

Subject Hennepin County local sales tax authority modified

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Overview

This bill extends and increases the current sales tax in Hennepin County from 0.15 percent to 0.75 percent. The bill modifies the authorized use of revenue from the tax to allow Hennepin County to allocate revenue to hospitals in Hennepin County, as well as to capital reserves for the Twins stadium. This bill provides authority to the county to issue bonds and acquire property in relation to health care facilities in the county. This bill also establishes a hospital stabilization program for hospitals that meet certain requirements and authorizes stabilization grants for Hennepin Healthcare System, Inc. (Hennepin Healthcare); modifies governance provisions for Hennepin Healthcare; and establishes an advisory task force on the governance and financing of Hennepin Healthcare.

Background on the tax: The tax was first enacted by the Legislature in 2006 in section 473.757. The law originally authorized the county to impose a sales tax of 0.15 percent, and the use of revenue included grants to the Minnesota Ballpark Authority for ballpark development, construction, public infrastructure, and reserves for capital improvements. The county was authorized to grant up to \$260,000,000 for ballpark costs, \$1,000,000 per year for capital improvement reserves, and \$90,000,000 for land acquisition, site improvements, and public infrastructure.

Additionally, the county was authorized to use a portion of the revenue (\$4,000,000 annually, subject to 1.5 percent annual adjustment) to fund youth sports activities and operation of libraries within Hennepin County.

Under the statute, the tax is required to terminate upon defeasance of any bonds issued to fund the approved uses of the tax revenue and the establishment of reserves necessary to meet any future obligations.

Summary

Section	Description
1	<p>Hospital stabilization program.</p> <p>Establishes a hospital stabilization program administered by the commissioner of health to provide financial relief to hospitals that are in financial distress and that provide a disproportionate level of uncompensated care. To be eligible for a payment, requires a hospital to either be a critical access hospital or rural emergency hospital, or be a Medicaid disproportionate share hospital with less than 75 days of cash on hand. Requires qualifying hospitals seeking payment to submit to the commissioner documentation of qualifying uncompensated episodes of care in a reporting period. Directs the commissioner to distribute payments proportionally based on each qualifying hospital's share of the statewide total among qualifying hospitals, specifies timelines for distributing payments each reporting period, and establishes reporting requirements for qualifying hospitals. Prohibits payments from being used to supplant other funding sources or increase salaries and benefits of executives.</p>
2	<p>Governance.</p> <p>Specifies the board of directors for Hennepin Healthcare System, Inc. (Hennepin Healthcare) must include members with professional training and expertise needed to govern a health system and safety net hospital.</p>
3	<p>Qualifications.</p> <p>Modifies requirements for the makeup and qualifications of the Hennepin Healthcare board, to require at least 75 percent of the board's noncounty commissioner members to have expertise in hospital administration, finance, business management, law, health equity, or other relevant experience, and up to 25 percent of the board's noncounty commissioner members to represent populations served by Hennepin Healthcare and patient and consumer perspectives.</p>
4	<p>Election.</p> <p>Specifies the county commissioner members of the Hennepin Healthcare board are not eligible to serve as officers of the corporate board.</p>
5	<p>Financial oversight.</p> <p>Specifies the Hennepin County board has the authority, in sustained conditions of financial distress, to modify Hennepin Healthcare's annual budget to respond to its financial condition and preserve access to essential services provided by HCMC.</p>
6	<p>Dissolution or reorganization of corporation.</p> <p>Under current law the Hennepin County board has authority to dissolve or reorganize Hennepin Healthcare or remove its corporate board and resume management over</p>

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	HCMC. This section specifies this authority may be exercised if Hennepin Healthcare is experiencing sustained conditions of financial distress; before dissolving or reorganizing the corporation or removing Hennepin Healthcare’s board, the county board and Hennepin Healthcare board engaged in mediation; and the county board and Hennepin Healthcare board could not agree on another means to address Hennepin Healthcare’s financial distress.
7	Qualifying government. Designates the Minnesota Ballpark Authority as a “qualifying government” for the purposes of long-term equity investment authority.
8	Ballpark grants. Amends the authorization for the county to make grants to the Minnesota Ballpark Authority for the initial ballpark development to also include grants to the authority for capital improvements to the ballpark and surrounding public infrastructure.
9	Hennepin County health care facilities. Allows the county to allocate the tax revenue remaining after grants are made to the ballpark authority and for activities relating to youth sports and libraries within the county to a nonstate government teaching hospital with high medical assistance utilization and a level I trauma center located in Hennepin County (Hennepin Health Care).The tax revenue may be used by the health care facility for: <ul style="list-style-type: none">▪ development, construction, improvement, and equipping;▪ public infrastructure improvements surrounding the facilities;▪ reserves for capital improvements;▪ reimbursement of uncompensated care provided at the facilities;▪ operating expenses; and▪ payment of financing costs for any bonds issued under section 15.
10	Expenditure limitations. Removes language relating to capital improvement grants provided to the ballpark authority. This language is replaced in section 5.
11	Capital improvement grants. Authorizes the county to make grants to the ballpark authority for capital improvements, up to \$7,000,000 per year, subject to an agreement between the county and the authority and including agreed upon inflation index.

Section	Description
12	<p>Property acquisition and disposition.</p> <p>Authorizes the county to acquire property for health care facilities and related infrastructure.</p>
13	<p>Local government expenditures.</p> <p>Provides the authority to the county to make grants and expenditures to reimburse any entity that has granted, loaned, or advanced funds for the purposes of the additional uses of revenue authorized in this bill.</p>
14	<p>County authority.</p> <p>Amends the authorization for the county to make grants to the Minnesota Ballpark Authority for the initial ballpark development to also include grants to the authority for capital improvements to the ballpark and surrounding public infrastructure.</p>
15	<p>County revenue bonds.</p> <p>Authorizes the county to issue and sell bonds to finance the costs of development and improvements to HCMC. The bonds may be payable from the revenue derived from this tax and the county may use its full faith and credit and taxing power as additional security.</p>
16	<p>Sales and use tax.</p> <p>Increases the sales tax rate from 0.15 percent to 0.75 percent.</p>
17	<p>Use of tax.</p> <p>Authorizes the county to use tax revenue for the purposes described in this bill. Extends the sunset of the tax to the later of (1) 30 years after the last-issued bonds, or (2) the final term of the agreement between the county and the authority. Removes obsolete language.</p>
18	<p>Reserve for capital improvements.</p> <p>Requires that the reserve for capital improvements of the ballpark be funded with payments of \$14,000,000 per year through the grants provided under section 11 as well as contributions of \$7,000,000 per year from the team (Minnesota Twins). Allows funds to be used for public infrastructure improvements.</p>
19	<p>Corporate board of Hennepin Healthcare System, Inc. reconstituted and operational.</p> <p>Requires the Hennepin County board to reconstitute the Hennepin Healthcare board by January 15, 2027, and complete the transition of governance of Hennepin Healthcare from the county board to the reconstituted Hennepin Healthcare board by that date.</p>

Section	Description
20	<p>Hennepin Healthcare stabilization grants.</p> <p>Directs the commissioner of health to award stabilization grants to Hennepin Healthcare in fiscal years 2027, 2028, 2029, 2030, and 2031 to stabilize the operation of HCMC and avoid its closure. Lists information Hennepin Healthcare must provide to the commissioner, and requires Hennepin Healthcare to comply with the reporting requirements to receive grants. Requires the commissioner to provide notice to certain members of the legislature if HCMC notifies the commissioner that it intends to close or stop providing certain services, requires the commissioner to report certain information to certain committees in the legislature, and requests that the legislative auditor report to certain committees in the legislature on compliance with this section and an assessment of Hennepin Healthcare's and HCMC's financial health and stability.</p>
21	<p>Advisory task force on governance and financing of Hennepin Healthcare System, Inc.</p> <p>Directs the commissioner of health to establish an advisory task force to develop recommendations for the legislature on the ownership, governance, and financing of Hennepin Healthcare. Specifies membership of the advisory task force; requires the first meeting to be convened by September 1, 2026, and for a chairperson to be elected at the first meeting; lists duties of the advisory task force; allows the commissioner to request data and technical assistance and requires state agencies to provide technical assistance upon request; requires an interim report by January 2027 and final report by January 2028; and provides the task force expires June 30, 2028.</p>
22	<p>Appropriations.</p> <p>Para. (a) appropriates \$150,000,000 in fiscal year 2027 from the general fund to the commissioner of health for the hospital stabilization program.</p> <p>Para. (b) appropriates \$150,000,000 in fiscal year 2027 from the general fund to the commissioner of health for a Hennepin Healthcare stabilization grant.</p> <p>Para. (c) makes a blank appropriation in fiscal year 2027 from the general fund to the commissioner of health for the advisory task force on governance and financing of Hennepin Healthcare.</p>
23	<p>Effective date.</p> <p>Sections 2 to 4, 7 to 15, and 18 of this bill are effective the day following final enactment. Section 15 is effective the day following final enactment for sales and purchases made after September 30, 2026.</p>



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