

MINNEAPOLIS

Gambling growth gives boost to U.S. Bank Stadium reserves

As financing projections finally pan out, leaders mull how to handle the surge.

By Eric Roper (<http://www.startribune.com/eric-roper/62906482/>) Star Tribune

DECEMBER 11, 2018 — 10:26PM

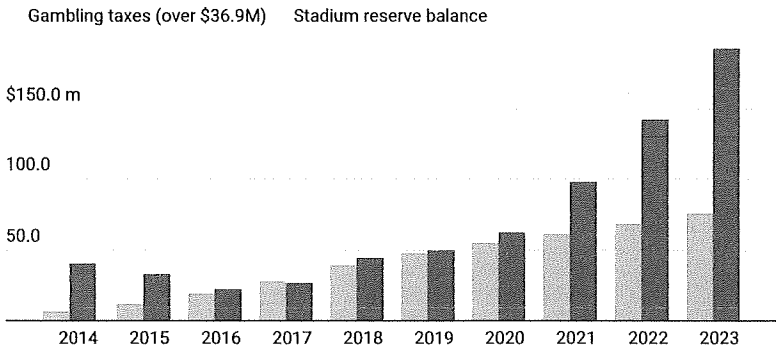
Pulltabs and other charitable gambling have generated so much revenue to pay off U.S. Bank Stadium’s debt that corporate taxes are no longer needed for that purpose, state officials say.

The state projected last week (<https://mn.gov/mmb-stat/000/az/forecast/2018/budget-and-economic-forecast/november/forecast.pdf>) that the reserve account for the stadium will climb to \$193 million by 2023, even without an annual infusion from corporate taxes. The rising revenue could even pay off the stadium debt earlier than anticipated, saving hundreds of millions in interest costs.

It’s possible because charitable gambling taxes — the original stadium funding source — have soared after a sluggish start.

Gambling taxes fill U.S. Bank Stadium reserve

Minnesota officials project that the reserve account for U.S. Bank Stadium will reach \$193 million by 2023. Because of booming charitable gambling, they no longer plan to use \$20 million a year in corporate taxes to fill the account. Minneapolis sales taxes begin contributing in 2021.



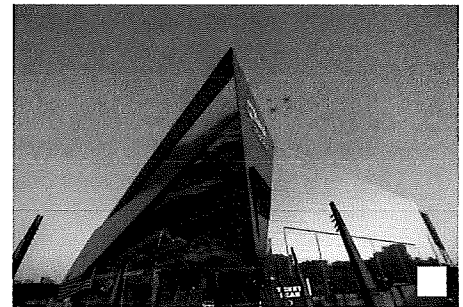
2019 - 2023 figures are forecasts.

Chart: C.J. Sinner, Star Tribune • Source: Minnesota Department of Management and Budget • Get the data

The taxes were growing so slowly that in 2013, state leaders had to look (<http://www.startribune.com/dayton-turns-to-smokers-to-fill-vikings-stadium-funding-gap/207817391/>) elsewhere for a cash infusion. In addition to a one-time tax on cigarettes, officials closed what they described at the time as a corporate tax “loophole” involving overseas income. The corporate tax pumped \$20 million a year into the account, money that can now be redirected back to the state’s general fund.

“We’re just recognizing that the original projections are now coming through,” said Myron Frans, Minnesota Management and Budget commissioner. This year was a crucial turning point, he said, since the stadium reserve now has enough money in it — about \$44 million — to cover the state’s annual debt payment for one year.

The growing reserve may prove a tempting target at the Capitol in the coming years. Earlier this year, some wanted to [tap the fund to help pay](http://www.startribune.com/legislators-want-to-use-vikings-stadium-reserve-to-build-veterans-homes/480181853/) (<http://www.startribune.com/legislators-want-to-use-vikings-stadium-reserve-to-build-veterans-homes/480181853/>) for new veterans homes around the state — a proposal later covered under the [bonding bill](http://www.startribune.com/dayton-signs-1-5-billion-bonding-bill-but-expresses-deep-concerns/484071331/) (<http://www.startribune.com/dayton-signs-1-5-billion-bonding-bill-but-expresses-deep-concerns/484071331/>).



RENEE JONES SCHNEIDER — STAR TRIBUNE FILE

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Frans recommends that future state leaders leave the account alone for now. If it reaches the projected level in five years, he said, the state can prepay enough stadium debt to save about \$300 million in interest payments. State officials said several years ago (<http://www.startribune.com/taxes-to-pay-for-u-s-bank-stadium-rebound/387999002/>) that the state's total share of the stadium — with interest — exceeds \$600 million over three decades. "We're hoping with a \$1.5 billion [overall budget] surplus, people won't go looking over here for money," Frans said.

Pulltabs dominate charitable gambling sales, compared with bingo, raffles and other activities.

Electronic pulltabs, which were legalized by the stadium bill (<https://www.revisor.mn.gov/laws/2012/0/Session+Law/Chapter/299/>), now comprise nearly 20 percent (<https://mn.gov/gcb/assets/fy2018-annual-report.pdf>) of all pulltab sales revenue after several years of rapid growth.

Charities have been asking to reduce the charitable gambling taxes they pay to the state. Last year was the first that charities paid more in taxes for charitable gambling than they had left over for their missions, like youth hockey leagues and fire relief associations, said Al Lund, executive director of Allied Charities of Minnesota.

"We see no reason that they can't dial us back, because that [stadium] fund is pretty flush right now," Lund said.

Rep. Bob Dettmer, R-Forest Lake, said he intends to continue pursuing legislation this session to reduce the tax bill for charities.

"The money is raised in the local community. Why not keep it in the local community?" Dettmer said.

Frans warned that lowering the taxes could be followed by an economic slowdown, as happened in the late 1990s before the dot-com bubble burst — creating state budget deficits.

"I don't think the fact that it's doing so well necessarily means you change the tax structure," Frans said.

In addition to healthy gambling revenue, the other driver of the stadium's rising reserves in the coming years is that Minneapolis will begin paying its share of the stadium in 2021. A number of city sales taxes are slated to pay for the stadium after debt is paid off for the city's convention center in 2020.

"Two great things are happening," Frans said. "The charitable gambling is growing nicely, and [in] 2021 then Minneapolis starts paying their portion. So that means there's even more money we don't need to use on our side."

The state is also making an annual payment for operations and maintenance of the stadium, amounting to about \$7.8 million this year, to be later repaid by the city. That figure rises annually based on how well the sales taxes are growing.

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