at its request. The Alcohol & Gambling Enforcement division of the department also has primary jurisdiction for the investigation of gambling-related criminal offenses. This funding will allow the department to hire 2 additional Special Agents to handle these duties.

**Bonding**

Chapter 299 authorizes the State to issue $498 million in “appropriation” bonds to fund the State’s and the City of Minneapolis’s share of Minnesota Vikings stadium. The debt service on these appropriation bonds would be paid with an appropriation from the general fund. While not explicitly pledged, the State’s portion of the bonds, $348 million, will be repaid with revenues raised by the expansion of lawful charitable gambling outlined above. If these revenues are insufficient, the expectation is that other general fund money will be used to pay the bonds. Likewise, the City of Minneapolis’s share of the bonds, $150 million, is anticipated to be paid from continuation of convention center taxes.

The defining feature of appropriation bonds is that the obligation to pay debt service is at the discretion of each successive Legislature. In other words, future legislative bodies could choose to rescind the commitment to make debt service payments on the bonds. Failure to do so would send a negative message to the investment community about the State’s willingness to repay its obligations however, and would likely negatively impact the State’s overall bond rating. For this reason, interest rates on appropriation bonds are somewhat higher than traditional State-issued General Obligation (GO) bonds, but they are lower than the interest rates on revenue bonds, where the expectation is payment will be limited to the pledged revenues.10

The assumption is that the bonds will be sold as taxable obligations and repaid over a period of up to 30 years. However, depending on the details of the agreements, some of the bonds could be issued as tax exempt. MMB estimates that the bonds will be sold in the spring of 2013, and that the average annual debt service will be about $33.51 million, beginning in FY 2014.

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10 For revenue bonds, investors evaluate the reliability of the pledged revenues. As a result, the interest rate will depend upon the perceived quality of those revenues. With the appropriation bonds, investors rely on a general commitment by the issuer (the state, in this case) to pay the bonds. For a large entity like the state with substantial general fund revenues, this general commitment is thought to be more secure than a legal claim on a stream of revenues, unless those are very secure and reliable revenues. Investors do not expect the state to exercise its technical legal right to refuse to pay appropriation bonds at some point in the future.
Chapter 299 provides for the establishment of a “general reserve account,” for increases in gambling tax revenues in excess of the amount necessary to pay debt service on the bonds and other costs (the calculations are detailed in the next section). These funds may be appropriated as necessary for application against any shortfall in the general fund. The Commissioner may also, in consultation with the Legislative Commission on Planning and Fiscal Policy, authorize the use of these funds for “financially prudent” purposes related to the stadium - these purposes include capital and operating costs, refunding and prepayment of debt. Based on current revenue estimates, MMB projects that this account will have a fund balance of $65 million by the end of FY 2015.

Authorization to issue appropriation bonds notwithstanding, there is ongoing debate about the legality of appropriation bonds. While the State has authorized appropriation bonds in the past, (examples include the TCF Bank Football Stadium at the University of Minnesota, and affordable housing initiatives), MMB has not sold appropriation bonds directly. In the case of the football stadium, the University of Minnesota issued the bonds, but the State appropriates money from the State’s General Fund to help with the University pay the bonds. With affordable housing bonds, the Minnesota Housing Finance Agency (MHFA) issued the bonds, but the annual debt service comes out of the General Fund.

A “test” case for the validity of appropriation bonds authorized to refund the tobacco securitization bonds, authorized by the 2011 Legislature, is pending before the Minnesota Supreme Court, as of June 2012. Until there is a final court decision, it is unclear whether the scope of the decision will be sufficient to cover other possible purposes for which the legislature has been interested in using appropriation bonds, including the Minnesota Vikings stadium. For this reason, Chapter 299 includes special “validation” language that seeks to clarify its legality to proceed with issuance of appropriation bonds.

**State Stadium Budget Calculations**

In Chapter 299, the State’s main source of revenue to fund the stadium is the increase in revenue from lawful gambling tax changes. The increased tax revenue is deposited into the general fund and each year the Commissioner of MMB is directed to calculate the amount of revenues relative to the new expenditures (most of them related to the stadium) authorized by chapter 299:

- Principal and interest on the appropriation bonds
- General fund appropriation for operational expenses for the Authority
- General fund appropriation for capital reserve funding for the Authority
- General fund administrative appropriations
- General fund tax revenue for sales tax exemption
- Reimbursement for project termination

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11 In calendar year 2021, the state general fund will be increased by tax revenue from the city.
Compulsive gambling treatment program and grant appropriations; and
General fund grants for the City of St. Paul.

If the increased tax revenues from lawful gambling exceed the stadium expenditures outlined above, the excess is to be deposited into the general reserve fund for the stadium.

**Local Public Sources and Uses: City of Minneapolis**

In addition to the State funding, the City of Minneapolis also provides the second major source of public funding for the stadium construction and on-going operations/capital costs. The City’s revenue source is an array of existing local taxes: sales, liquor, lodging and restaurant taxes generated in Minneapolis. Chapter 299 requires these local Minneapolis taxes to be imposed through calendar year 2046 and provides an exemption from the City’s charter limits. The timing of how these City tax revenues are deposited into the State general fund will be summarized in this section.

In 1986, a special law for the City of Minneapolis was passed to finance its convention center. The original law allowed the City to impose the following taxes to construct, operate and market the Minneapolis convention center:

- 0.5 percent Sales Tax;
- 3.0 percent Liquor Tax;
- 3.0 percent Lodging Tax (now at 2.625 percent as of 7/1/2009); and
- 3.0 percent Restaurant Tax.

In total, these local taxes raised $45.797 million in calendar year 2009 and $48.133 million in calendar year 2010. The Minnesota Department of Revenue currently collects most local sales taxes for local entities including the City of Minneapolis and remits these local tax revenues back to the local entities after making some deductions for administration. The Commissioner of Revenue will continue to collect these taxes for the City of Minneapolis however with the passage of chapter 299 and its approval by the city of Minneapolis, a portion of these local taxes will be deposited into the State general fund for stadium funding purposes. Along with deductions for the costs of collections and paying refunds, the State will retain four other allocations from City tax revenues.

After these allocations are deposited into the general fund, any remaining balance will be remitted to the City. Of the four allocations, three allocations will be made starting in calendar year 2021.

1. To retain and deposit the portion of the local taxes that represents repayment for $150 million in stadium construction costs or State bond debt service support from 2021 to 2046;
(2) To pay $7.5 million in annual operating and capital reserve payments from calendar years 2021 to 2046;

(3) to recapture of State advances for operating and capital expenses for calendar years 2016 to 2020 starting in calendar years 2021 to 2046; and

(4) To capture increases in taxes for the benefit of the Authority beginning in calendar year 2013 through 2046. The calculation to measure this growth is based on a formula for growth over calendar year 2011 revenues estimates.\(^\text{12}\)

Most of these allocations begin after calendar year 2020, which is the final year for debt service on the bonds for the Minneapolis Convention Center. In calendar year 2021, the State will begin withholding revenues from the local taxes for debt service payments for the new stadium and to recover the portion of the other stadium costs that the State had advanced on behalf of Minneapolis.

By calendar year 2021, one City document estimates that the local taxes in chapter 299 will generate about $63.2 million. Chart 3 shows how much could be available to the City after

\(^{12}\) A hypothetical example of how this formula works:
Given calendar year 2011 = $50 million and calendar year 2012 = $55 million:
The amount = 50% of (55 million - (50 million +1 million)*1.02) - 25% of (55 - (50+3)*1.02) =
50% of (55 million - 52.02 million) - 25% of (55 million - 54.06 million) = .5 x 2.98 - 0.25 x 0.94 = 1.49 - 0.47 =
1.02 million.

The Authority gets $1.02 million or 50% of the share over $52.02 ($50 million + $1million, inflated by 2%) and 25% of the amount over $54.06 ($50 million + $3 million, inflated by 2%).
subtracting the general fund allocations. Chapter 299 allows the City to use the remaining revenue from these taxes for any capital project (such as for the renovation of the Target Center) or for an economic development purpose.

**Timeline**

Illustration A (on the next page) provides a timeline of the major fiscal events of the stadium project impacting the State general fund from FY 2012 to FY 2046.

**Illustration A. Stadium Timeline**

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