- Three Stadiums
- No State Money
- No State Guarantees
- No State General Obligation Bonds
- Most Important: “The Voters Decide”

House Bill #1716

Author: Representative Tom Hackbarth

"Let the Voters Decide"

Mr. Chairman,

Today I come before you and your esteemed committee to offer a workable solution for the construction of three stadiums extended over a period of years for our two professional teams and the University of Minnesota. This plan protects the State from financial exposure while giving it the economic backing to negotiate from a position of strength with the team owners and the University of Minnesota, and it meets the wish list of the three entities requiring stadiums.

This Bill guarantees no new taxes will be levied against the tax payers of Minnesota to bring this plan to fruition. It assures the Twins and the Vikings will be here for the next 30 years, and the owners will pay their fair share of construction costs for these facilities. Most important, it allows every voter in Minnesota (fan or not) to have a voice in this decision by casting their vote for or against the passage of this Bill on their November Election Ballot.

Respectfully,
Rep. Tom Hackbarth

Summary of Bill #1716

- Referendum will be submitted for voter approval on the November 2004 Ballot
- Voters will approve or reject the authorization for the State to issue a Gaming License to one private entity
- Licensee will be approved to operate one casino within the seven county metropolitan area for an exclusive period of 30 years
- Winning Licensee will be required to pay an upfront fee of $450,000,000 to the State of Minnesota

Summary of Bill #1716 (continued)

- The State will then create and deposit this sum into a Stadium Funding Account. This money will be used to guarantee the issuance and retirement of the revenue bonds needed to fund the three stadiums for the University of Minnesota, Minnesota Vikings and the Minnesota Twins
- No State General Obligation Bonds will be necessary or allowed to be issued
- Revenues from the owners contributions, users fees for seat licensing, executive suites and the annual gaming tax revenues from the casino gaming revenue tax licensee will generate sufficient cash flow to retire the bonds over a 30 year period

Summary of Bill 1716 (continued)

- Casino licensee will pay the State a tax of 12% on their annual gross gaming revenues
- In addition, they will be assessed a yearly license fee of $10,000
- These proceeds will be directed as necessary to the Stadium Funding Account to meet the annual payments necessary for the retirement of the revenue bonds
- All annual excess revenues collected but not needed by the Stadium Fund will be deposited into the State's General Fund
- Once all the revenue bonds have been retired, all future payments will be deposited into the State General Fund
- Awarding of the Gaming License will be determined after request for proposals have been submitted to the State Licensing Selection Committee

Summary of Bill 1716 (continued)

- This committee will be formed and delegated by the Governor and the Legislature
- The construction of these facilities will be targeted to start on the following dates:
  - Twins Stadium no later than Jan.1, 2006
  - University of Minnesota Stadium no later than Jan. 1, 2008
  - Vikings Stadium no later than Jan. 1, 2010
- In order for these time lines to be met the Twins and the participating municipality must agree to all terms of their obligations, site location etc. by Sep. 1, 2005
- The University of Minnesota must agree to the terms and have raised their portion of the funds needed by Jan. 1, 2007

Summary of Bill 1716 (continued)

- The Minnesota Vikings and their participating municipality must agree to all terms of their obligations, site selection etc. by Jan. 1, 2009
- In each case if the owners can agree sooner than these stated start dates their facilities can be advanced for construction to begin earlier.
- However, there will be no delaying of these start dates. This puts the owners on notice a missed date kills their chances for a stadium under the terms of this Bill. Should that happen and we all hope it doesn't, the monies in the Stadium fund designated for that facility will be removed and deposited into the State General Fund
- All cost overruns will be the responsibility of the owners

Summary of Bill 1716 (continued)

- The University of Minnesota shall contribute no less than 30% of the cost of their facility and cost overruns will be their responsibility
- Their payments will also be spread over a 15-year period in equal annual installments
- The cost of maintaining and running their facility will be the responsibility of the University

Summary of Bill 1716 (continued)

- Team owners will be required to guarantee the security of their contributions prior to funding
- They also will be required to sign 30 year secured leases for their facilities
- If ownership should change, all responsibilities of the existing agreements shall transfer with ownership
- The owners, participating municipalities and State appointed representatives, will determine Viking’s and Twin’s stadium locations
- The University shall choose the location of their choice on campus

Summary of Bill 1716 (continued)

- Users fees will not include any new taxes on ticket prices, concession sales or memorabilia purchases
- User fees recommended by this committee for licensed seating rights, executive suite rentals, naming rights, on site advertising or other user fees will not be opposed as long as such fees don't impact the cost of the everyday fan to attend games
- All user fees will be deposited into the State Stadium Fund to be used toward the retirement of the revenue bonds
- Once the bonds are retired I would like to see these fees deposited into the State General Fund if this is in agreement with this Committee's wishes

Summary of Bill 1716 (continued)

- Passage of this Bill will produce construction projects (three stadiums and one casino/hotel development) costing in excess of $1.5 billion dollars

- This will create over 5000 construction jobs and a corresponding payroll cost estimated to be in excess of $700,000,000, which will generate in excess of $56,000,000 in State payroll taxes

- The casino/hotel development will create 2500 permanent jobs with an estimated annual payroll in excess of $48,000,000 and generating about $4,000,000 in annual State payroll taxes

- State and municipal taxes generated will encourage additional economic investments in other areas of need

Summary of Bill 1716 (continued)

- Tourism and the associated economic impact will increase from the development of these state of the art facilities
- Future Screening Committees and Legislative action will no longer be necessary to solve stadium problems and we can all look with pride upon having solved the problem with no economic risk to the State
- The citizens of Minnesota have clearly stated that they want the stadium problems solved without exposing the State to economic risk. As recently as December, 2003 a survey conducted by St. Cloud State University confirmed this once again
- This solution guarantees the annual stadium problems that have taken up so much Legislative time will be gone for 30 years
- A pleasant thought that will be welcomed by all, and most important the “Voters of Minnesota” have the right to make the final decision

Revenue Schedules

Basic Assumptions:

- Bill #1716 is approved by legislature and put on November 2004 ballot

- Voters approve referendum authorizing adoption of bill #1716

- State Gaming Licensing Committee awards license to winning applicant by June 1, 2005

- Licensee opens casino/hotel development for business by Jan. 1, 2007

- For clarification these schedules reflect all stadiums constructed and debt retired over the same time period

- Construction costs of the stadiums are allocated as follows:

Revenue Schedules (Continued)

- Construction costs of the stadiums are allocated as follows:

Minnesota Twins	$400,000,000
Minnesota Vikings	$550,000,000
University of Minnesota	$250,000,000
Total Stadium Costs	**$1,200,000,000**

Revenue Schedules (Continued)

- Revenue Bonds totaling $1.2 billion dollars will be issued for a 30 year period with a 5.375% interest rate
- Because the teams were not specific about their contributions to the total construction costs, the 40% participation figures were derived from previous testimony by the teams before the 2002 Stadium Task Force
- The Minnesota Twins and Minnesota Viking will pay their 40% share for construction cost in annual payments for the first 15 years of the lease. These payments will include their annual share of the interest expense of 5.375% attached to the bond
- The University of Minnesota will pay 30% of the cost of their stadium with the remaining terms the same as the Twins and the Vikings

Revenue Schedules (Continued)

- Any of the teams may elect to put in their share of construction costs up front. In that case the revenue bonds issued will be reduced by the amount of up front contributions. The annual lease cost for their stadium would then be negotiated to a fair annual rent reflecting this initial contribution. The negotiations would be between the State, the Participating Municipality (or county) and the team

- Revenues from the casino Licensee are based on the following:
  - One time licensing fee will be $450,000,000
  - Licensee will pay state 12% of their gross gaming revenues with a guaranteed minimum of $15,000,000

Revenue Schedules (Continued)

- The 12% gross gaming revenue tax will be distributed as follows:
  - 10.5% to the stadium financing fund to be used toward the annual bond retirement payments. All excess gaming tax revenue not needed for bond annual payments will be deposited into the State General Fund

  - 1% will be deposited directly into the State General Fund to offset a reduction of the State Charitable Gambling Tax

  - .05% will be deposited in a fund designed for addiction treatment
- Gross gaming revenue is estimated to be in a range from $200,000,000 to $350,000,000 annually. These revenues would then generate annual gaming taxes of between $24,000,000 - $42,000,000 to the state

Summary

Mr. Chairman and Committee Members,

I would like to thank you for the opportunity to appear before you today. I believe my Bill #1716 is the only way to solve the stadium crisis we have today. It assures a solution for our professional teams and the University without the pricing the everyday fan out of the market. In addition, it creates a revenue source for the State that will far exceed the costs for their stadiums if it is combined with the other revenue sources your committee is exploring. I'm not against user fees as long as they don't affect the price of a ticket, hot dog, or t-shirt.

This bill provides the necessary revenues to insure those items will still be affordable for the fans. I'm sure you will hear other proposals to solve the stadium problems using future gaming revenues. I doubt any of them will propose to put enough of the up-front guaranteed money to avoid the need for the issuance of General Obligation Bonds.

I'm in full agreement with the Governor on this matter and will adamantly oppose any such proposal. In addition, I don 't believe the State should venture into owning and running a casino, a business which could be filled with potential liabilities and economic risks. In my opinion, that approach is merely a way of circumventing the necessity of putting this question to the voters, and that ladies and gentlemen is the most important aspect of my bill … "It allows the voters to decide!"

Thank You,
Respectfully
Rep. Tom Hackbarth

Financials

Guaranteed and projected revenues to the State by Gaming Licensee for 30 year life of the bond:

	Guaranteed	Projected
One Time Licensing Fee	**$450,000,000**	
Annual License Fee ($10,000 X 30 years)	**$300,000**	
Annual Guaranteed Gaming Revenue Tax ($15,000,000 X 30 years) (Represents 12% gaming tax on first $125,000,000 gaming revenue)	**$450,000,000**	
Annual Gross Gaming Revenue Tax (Additional tax on revenue estimated between low range $200,000,000 to high range $350,000,000)		**$270,000,000 to $1,125,000,000**

Revenue Bond Debt Retirement Schedule for Years 1-15

($1.2 billion in revenue bonds 30 year period at 5.375% interest)

	Twins	Vikings	U of M	TOTAL
Annual Bond Payment	$26,878,619	$36,958,092	$16,799,137	**$80,635,848**
Annual Owners Rent	$15,610,928	$21,396,276	$7,294,188	**$44,301,392**
Guaranteed Gaming Tax Revenue Payment	$5,000,000	$6,100,000	$3,900,000	**$15,000,000**
Other (Revenue sources selected by Stadium Screening Committee)	$6,317,691	$9,411,816	$5,604,949	**$21,334,456**
TOTAL	**$26,928,619**	**$36,908,092**	**$16,799,137**	**$80,635,848**

Revenue Bond Debt Retirement Schedule for Years 16-30

($1.2 billion in revenue bonds 30 year period at 5.375% interest)

	Twins	Vikings	U of M	TOTAL
Annual Bond Payment	$26,878,619	$36,958,092	$16,799,137	**$80,635,848**
Annual Owners Rent	$?......	$?	$?	**$?**
......				
Guaranteed Gaming Tax Revenue Payment	$5,000,000	$6,100,000	$3,900,000	**$15,000,000**
Funds Available from $450,000,000 Licensing Fee (15 years compounded interest at 3% = $701,085,337 $46,739,022 / year)				**$46,739,022**
Other	$?......	$?	$?	**$?**
				$61,739,022
Revenues Needed from Owners Rent and Other Revenues to meet annual payment				**$18,896,826**
TOTAL	**$?**......	**$?**	**$?**	**$80,635,848**

$450,000,000 – 15 Year 3% Taxable Bond Compounded Annually Payout

YEAR	Annual Bond Amount	Bond Rate	Annual Bond Rate Generated
1	$450,000,000.00	3.000%	$13,500,000.00
2	$463,500,000.00	3.000%	$13,905,000.00
3	$477,405,000.00	3.000%	$14,322,150.00
4	$491,727,150.00	3.000%	$14,751,814.50
5	$506,478,964.50	3.000%	$15,194,368.94
6	$521,673,333.44	3.000%	$15,650,200.00
7	$537,323,533.44	3.000%	$16,119,706.00
8	$553,443,239.44	3.000%	$16,603,297.18
9	$570,046,536.62	3.000%	$17,101,396.10
10	$587,147,932.72	3.000%	$17,614,437.98
11	$604,762,370.70	3.000%	$18,142,871.12
12	$622,905,241.83	3.000%	$18,687,157.25
13	$641,592,399.08	3.000%	$19,247,771.97
14	$660,840,171.05	3.000%	$19,825,205.13
15	$680,665,376.18	3.000%	$20,419,961.29

Total Compounded $$$ Gained over 15 years: **$701,085,337.47**