



Office Memorandum

Date: October 14, 2015

To: Members of the Legislative Commission on Planning and Fiscal Policy

From: Myron Frans, Commissioner 

Subject: Consultation on the Use of the Stadium Reserve in Fiscal Year 2015

I am writing to consult with the members of the Legislative Commission on Planning and Fiscal Policy (LCPFP) on a limited use of the stadium reserve to cover a portion of stadium debt service payments in fiscal year 2015. Funds in the stadium reserve (established in M.S. 297E.021, subd. 4) are appropriated to the commissioner of Minnesota Management and Budget (MMB) for this type of stadium related expense only after consulting with the LCPFP.

By way of background, the 2012 legislature authorized public funding for the Vikings Stadium (Laws of 2012, Chapter 299). The legislation:

- Authorized MMB to issue debt to finance the public share of stadium construction. Accordingly, MMB has included the cost of debt service as a general fund expenditure in the forecast since the end of the 2012 legislative session.
- Expanded the definition of lawful gambling to include certain electronic games. Accordingly, MMB has included an increase in charitable gambling revenues deposited into the general fund in each forecast since the end of the 2012 legislative session.
- Directed the state to retain sales tax revenue from the City of Minneapolis, beginning in 2021, to pay for the city's share of the debt service obligation along with other City stadium obligations. This change in revenue will be included in the forecast beginning with the November 2017 forecast when fiscal years 2020 and 2021 will first be included in the Budget and Economic Forecast.
- Authorized the creation of a stadium reserve account. This account is described below.

Funds are deposited into the stadium reserve account only when we determine that annual revenues, identified below, are higher than general fund expenditures, also identified below. This calculation is described in M.S. 297E.021, subd. 4. The reserve account may be used when there is a shortfall in sales tax revenues collected on behalf of the city; or for other uses related to the stadium (after consulting with the LCPFP).

Annual general fund revenues considered in the calculation include:

- Charitable gambling receipts in excess of the base amount of \$36.9 million forecasted in February 2012,
- Up to \$20 million of corporate tax revenue,

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- A one-time deposit of \$26.5 million of taxes on cigarette floor stocks (fiscal year 2014 only), and
- Sales tax revenues retained from the City of Minneapolis (beginning in fiscal year 2021).
- The above revenues are reduced, or offset, by the value of a sales tax exemption for stadium construction equipment.

Annual general fund expenditures considered in the calculation include:

- Debt service paid both on the state and City of Minneapolis' portion of stadium bonds,
- Payments on behalf of the City of Minneapolis for the capital reserve account and stadium operating expenses, and
- An annual grant to the City of Saint Paul for its sports facilities and an appropriation to the Department of Human Services (DHS) to provide compulsive gambling treatment services.

To date, \$39.78 million has been deposited into the stadium reserve as a result of the revenues described above exceeding the expenditures described above.

MMB's previous four Budget and Economic Forecasts have assumed that funds in the stadium reserve, from revenues collected in previous fiscal years, would be transferred to the general fund in fiscal year 2015 due to projected revenues falling short of required spending. Preliminary fiscal year close information for 2015 is now available, and gambling tax revenues have outperformed the most recent projections. The difference between identified revenues and stadium-related expenses for fiscal year 2015 is now projected to be \$7.145 million, down from \$9.8 million in the February 2015 forecast.

I plan to transfer \$7.145 million from the stadium reserve balance to the General Fund as part of our fiscal year close process for 2015. I will presume you are in concurrence, unless I hear otherwise in the next 10 days.

The November Budget and Economic Forecast will include final FY 2015 expenditure and revenue detail including impacts to the stadium reserve along with updated forecast information for FY 2016 – 2019.

If you have any questions, please do not hesitate to contact me.

cc: Bill Marx, House Chief Fiscal Analyst
Eric Nauman, Senate Lead Fiscal Analyst
Cynthia Templin, House Fiscal Analyst
Shelby McQuay, Senate Fiscal Analyst
Margaret Kelly, MMB