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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 4668

03/28/2022 Authored by Gomez and Lee
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; modifying the local sales tax authority for the city of
1.3 Minneapolis; modifying stadium revenues and appropriations; amending Minnesota
1.4 Statutes 2020, sections 16A.726; 16A.727; 297E.021, subdivisions 3, 4; 473J.13,
1.5 subdivisions 2, 4; Laws 1986, chapter 396, sections 4, subdivision 1, as amended;
1.6 5, as amended; repealing Minnesota Statutes 2020, section 297A.994, subdivisions
1.7 1, 2, 3, 4.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2020, section 16A.726, is amended to read:

1.10 16A.726 SPORTS FACILITIES TRANSFERS; APPROPRIATIONS.

1.11 (a) If state appropriation bonds have not been issued under section 16A.965, amounts
1.12 not to exceed the increased revenues estimated by the commissioner of management and
1.13 budget under section 297E.021, subdivision 2, are appropriated from the general fund to
1.14 the commissioner of management and budget to make transfers to the Minnesota Sports
1.15 Facilities Authority for stadium costs as defined under section 473J.03, subdivision 9.

1.16 (b) The commissioner shall make transfers to the Minnesota Sports Facilities Authority
1.17 required to make the state payments under section 473J.13, subdivisions 2 and 4, and for
1.18 the amount of Minneapolis taxes withheld under section 297A.994, subdivision 4, paragraph
1.19 (a), clause (5). Amounts sufficient to make the transfers are appropriated to the commissioner
1.20 from the general fund.

1.21 (c) \$2,700,000 is annually appropriated from the general fund from fiscal year 2014
1.22 through fiscal year 2033 to the commissioner of management and budget for a grant to the
1.23 city of St. Paul for the operating or capital costs of new or existing sports facilities.

1.24 EFFECTIVE DATE. This section is effective the day following final enactment.

2.1 Sec. 2. Minnesota Statutes 2020, section 16A.727, is amended to read:

2.2 **16A.727 BACKUP REVENUES; FOOTBALL STADIUM FUNDING.**

2.3 (a) If the commissioner of management and budget determines that the amount of
2.4 revenues under section 297E.021, subdivision 2, for the next fiscal year, plus \$20,000,000,
2.5 will be less than the amounts specified in section 297E.021, subdivision 3, clause (1), items
2.6 (i) to (iii), for that fiscal year, the commissioner may implement the revenue options
2.7 authorized in Laws 2012, chapter 299, article 6; provided that this section does not constitute
2.8 a pledge of tax revenues as security for the payment of principal and interest on appropriation
2.9 bonds issued under section 16A.965. If the commissioner determines to exercise the authority
2.10 under this section for a fiscal year, the commissioner must implement the revenue options,
2.11 as necessary, in the following order:

2.12 (1) a sports-themed lottery game under section 349A.20; and

2.13 (2) a tax on suites as provided under section 473J.14.

2.14 (b) Revenue raised under the authority granted by this section must be deposited in the
2.15 general fund.

2.16 (c) If the commissioner determines to implement one or more of the revenue options
2.17 authorized by this section, each subsequent year the commissioner must determine if the
2.18 revenue is needed and will be imposed and collected for the next fiscal year. If the
2.19 commissioner determines that one or more revenue options implemented for a fiscal year
2.20 are not needed for a subsequent fiscal year, the commissioner must terminate them in the
2.21 reverse order they were required to be implemented by paragraph (a) with the last option
2.22 implemented terminated first and so forth.

2.23 (d) Before implementing a revenue source authorized under this section, the commissioner
2.24 must report the intent to do so to the Legislative Commission on Planning and Fiscal Policy.
2.25 The commissioner must inform the commission of determinations to continue or discontinue
2.26 each revenue source for a subsequent fiscal year.

2.27 (e) The provisions of this section no longer apply after the Minnesota Sports Facilities
2.28 Authority certifies to the commissioner that it has determined that ~~the revenues of the general~~
2.29 ~~fund under section 297A.994,~~ the increased revenues under chapter 297E, and other available
2.30 resources of the authority provide adequate financial security for the state and the authority.

2.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.1 Sec. 3. Minnesota Statutes 2020, section 297E.021, subdivision 3, is amended to read:

3.2 Subd. 3. **Available revenues.** For purposes of this section, "available revenues" equals
 3.3 the amount determined under subdivision 2, plus up to \$20,000,000 each fiscal year from
 3.4 the taxes imposed under section 290.06, subdivision 1;

3.5 ~~(1)~~ reduced by the following amounts paid for the fiscal year under:

3.6 ~~(i)~~ (1) the appropriation to principal and interest on appropriation bonds under section
 3.7 16A.965, subdivision 8;

3.8 ~~(ii)~~ (2) the appropriation from the general fund to make operating expense payments
 3.9 under section 473J.13, subdivision 2, paragraph (b);

3.10 ~~(iii)~~ (3) the appropriation for contributions to the capital reserve fund under section
 3.11 473J.13, subdivision 4, paragraph (c);

3.12 ~~(iv)~~ (4) the appropriations under Laws 2012, chapter 299, article 4, for administration
 3.13 and any successor appropriation;

3.14 ~~(v)~~ (5) the reduction in revenues resulting from the sales tax exemptions under section
 3.15 297A.71, subdivision 43;

3.16 ~~(vi)~~ (6) reimbursements authorized by section 473J.15, subdivision 2, paragraph (d);

3.17 ~~(vii)~~ (7) the compulsive gambling appropriations under section 297E.02, subdivision 3,
 3.18 paragraph (c), and any successor appropriation; and

3.19 ~~(viii)~~ (8) the appropriation for the city of St. Paul under section 16A.726, paragraph (c);
 3.20 ~~and.~~

3.21 ~~(2) increased by the revenue deposited in the general fund under section 297A.994,~~
 3.22 ~~subdivision 4, clauses (1) to (3), for the fiscal year.~~

3.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.24 Sec. 4. Minnesota Statutes 2020, section 297E.021, subdivision 4, is amended to read:

3.25 Subd. 4. **Appropriation; general reserve account.** To the extent the commissioner
 3.26 determines that revenues are available under subdivision 3 for the fiscal year, those amounts
 3.27 are appropriated from the general fund for deposit in a general reserve account established
 3.28 by order of the commissioner of management and budget. ~~Amounts in this reserve are~~
 3.29 ~~appropriated as necessary for application against any shortfall in the amounts deposited to~~
 3.30 ~~the general fund under section 297A.994 or,~~ After consultation with the Legislative
 3.31 Commission on Planning and Fiscal Policy, amounts in this reserve are appropriated to the

4.1 commissioner of management and budget for other uses related to the stadium authorized
 4.2 under section 473J.03, subdivision 8, that the commissioner deems financially prudent
 4.3 including but not limited to reimbursements for capital and operating costs relating to the
 4.4 stadium, refundings, and prepayment of debt. In no event, shall available revenues be
 4.5 pledged, nor shall the appropriations of available revenues made by this section constitute
 4.6 a pledge of available revenues as security for the prepayment of principal and interest on
 4.7 the appropriation bonds under section 16A.965.

4.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.9 Sec. 5. Minnesota Statutes 2020, section 473J.13, subdivision 2, is amended to read:

4.10 Subd. 2. **Operating expenses.** (a) The authority must pay or cause to be paid all operating
 4.11 expenses of the stadium. The authority must require in the lease or use agreement with the
 4.12 NFL team that the NFL team pay the authority, beginning January 1, 2016, or other date as
 4.13 mutually agreed upon by the parties, toward operating costs of the stadium, \$8,500,000
 4.14 each year, increased by a three percent annual inflation rate.

4.15 (b) Beginning January 1, 2016, or other date as mutually agreed upon by the parties,
 4.16 ~~and continuing through 2020,~~ the state shall pay the authority operating expenses, \$6,000,000
 4.17 each year, increased by an annual adjustment factor. ~~The payment of \$6,000,000 per year~~
 4.18 ~~beginning in 2016 is a payment by the state, which shall be repaid to the state, using funds~~
 4.19 ~~as provided under section 297A.994, subdivision 4, clause (4). After 2020, the state shall~~
 4.20 ~~assume this payment, using funds generated in accordance with the city of Minneapolis as~~
 4.21 ~~specified under section 297A.994, subdivision 4, clause (3).~~

4.22 (c) The authority may establish an operating reserve to cover operating expense shortfalls
 4.23 and may accept funds from any source for deposit in the operating reserve. The establishment
 4.24 or funding of an authority operating reserve must not decrease the amounts required to be
 4.25 paid to the authority toward operating costs under this subdivision unless agreed to by the
 4.26 authority.

4.27 (d) The authority will be responsible for operating cost overruns.

4.28 (e) After the joint selection of the third-party manager or program manager, the authority
 4.29 may agree with a program manager or other third-party manager of the stadium on a fixed
 4.30 cost operating, management, or employment agreement with operating cost protections
 4.31 under which the program manager or third-party manager assumes responsibility for stadium
 4.32 operating costs and shortfalls. The agreement with the manager must require the manager
 4.33 to prepare an initial and ongoing operating plan and operating budgets for approval by the

5.1 authority in consultation with the NFL team. The manager must agree to operate the stadium
5.2 in accordance with the approved operating plan and operating budget.

5.3 **EFFECTIVE DATE.** This section is effective the day following final enactment and
5.4 applies to repayments due on or after that date.

5.5 Sec. 6. Minnesota Statutes 2020, section 473J.13, subdivision 4, is amended to read:

5.6 Subd. 4. **Capital improvements.** (a) The authority shall establish a capital reserve fund.
5.7 The authority shall be responsible for making, or for causing others to make, all capital
5.8 repairs, replacements, and improvements for the stadium and stadium infrastructure. The
5.9 authority shall maintain, or cause others to maintain, the stadium and stadium infrastructure
5.10 in a safe, clean, attractive, and first-class manner so as to cause them to remain in a condition
5.11 comparable to that of other comparable NFL facilities of similar design and age. The authority
5.12 shall make, or cause others to make, all necessary or appropriate repairs, renewals, and
5.13 replacements, whether structural or nonstructural, interior or exterior, ordinary or
5.14 extraordinary, foreseen or unforeseen, in a prompt and timely manner. In addition, the
5.15 authority, with approval of the NFL team, may enter into an agreement with a program
5.16 manager to perform some or all of the responsibilities of the authority in this subdivision
5.17 and to assume and accept financial liability for the cost of performing the responsibilities.

5.18 (b) The NFL team must contribute \$1,500,000 each year, beginning in 2016 or as
5.19 otherwise determined for the term of the lease or use agreement to the capital reserve fund,
5.20 increased by a three percent annual inflation rate.

5.21 (c) The state shall contribute \$1,500,000 each year, beginning in 2016 or as otherwise
5.22 determined for the term of the lease to the capital reserve fund. The contributions of the
5.23 state are subject to increase by an annual adjustment factor. ~~The contribution under this~~
5.24 ~~paragraph by the state from 2016 through 2020 shall be repaid to the state using funds in~~
5.25 ~~accordance with section 297A.994, subdivision 4, clause (4).~~

5.26 (d) The authority with input from the NFL team shall develop short-term and long-term
5.27 capital funding plans and shall use those plans to guide the future capital needs of the stadium
5.28 and stadium infrastructure. The authority shall make the final determination with respect
5.29 to funding capital needs. Any capital improvement proposed by the NFL team intended
5.30 primarily to provide revenue enhancements to the NFL team shall be paid for by the NFL
5.31 team, unless otherwise agreed to with the authority.

5.32 (e) The NFL team has authority to determine the design of a retractable roof feature for
5.33 the stadium. The NFL team must cooperate with the authority in designing the feature to

6.1 minimize any additional operating cost. The design must not result in a material marginal
 6.2 increase in the operating or capital costs of the stadium, considering current collections and
 6.3 reserves.

6.4 **EFFECTIVE DATE.** This section is effective the day following final enactment and
 6.5 applies to repayments due on or after that date.

6.6 Sec. 7. Laws 1986, chapter 396, section 4, subdivision 1, as amended by Laws 2012,
 6.7 chapter 299, article 3, section 2, is amended to read:

6.8 Subdivision 1. **Imposition.** Notwithstanding Minnesota Statutes, section 477A.016, or
 6.9 any other contrary provision of law, ordinance, or city charter, upon approval by the city's
 6.10 board of estimate and taxation by a vote of at least five members, the city of Minneapolis
 6.11 may by ordinance impose an additional sales tax of up to one-half of one percent on sales
 6.12 taxable pursuant to Minnesota Statutes, chapter 297A that occur within the city, and may
 6.13 also by ordinance impose an additional compensating use tax of up to one-half of one percent
 6.14 on uses of property within the city, the sale of which would be subject to the additional sales
 6.15 tax but for the fact such property was sold outside the city. The tax is imposed on the tax
 6.16 base defined in Minnesota Statutes, section 297A.99, subdivision 4, and is subject to the
 6.17 exemptions and credits in Minnesota Statutes, section 297A.99, subdivisions 7 and 8.

6.18 The tax authorized by this section must ~~not~~ be terminated ~~before~~ at the earlier of (1)
 6.19 January 1, 2047, or (2) when the city council determines that the amount received from the
 6.20 tax and the tax imposed in section 5 is sufficient to pay for the project costs authorized
 6.21 under subdivision 3, plus an amount sufficient to pay the costs related to issuance of any
 6.22 bonds authorized under subdivision 3, including interest on the bonds. The tax imposed
 6.23 may also terminate at an earlier time if the city so determines by ordinance. The tax must
 6.24 be imposed and may be adjusted periodically by the city council in conformity with
 6.25 Minnesota Statutes, section 297A.99, subdivision 12, such that the rate imposed, rounded
 6.26 to the next highest one-tenth of one percent, produces revenue sufficient to finance the
 6.27 purposes described in subdivisions 3 and 4, ~~and in Minnesota Statutes, section 297A.994,~~
 6.28 but in no case may the rate exceed one-half of one percent.

6.29 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
 6.30 city of Minneapolis and its chief clerical officer comply with Minnesota Statutes, section
 6.31 645.021, subdivisions 2 and 3.

7.1 Sec. 8. Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session
 7.2 chapter 5, article 12, section 87, Laws 2012, chapter 299, article 3, section 3, and Laws
 7.3 2019, First Special Session chapter 6, article 6, section 5, is amended to read:

7.4 **Sec. 5. LIQUOR, LODGING, AND RESTAURANT TAXES.**

7.5 The city may, by resolution, levy in addition to taxes authorized by other law:

7.6 (1) a sales tax of not more than three percent on the gross receipts on retail on-sales of
 7.7 intoxicating liquor and fermented malt beverages when sold at licensed on-sale liquor
 7.8 establishments located within the downtown taxing area, provided that this tax may not be
 7.9 imposed if sales of intoxicating liquor and fermented malt beverages are exempt from
 7.10 taxation under Minnesota Statutes, chapter 297A;

7.11 (2) a sales tax of not more than three percent on the gross receipts from the furnishing
 7.12 for consideration of lodging for a period of less than 30 days at a hotel, motel, rooming
 7.13 house, tourist court, or trailer camp located within the city by a hotel or motel which has
 7.14 more than 50 rooms available for lodging; the tax imposed under this clause shall be at a
 7.15 rate that, when added to the sum of the rate of all other city taxes on lodging in the city of
 7.16 Minneapolis, equals 6.5 percent; and

7.17 (3) a sales tax of not more than three percent on the gross receipts on all sales of food
 7.18 primarily for consumption on or off the premises by restaurants and places of refreshment
 7.19 as defined by resolution of the city that occur within the downtown taxing area.

7.20 The taxes authorized by this section must ~~not~~ be terminated ~~before~~ at the earlier of (1)
 7.21 January 1, 2047, or (2) when the city council determines that the amount received from the
 7.22 tax and the tax imposed in section 4 is sufficient to pay for the project costs authorized
 7.23 under section 4, subdivision 3, plus an amount sufficient to pay the costs related to issuance
 7.24 of any bonds authorized under section 4, subdivision 3, including interest on the bonds. The
 7.25 tax imposed may also terminate at an earlier time if the city so determines by ordinance.

7.26 The taxes shall be imposed and may be adjusted periodically by the city council such that
 7.27 the rates imposed produce revenue sufficient, together with the tax imposed under section
 7.28 4, to finance the purposes described in ~~Minnesota Statutes, section 297A.994, and section~~
 7.29 ~~4, subdivisions 3 and 4. These taxes shall be applied, first, as provided in Minnesota Statutes,~~
 7.30 ~~section 297A.994, subdivision 3, clauses (1) to (3), and then, solely to pay, secure, maintain,~~
 7.31 ~~and fund the payment of any principal of, premium on, and interest on any bonds or any~~
 7.32 ~~other purposes in section 4, subdivision 3 or 4. The commissioner of revenue may enter~~
 7.33 ~~into appropriate agreements with the city to provide for the collection of these taxes by the~~

8.1 state on behalf of the city. These taxes shall be subject to the same interest, penalties, and
8.2 enforcement provisions as the taxes imposed under Minnesota Statutes, chapter 297A.

8.3 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
8.4 city of Minneapolis and its chief clerical officer comply with Minnesota Statutes, section
8.5 645.021, subdivisions 2 and 3.

8.6 Sec. 9. **REPEALER.**

8.7 Minnesota Statutes 2020, section 297A.994, subdivisions 1, 2, 3, and 4, are repealed.

8.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

297A.994 CITY OF MINNEAPOLIS SALES TAX; ALLOCATION OF REVENUES.

Subdivision 1. **Scope.** Notwithstanding the provisions of section 297A.99, subdivision 11, the provisions of this section govern the remittance of the proceeds of taxes imposed by the city of Minneapolis under the special law.

Subd. 2. **Definitions.** (a) For purposes of this section, the following definitions apply.

(b) "City" means the city of Minneapolis.

(c) "Special law" means Laws 1986, chapter 396, sections 4 and 5, as amended.

(d) "Tax" means the sales taxes imposed by the city under the special law.

(e) The terms defined under section 473J.03 apply for purposes of this section.

Subd. 3. **General allocation of revenues.** The commissioner shall remit the revenues from the taxes, less the deductions listed in this subdivision, to the city at least quarterly. The commissioner shall make the following deductions in the order listed before distribution to the city:

(1) refunds of any of these taxes due to taxpayers, if any;

(2) the direct and indirect costs of the department to administer, audit, and collect the tax, according to the applicable law and agreements between the commissioner and the city. For revenues from the general local sales and use tax, the commissioner must deduct a proportionate share of costs described in section 297A.99, subdivision 11; and

(3) notwithstanding the provisions of any agreement between the commissioner and the city providing for collection and remittance of these taxes, the commissioner must deposit to the general fund the amounts specified in subdivision 4.

Subd. 4. **General fund allocations.** The commissioner must retain and deposit to the general fund the following amounts, as required by subdivision 3, clause (3):

(1) for state bond debt service support beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, periodic amounts so that not later than December 31, 2046, an aggregate amount equal to a present value of \$150,000,000 has been deposited in the general fund. To determine aggregate present value, the commissioner must consult with the commissioner of management and budget regarding the present value dates, discount rate or rates, and schedules of annual amounts. The present value date or dates must be based on the date or dates bonds are sold under section 16A.965, or the date or dates other state funds, if any, are deposited into the construction fund. The discount rate or rates must be based on the true interest cost of the bonds issued under section 16A.965, or an equivalent 30-year bond index, as determined by the commissioner of management and budget. The schedule of annual amounts must be certified to the commissioner by the commissioner of management and budget and the finance officer of the city;

(2) for the capital improvement reserve appropriation to the Minnesota Sports Facilities Authority beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, an aggregate annual amount equal to the amount paid by the state for this purpose in that calendar year under section 473J.13, subdivision 4;

(3) for the operating expense appropriation to the Minnesota Sports Facilities Authority beginning in calendar year 2021, and for each calendar year thereafter through calendar year 2046, an aggregate annual amount equal to the amount paid by the state for this purpose in that calendar year under section 473J.13, subdivision 2;

(4) for recapture of state advances for capital improvements and operating expenses for calendar years 2016 through 2020 beginning in calendar year 2021, and for each calendar year thereafter until all amounts under this clause have been paid, proportionate amounts periodically until an aggregate amount equal to the present value of all amounts paid by the state have been deposited in the general fund. To determine the present value of the amounts paid by the state to the authority and the present value of amounts deposited to the general fund under this clause, the commissioner shall consult with the commissioner of management and budget regarding the present value dates, discount rate or rates, and schedule of annual amounts. The present value dates must be based on the dates state funds are paid to the authority, or the dates the commissioner of revenue deposits taxes for purposes of this clause to the general fund. The discount rates must be based on the reasonably equivalent cost of state funds as determined by the commissioner of management and budget. The schedule of annual amounts must be revised to reflect amounts paid under section 473J.13, subdivision 2, paragraph (b), for 2016 to 2020, and subdivision 4, paragraph (c), for 2016

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to 2020, and taxes deposited to the general fund from time to time under this clause, and the schedule and revised schedules must be certified to the commissioner by the commissioner of management and budget and the finance officer of the city, and are transferred as accrued from the general fund for repayment of advances made by the state to the authority; and

(5) to capture increases in taxes imposed under the special law, for the benefit of the Minnesota Sports Facilities Authority, beginning in calendar year 2013 and for each calendar year thereafter through 2046, there shall be deposited to the general fund in proportionate periodic payments in the following year, an amount equal to the following:

(i) 50 percent of the difference, if any, by which the amount of the net annual taxes for the previous year exceeds the sum of the net actual taxes in calendar year 2011 plus \$1,000,000, inflated at two percent per year since 2011, minus

(ii) 25 percent of the difference, if any, by which the amount of the net annual taxes for the preceding year exceeds the sum of the net actual taxes in calendar year 2011 plus \$3,000,000, inflated at two percent per year since 2011.