

HF778 - 0 - "Minnesota Sports Facilities Authority"

Chief Author: Sarah Anderson
 Committee: State Government Finance
 Date Completed: 02/16/2017
 Agency: Minn Management and Budget

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	(5,255)	(5,855)	(6,455)	(6,555)
Total	-	(5,255)	(5,855)	(6,455)	(6,555)
Biennial Total			(11,110)		(13,010)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	(5,255)	(5,855)	(6,455)	(6,555)	(6,555)
Total	-	(5,255)	(5,855)	(6,455)	(6,555)	(6,555)
	Biennial Total		(11,110)		(13,010)	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-			-
2 - Revenues, Transfers In*						
General Fund	-	5,255	5,855	6,455	6,555	6,555
Total	-	5,255	5,855	6,455	6,555	6,555
	Biennial Total		11,110			13,010

Bill Description

This bill relates to the Minnesota Sports Facilities Authority by modifying appointments to the authority board, modifies duties of the MSFA, restricts the use of stadium suites, and makes other changes to M.S. 473J as outlined below.

Section 1 modifies the membership of the authority and expands the number of members from five to seven and prescribes how members are appointed.

Section 2 makes a change to the compensation of the authority chair by making its compensation the same as other board members.

Section 3 directs that the authority board members shall elect a chair biennially from its board members.

Section 4 limits the compensation of the executive director to not exceed that of the governor.

Section 5 requires the authority to submit its annual adopted budget to the commissioner of Minnesota Management and Budget and to the chairs and ranking minority members of the senate finance and house of representatives' way and means committees. It also requires that the authority's budget, meeting minutes, policies, and procedures must be made available on its website.

Section 6 requires that as a condition of employment, authority employees may not engage in partisan political activities.

Section 7 requires the authority to submit to the legislative committees with jurisdiction over state government finance its past operating and capital budgets.

Section 8 adds a subdivision to M.S. 473J.09 that defines the use of stadium suites. This section also requires the authority to negotiate a return of all stadium suites to the primary tenant, or other interested parties, in return for fair market value. A provision may be negotiated that would allow a limited access for marketing purposes. Any revenue that is received pursuant to this additional language is appropriated to the commissioner of Minnesota Management and Budget to pay for state debt service on the stadium.

Section 9 requires the authority to adopt and comply with the latest version of the state code of conduct promulgated by Minnesota Management and Budget.

Section 10 requires that all reserves in excess of \$1,000,000 must be transferred to the commissioner of Minnesota

Management and Budget, who has authority over any requested release of such reserves. If determined that reserves exceed necessary levels, the commissioner may transfer funds to debt service on the stadium bonds. Any funds for this purpose are appropriated to the commissioner for this purpose.

Section 11 directs the authority to recover the costs associated with food, parking, tickets and use of the stadium suites accrued prior to January 1, 2017, by persons whose use was not in the public interest. It requires the authority to report on the recovery efforts each month to the commissioner of Minnesota Management and Budget and to the chairs and ranking minority members of the senate finance and house of representatives' ways and means committees until a full recovery is completed.

Section 12 repeals M.S. 473J.09, subdivision 14, that directed the authority to conduct a study on the feasibility of conducting a raffle to win a pair of prime seats.

Section 13 makes the effective date of the bill July 1, 2017 unless otherwise noted in the bill. It also directs that the appointment of the executive director and the terms of the current members of the authority are terminated on that date as well. New appointments as required by section 1 of the bill must be made no later than July 15, 2017.

Assumptions

MMB will reflect any impact this bill has on the state end only. Any impacts on the Minnesota Sports Facilities Authority are noted below, but is not included in the expenditure and revenue table of this fiscal note as they are not a state agency. The information reflected in this fiscal note was provided by the MSFA.

Minnesota Sports Facilities Authority Assumptions:

Section 1 will have an estimated impact of \$5,100 annually to increase board membership from five to seven.

Section 2 eliminates the chair's annual salary and makes that position paid the same as other board members will result in savings of \$170,000 in salary and fringe costs.

Section 4 states that the executive director's salary cannot exceed that of the governor. This will result in savings of \$37,700.

Section 8the buyback value of the return of the stadium suites is estimated at \$75,000 per suite, per year over 30 years. The MSFA received the rights to the suites in a use agreement with the Minnesota Vikings at no charge. The MSFA does not have any information on what comparable suites may be valued at. The Minnesota Vikings would be the source of cost information about comparable suites.

Section 11the MSFA believes it has received all reimbursements at this time. There is no additional value of recovery.

Section 13 may result in some savings, depending on how quickly the new board and executive director are assembled.

MMB Assumptions:

Section 10 will result in a transfer in funds from the MSFA to MMB of reserve funds in excess of \$1,000,000. MMB assumes the MSFA will continue to receive all of the capital and operating payments outlined in M.S. 473J.13. These include the operating expenses payments made by the NFL team and the state, as well as the contributions made by these two entities for capital improvements.

MMB assumes it will work with the MSFA in July each year to complete the transfer. MMB will establish a procedure to ensure the MSFA has adequate operating funds available throughout the year.

Potential Tax Issues Relating to Stadium Appropriation Bonds

The state sold the vast majority of the stadium appropriation bonds on a tax-exempt basis (Series 2014A Bonds), and in

the legal documents for the bonds the State has agreed to comply with applicable federal tax regulations that apply to tax-exempt bonds. Relevant federal tax regulations include limits on the amount of “private use” that may be generated by the stadium and attributable to the tax-exempt bonds. Because private use was expected to result from the normal operation of the stadium, the state also sold a share of the stadium appropriation bonds on a taxable basis (Series 2014B Bonds) as one means of absorbing some of the expected private use.

As another means of mitigating private use issues regarding the stadium, in the legal documents for the bonds, the state directed that all fees, revenues and related amounts received by either MMB or MSFA from the Vikings organization shall first be allocated to annual operations and maintenance costs of the stadium. This provision serves to take advantage of one safe harbor in federal tax regulations that would prevent certain use, and payments for that use, from being characterized as impermissible private use.

The language in SF626, sections 8 and 10, appropriating any revenues received from MSFA’s sale of its stadium suites, as well as any operating and capital reserves determined to be excess by MMB, to MMB for payment on the stadium bonds conflict with the above-mentioned provisions from the bond legal documents directing those revenues to annual operations and maintenance costs. If enacted as proposed, MMB’s receipt and application of these revenues may impact the tax-exempt status of the Series 2014A Bonds. If the state were to violate the private use limits in federal tax law, then the Series 2014A bonds could be deemed taxable and the state could owe penalties to the IRS.

Further, both MMB and MSFA have agreed in the bond legal documents to take all actions to preserve the tax-exemption of the stadium appropriation bonds, as is customary for tax-exempt bond transactions. The language as proposed in SF626 could complicate compliance with these covenants.

Expenditure and/or Revenue Formula

Estimate of Buyback Value of Stadium Suites

\$75,000 x 30 years=\$2,250,000 each

Total value of two suites=\$4,500,000

Estimates of Potential Reserve Transfers

	FY2018	FY2019	FY2020	FY2021
Estimated Reserve	\$6,180,000	\$6,780,000	\$7,380,000	\$7,480,000
Reserve Remaining at MSFA	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Available for Transfer to MMB	\$5,180,000	\$5,780,000	\$6,380,000	\$6,480,000

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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