

**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 one 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. Lastly, this bill provides authority to the county to issue bonds and acquire property in relation to health care facilities in the county.

**Background:** 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><b>Qualifying government.</b></p> <p>Designates the Minnesota Ballpark Authority as a “qualifying government” for the purposes of long-term equity investment authority.</p>
2	<p><b>Ballpark grants.</b></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>
3	<p><b>Hennepin County health care facilities.</b></p> <p>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 the following entities:</p> <ul style="list-style-type: none"><li>▪ Up to \$24,000,000 annually to a private, nonprofit level I trauma hospital located in Hennepin County (North Memorial, Robbinsdale and Maple Grove).</li><li>▪ The remaining funds to county-owned and operated health care facilities (Hennepin County Medical Center) and county health initiatives.</li></ul>

The allocation to North Memorial is determined by a formula based on the following factors:

- Amount of uncompensated care as determined by all of the bad debt and charity care, excluding bad debts from patients whose income exceeds 300 percent of federal poverty levels, as well as excluding care for which the hospital received payment in the form of the lesser negotiated rate with the patient’s third-party insurance or medical assistance, or the benchmark amount (the average percent of gross revenue of uncompensated care for all hospitals in the county, as determined by data provided by the MN Hospital Association).
- The county must not make payments to North Memorial until the hospital’s aggregate amount of uncompensated care for the fiscal year exceeds the benchmark (the average percent of gross revenue of uncompensated care for all hospitals in the county, as determined by data provided by the MN Hospital Association).
- When calculating the medical assistance reimbursement rate, it must include the base payment rate and any payments due by the hospital for services provided in 2017 from upper payment limits and medical education payments.

Section	Description
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- North Memorial must follow customary, lawful hospital debt collection practices with respect to collecting uncompensated care amounts.
- The county will only provide uncompensated care subsidy for the estimated cost of care provided to Hennepin County residents. North Memorial must determine patient residency status at the time of providing care.
- Medicare bad debt claimed on North Memorial's Medicare cost report does not factor into the calculation of the formula.
- North Memorial must provide an estimate of its cumulative Medicare disproportionate share hospital reduction it has incurred due to the Affordable Care Act beginning in 2014. This amount must be added to the calculation for uncompensated care.
- The total payment must be reduced by any grant money paid to North Memorial from the annual allotment from the state for care of emergency medical assistance patients.

North Memorial will not receive any payments from the county if its ownership, corporate governance structure, or majority control of either North Memorial hospital is sold or transferred to a for-profit entity.

The remaining portion of the tax revenue may be used by the county for:

- development, construction, improvement, and equipping of Hennepin County Medical Center (HCMC);
- public infrastructure improvements surrounding HCMC;
- reserves for capital improvements to HCMC;
- uncompensated care provided at HCMC;
- operating expenses of HCMC;
- other purposes related to county public health services or priorities; and
- other county-identified services or programs, including low-barrier housing, that address health-related social needs.

**4 Expenditure limitations.**

Removes language relating to capital improvement grants provided to the ballpark authority. This language is replaced in section 5.

**5 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
6	<p><b>Property acquisition and disposition.</b></p> <p>Authorizes the county to acquire property for health care facilities and related infrastructure.</p>
7	<p><b>Local government expenditures.</b></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>
8	<p><b>County authority.</b></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>
9	<p><b>County revenue bonds.</b></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>
10	<p><b>Sales and use tax.</b></p> <p>Increases the sales tax rate from 0.15 percent to one percent.</p>
11	<p><b>Use of tax.</b></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>
12	<p><b>Reserve for capital improvements.</b></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 5 as well as contributions of the team (Minnesota Twins). Allows funds to be used for public infrastructure improvements.</p>
13	<p><b>Effective date.</b></p> <p>This bill is effective the day following final enactment.</p>



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