



State and City Share of Stadium Finance Summary Based on the 2018 November Forecast

December 6, 2018

State/City Stadium Finance Items Covered

1. [Legislation overview and recent law changes](#)
2. [Big picture of stadium funding](#)
3. [State & city obligations for stadium expenditures](#)
4. [State and city revenue for stadium construction finance](#)
5. [Stadium reserve balance](#)
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1. Legislation and Recent Law Changes



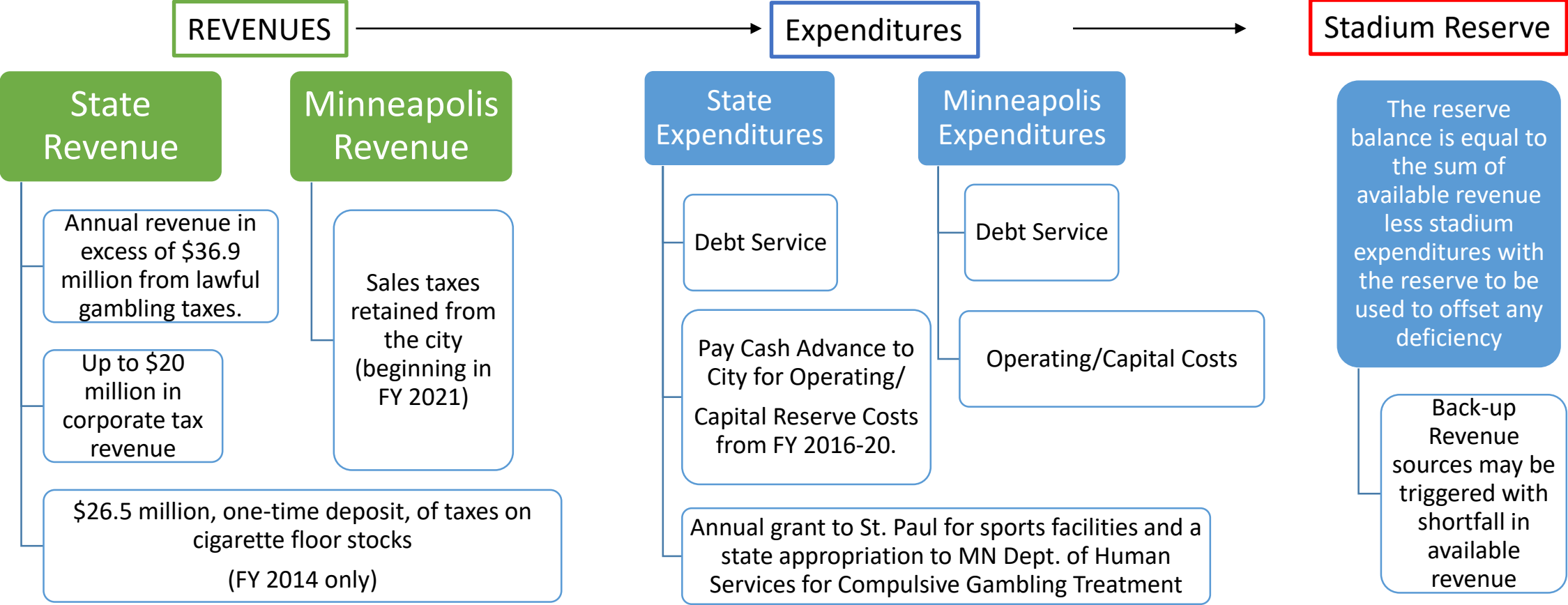
Legislation related to the construction and financing of the stadium and stadium operations

- [Laws of 2012, Chapter 299](#)
- [Laws of 2013, Chapter 143, Article 5, Section 25 and Article 13, Section 1 and Section 9](#)

Recent Legislation regarding stadium unrelated to stadium construction and operations

- [Laws of 2017, First Special Session, Chapter 1, Article 3, Section 19 and 21](#)

2. State and City Commitments for Stadium Funding – The Big Picture



Available Revenue to the Stadium

3. Revenues: State and Local Revenue Needed to Finance Stadium Construction Commitments and other costs

State Sources - Background:

The 2012 Legislature authorized changes to lawful gambling taxes to raise general fund revenue for the stadium but this revenue is not directly dedicated to the stadium. Rather, the growth in lawful gambling tax revenue above \$36.9 million each year is used as a benchmark to measure if enough revenue is being raised in the General Fund to cover stadium costs. A year later, the 2013 Legislature in Chapter 143 provided an amount up to \$20 million in corporate tax revenue each fiscal year to ensure enough revenue would be raised to cover the stadium costs. [For additional background about these revenue sources, see 2013 Stadium Finance Update Issue Brief.](#)

State Source Detail:

1. Lawful Gambling Tax Receipt Revenue in excess of \$36.9 million, on a fiscal year basis, is used as a benchmark to measure if the growth in lawful gambling will generate enough revenue to cover stadium construction costs. Lawful gambling revenue above this threshold is conceptually designated in law to pay for stadium construction costs but it is not directly appropriated from this source. In FY 2018, \$38.6 million is available and in FY 2021, \$61.3 million is estimated to be available from this revenue source. Since FY 2013, a cumulative total of \$410.9 million is estimated to be generated from this source.
2. MMB is authorized to allocate an amount up to \$20 million from corporate tax revenue each fiscal year for the stadium reserve calculation. From FY 2014 to FY 2018, a cumulative total of \$100.0 million is estimated to be generated from this source. Starting in FY 2019, MMB has allocated a zero amount from corporate tax revenues for this reserve calculation.
3. These state revenue sources are reduced by sales tax exemption on materials for stadium construction. From FY 2013 to FY 2017: \$25.1 million year-to-date is estimated to have reduced available revenue.

City Sources - Background:

For the fiscal years 2016 to 2020 and after defeasance of the Minneapolis Convention Center Debt by the city, the state will cash recapture advances it made for the city's share of debt service obligations, stadium operations and capital improvement from the city's local sales tax revenue (local sales tax, liquor, lodging and restaurant) starting in FY 2021. For more information about the local city revenue sources, see [Minnesota Vikings Stadium – Money Matters, July 2012](#).

City Source Detail:

1. Starting in FY 2021, \$8.6 million is retained for the city's share of debt service and \$8.9 million is retained to pay the city's share of operating and capital reserve expenses for the stadium. This revenue will be annually retained and deposited into the state General Fund from calendar 2021 to no later than calendar year 2046.
2. Starting in FY 2021, \$2.1 million is retained from city revenue to pay for the state's cash advance from FY 2020 to FY 2021 for city's share of operations and capital improvements. These funds are to be deposited into the state General Fund and are not included in the stadium reserve calculation.

State and City Revenue Source Summary:

The sum of designated lawful gambling tax revenue above the \$36.9 million threshold plus corporate tax revenue and retained city revenue less sales tax exemptions for stadium construction equals the annual available revenue (but not dedicated) to the stadium. The estimated annual available revenue ranges from \$58.6 million in FY 2018 to \$94.6 million in FY 2023.

FY 2013 to FY 2023 Forecast: Stadium Revenues for Reserve Calculation

STATE						
General Fund Tax Revenues (dollars in thousands)						
	Column A	Column B	Column C	Column D	Column E = (A+B+C+D)	Column F
	Lawful Gambling Tax Revenue Over \$36.9 M Threshold	Sales Tax Exemption on Construction Materials	Corporate Tax Revenue	Recapture City of Mpls Revenue for City Stadium Obligations	Total Net General Fund Tax Revenue Changes	Cigarette Floor Tax Revenue/Deposit in Stadium Reserve
FY 2013	\$ 89	\$ (4)	\$ -		\$ 85	
FY 2014	\$ 6,359	\$ (2,600)	\$ 20,000		\$ 23,759	\$ 26,500
FY 2015	\$ 12,107	\$ (9,100)	\$ 20,000		\$ 23,007	
FY 2016	\$ 19,389	\$ (11,834)	\$ 20,000		\$ 27,555	
FY 2017	\$ 26,989	\$ (1,583)	\$ 20,000		\$ 45,406	
FY 2018	\$ 38,675		\$ 20,000		\$ 58,675	
FY 2019	\$ 47,300				\$ 47,300	
FY 2020	\$ 54,900				\$ 54,900	
FY 2021	\$ 61,300			\$ 17,537	\$ 78,837	
FY 2022	\$ 68,200			\$ 18,713	\$ 86,913	
FY 2023	\$ 75,600			\$ 19,032	\$ 94,632	
Subtotal	\$ 410,908	\$ (25,121)	\$ 100,000	\$ 55,282	\$ 541,069	\$ 26,500
YTD Total General Fund Tax Revenue for the Vikings Stadium					\$ 541,069	
YTD Total General Fund Tax Revenue for the Vikings Stadium Including Cigarette Floor Tax						\$ 567,569

Reference:

Lawful Gambling Tax Revenue: MN Statute 297E.021, subd. 2

Corporate Tax Revenue: MN Statute 297E.021, subd. 3

Sales Tax Construction Exemption: MN Statute 297A.71, subd. 43 and 297E.021, subd.3, (1) (v)

MMB November Forecast, General Fund Balance 2017

Stadium Expenditures

4. Expenditures: State and City Obligations for the Stadium

Expenditure Detail:

1. Construction and Capital Financing: The 2012 legislation authorizes “appropriation” bonds to fund both the State and the City’s share of stadium construction. The State’s share is \$348 million and the city’s share is \$150 million. The debt service on the bonds is paid for with a statutory general fund open appropriation.

The combined debt service payment on the stadium appropriation bonds to be paid by the state and city is about \$30.1 million each year. Payments on debt service began in FY 2014 and expected to continue until FY 2043.

2. In addition to debt service expenditures, the state pays operating and capital reserve payments to the Metropolitan Sports Facility Authority on behalf of the city. These payments will be made by the state as a cash advance from FY 2016 to FY 2020. Starting in FY 2021, the city will start making these payments.

In terms of payment size, these payments total about \$7.5 million in FY 2016 and will be annually adjusted for inflation with the anticipated FY 2021 payment expected to increase to \$8.9 million. This payment is made from a general fund statutory appropriation.

During the budget forecast period, the sum of debt service (construction/capital financing) plus operating/reserve payments to the Metropolitan Sports Facility Authority range from \$37 million to \$39 million each fiscal year.

3. Related state expenditures authorized in Chapter 299 not directly linked to stadium construction include an annual problem gambling appropriation equal to 1 percent of stadium revenues and a \$2.7 million St. Paul Sports Facility Grant to be paid each year through the end of FY 2033 (20 years). These payments are made from a general fund statutory appropriation.

During the forecast budget period, the sum of the expenditures above (construction/debt service payments and operations/capital reserve payments) plus other stadium expenditures in Chapter 299 total \$40 million to \$43 million each fiscal year.

FY 2014 to FY 2023 Forecast: Stadium Only Expenses for Reserve Calculation

General Fund Expenditures (dollars in thousands)*						
	Column G	Column H	Column I	Column J		Column K = (G+H+I+J)
	State Debt Service ^	City Debt Service	**State Payments for Operating Expenses (for City)	**State Payments for Capital Reserve (for city)		Total General Fund Expenditures
FY 2013	\$ -	\$ -				\$ -
FY 2014	\$ 5,134	\$ 2,213				\$ 7,347
FY 2015	\$ 21,070	\$ 9,082				\$ 30,152
FY 2016	\$ 21,072	\$ 9,083	\$ 6,000	\$ 1,500		\$ 37,655
FY 2017	\$ 21,074	\$ 9,084	\$ 6,174	\$ 1,544		\$ 37,876
FY 2018	\$ 20,910	\$ 9,013	\$ 6,281	\$ 1,570		\$ 37,774
FY 2019	\$ 21,074	\$ 9,084	\$ 6,489	\$ 1,622		\$ 38,269
FY 2020	\$ 21,073	\$ 9,083	\$ 6,813	\$ 1,703		\$ 38,672
FY 2021	\$ 21,073	\$ 9,083	\$ 7,125	\$ 1,781		\$ 39,062
FY 2022	\$ 21,072	\$ 9,083	\$ 7,424	\$ 1,856		\$ 39,435
FY 2023	\$ 21,070	\$ 9,083	\$ 7,679	\$ 1,920		\$ 39,752
* Expenditures not included: (1) Property tax refunds related to the property tax exemption; (2) Chapter 299 also authorized other non stadium expenditures: (a)\$2.7 million sports facility grants; and (b) 1% of lawful gambling tax revenues for problem gambling; and (3) Non General Fund appropriations contained in Chapter 299.						
** The State will pay for the city share of the operating and capital reserve payments from FY 2016 to FY 2020. The city will make the payments plus reimburse the state for payments it made on the city's behalf beginning in FY 2021.						
^ Based on the MMB Nov Forecast 2018, state and city debt service is scheduled to be paid through FY 2043.						

References:

State & City Debt Service: MN Statute 297E.021, subd. 3 (i) and MN Statute 16A.965, subdivision 8.

State Advances to City for Operating and Capital Payments” 297E.021 (ii)(iii) and MN Statute 473J.13, subd. 2, (b) and subd. 4, (c).

MSFA (excess sale tax revenue payment) and St. Paul Sports Facility Appropriation: MN Statute 16A.726, paragraphs b and c.

Stadium Reserve

5. Stadium Reserve

In addition to available the revenue sources, there is also a Stadium Reserve. The November 2012 MMB forecast document describes the reserve as a “bookkeeping account that simply reflects the balance of forecast revenue from expanded gambling matched against forecast expenditures for stadium related costs.” The MMB commissioner must consult the Legislative Commission on Planning and Fiscal Policy (LCPFP) on use of the stadium reserve to cover any shortfall. The reserve may not be used to cover shortfalls in other related stadium expenditures (such as the St. Paul Sports Facility Grants).

*Available Balance (dollars in thousands)	
FY 2013	\$ -
FY 2014	\$ 39,780
FY 2015	\$ 32,634
FY 2016	\$ 22,535
FY 2017	\$ 26,821
FY 2018	\$ 38,465
FY 2019	\$ 55,271
FY 2020	\$ 75,586
FY 2021	\$ 115,343

- A one-time contribution/deposit of \$26.5 million from cigarette floor tax revenue to the reserve was made in FY 2014. Any available revenue is also deposited into the reserve after stadium expenditures have been paid out.
- Shortfalls in the available revenue for stadium expenditures occurred in FY 2015 and FY 2016. No back-up revenue sources were triggered by the MMB commissioner. The triggering of a back-up revenue source requires MMB consultation with the LCPFP.
- By FY 2023, the stadium reserve balance is estimated to be \$193.1 million (based on the 2018 November Forecast)

Reference for Available Revenue for Stadium:

City Revenue: MN Statute 297A.994, subd. 4 (1) and 297E.021, subd.3, (2)

Stadium Reserve: Laws of 2013, Ch. 143, Article 5, Section 25 and 297E.021, subd. 4

MMB February Forecast, General Fund Balance 2017

Examples of Stadium Reserve Calculation						
FY 2016 Actual	General Fund Revenues	\$	General Fund Expenditures	\$	General Fund Stadium Reserve Balance	\$
	Designated Lawful Gambling Taxes	19,389	State Debt Service	21,072	Previous Year Reserve Balance Carried Forward	32,634
	Corporate Tax	20,000	City Debt Service	9,083	Reserve Usage (negative)/ Reserve Contribution (positive)	-10,100
	Sales Tax Exemption - Stadium Construction Materials	-11,834	State Payment for Operating Expenses	6,000		
	Retained Convention Center Tax (Recapture Op & Cap Reserve)		State Payment for Capital Reserve	1,500		
	Retain Mpls Operating Expenses		St. Paul Sports Facilities Grant	[2,700]		
	Retain Mpls Capital Reserve Expenses		Problem Gambling Appropriations (1% Revenue)	[563]		
	Retain Mpls Revenue					
	Total Available Revenue	27,555	Total Expenditures	37,655		
			Difference between Revenue and Expenditures	-10,100	New General Fund Stadium Reserve Balance	22,534
FY 2017 Actual						
	Designated Lawful Gambling Taxes	26,989	State Debt Service	21,074	Previous Year Reserve Balance Carried Forward	22,534
	Corporate Tax	20,000	City Debt Service	9,084	Reserve Usage (negative)/ Reserve Contribution (positive)	4,286
	Sales Tax Exemption - Stadium Construction Materials	-1,583	State Payment for Operating Expenses	6,098		
	Retained Convention Center Tax (Recapture Op & Cap Reserve)		State Payment for Capital Reserve	1,525		
	Retain Mpls Operating Expenses		St. Paul Sports Facilities Grant	2,700		
	Retain Mpls Capital Reserve Expenses		Problem Gambling Appropriations (1% Revenue)	639		
	Retain Mpls Revenue					
	Total Available Revenue	45,406	Total Expenditures	41,120		
			Difference between Revenue and Expenditures	4,286	New General Fund Stadium Reserve Balance	26,820

NOTE: General Fund Expenditures are bracketed (not counted in the calculation total) in FY 2016 because only stadium expenditures may be covered by the stadium reserve. Non stadium expenditures cannot be covered by the reserve. Non stadium expenditures include the problem gambling appropriation and the city of St. Paul grant.

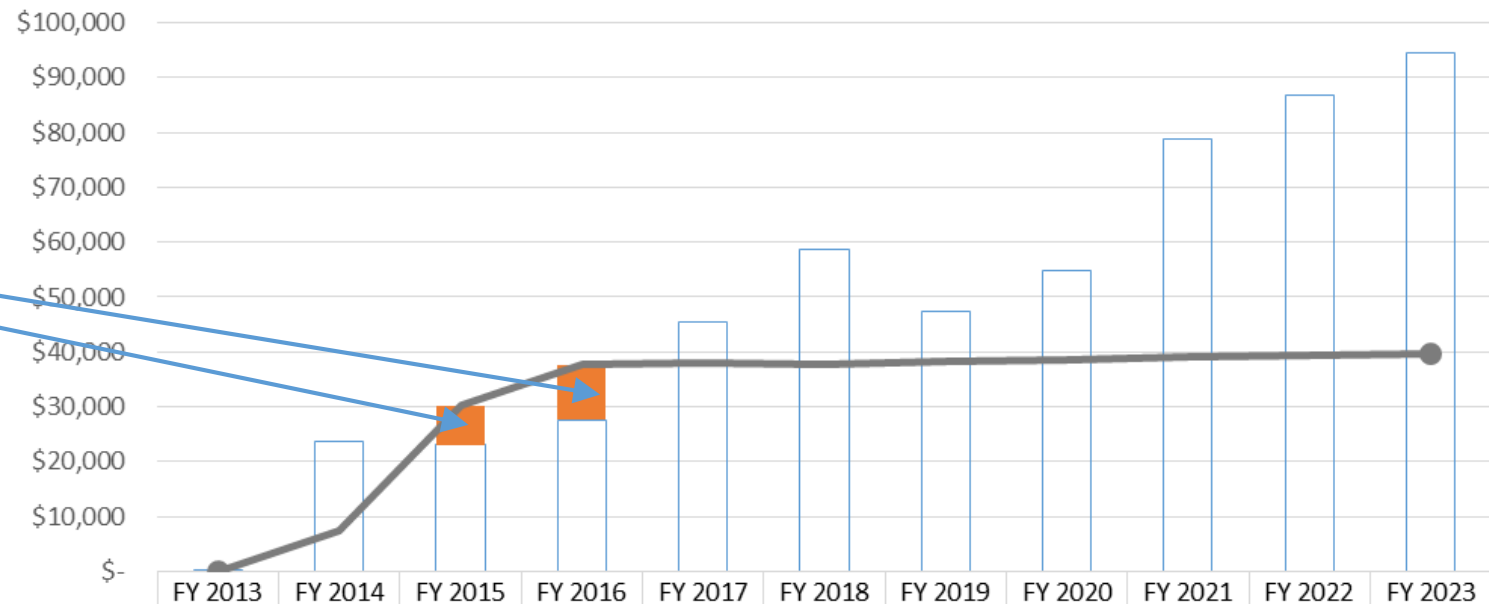
FY 2013-FY 2021 Forecast: Summary of Year-to-Date State and Local Revenue and Expenditures for Stadium

Vikings Stadium - Estimated State Funding: FY 2013 to FY 2023

source: MMB 2018 November Forecast

Note: Back-up revenue sources could have been triggered. See MN Statute 16A.727.

Dollars in thousands



Stadium Reserve Usage			\$7,145	\$10,099							
Designated Stadium Total Net General Fund Tax Revenue	\$85	\$23,759	\$23,007	\$27,555	\$45,406	\$58,675	\$47,300	\$54,900	\$78,837	\$86,913	\$94,632
Total General Fund Stadium Expenditures	\$-	\$7,347	\$30,152	\$37,655	\$37,876	\$37,774	\$38,296	\$38,678	\$39,055	\$39,354	\$39,755

Metropolitan Sports Facility Authority

6. Minnesota Sports Facility Funding (MSFA) based on the 2017 November Forecast

1. Starting in FY 2016, as described in the expenditure section, the MSFA receives an annual open and standing appropriation from the general fund for operations and funding a capital reserve that is adjusted for inflation.
2. Increased city sales tax increases are captured based on a formula in statute. For the benefit of the MSFA , these increases are statutorily transferred to the MSFA. The annual amount forecasted to be transferred to the MSFA in shown in the table on this page.
3. MSFA is also authorized to receive revenue from commemorative bricks to be displayed at the stadium. Funds raised from bricks are appropriated to MMB and transferred to the MSFA. To date, commemorative brick revenue generated \$1.9 million from FY 2016 to FY 2018 before expenses.

LOCAL	
Local Sales Tax Revenue (dollars in 000's)	
Minneapolis Sales Tax to the Metropolitan Sports Facility Authority (MSFA) authorized in MS 297A.994, subd.4, paragraph (5)	

FY 2013	
FY 2014	\$ 813
FY 2015	\$ 1,361
FY 2016	\$ 1,686
FY 2017	\$ 1,860
FY 2018	\$ 1,855
FY 2019	\$ 2,104
FY 2020	\$ 2,645
FY 2021	\$ 3,151
FY 2022	\$ 3,616
FY 2023	\$ 3,963
YTD Total Revenue	\$ 23,054

Other Tax Law Changes Enacted Following Stadium Construction

7. Tax Law Changes Related to Stadium (after construction of the stadium)

First Special Session, Laws of 2017, Chapter 1 Law Changes

- Exemption from sales tax for admissions, suite licenses and stadium builder licenses if (1) the lessee may use the private suite, private skybox, or private seat by mutual arrangement with the lessor days when there is no amusement or athletic event; (2) the sales price for admission is separately stated; and (3) the price is equal to the greater of the highest price general admission ticket for the closet seat not in the suite, skybox or box seat. Estimated general fund revenue reduction is more than \$3.0 million per year in the forecast window with an effective date of 7/1/2017 and the stadium builder license effective date is the day following enactment. This has no impact on stadium reserve calculations.
- Expands the sales tax exemption on for Super Bowl Admissions to include admissions to related events and non residential parking services. Estimated general fund revenue reduction is about \$1 million in FY 2018 only and is effective 7/1/2017 to 2/28/2018. This has no impact on stadium reserve calculations.
- The MSFA is authorized to reimburse for state and local sales taxes paid on purchases of tangible personal property, non residential parking and lodging by the MN Super Bowl Host committee, the NFL or its affiliates, or their employees or independent contractors. The MSFA is authorized to reimburse up to \$1.6 million from their operating reserve and capital reserve fund. There is no general fund revenue change for this provision that is effective 7/1/2017 to 2/28/2018 and it has no impact on stadium reserve calculations.

Discussion

- The stadium is not directly funded (or dedicated) with lawful gambling or corporate taxes but it is funded with general fund statutory appropriations.
- The first nine years (FY 2013 to FY 2021) of stadium funding has come mainly from the state.
- Starting FY 2021, stadium funding will be less reliant on state revenue sources as the state starts receiving local sales tax revenue from the city.
- The size of the stadium reserve in the general fund will continue to grow and the need for this reserve could be reviewed.