

MINNEAPOLIS

# Growing cash in Vikings stadium fund needs more state guidance, audit says

By Rochelle Olson (<http://www.startribune.com/rochelle-olson/10645556/>) Star Tribune

NOVEMBER 13, 2019 — 11:04PM

After a rocky start, a critical reserve account for U.S. Bank Stadium where the Vikings play is expected to grow to nearly \$200 million in 2023, according to a new financial audit that could spark fresh debate about how to use the extra money.

The audit tosses the burgeoning account — which is used to pay the bonds on the \$1.1 billion building — squarely before Gov. Tim Walz and the next session of the Minnesota Legislature, which convenes in February.

“The time is now to make strategic decisions about the account,” Chris Buse, a deputy state legislative auditor, told a legislative audit panel on Wednesday. Buse’s 28-page document represents an exhaustive new review of every dime received and spent through the state Office of Management and Budget on the three-year-old stadium.

While praising the state agency for its management of the funds, the [report by the state legislative auditor \(https://www.auditor.leg.state.mn.us/fad/pdf/fad1910.pdf\)](https://www.auditor.leg.state.mn.us/fad/pdf/fad1910.pdf) said the projected growth “merits a strategic conversation about future uses of the account.” The options include retooling the 2012 law that created the revenue for the bonds from the sale of electronic pulltabs.

That complex financing deal took years to put together and changing it could quickly become a fiscal food fight at the Capitol because some of the money pooling in the stadium reserve could potentially be allocated for other public needs. Past suggestions have included using the money for veterans homes.

The Vikings, the building’s main tenant, have publicly stated their preference to refinance the bond debt and pay off the building early. But that would require some restraint from lawmakers because the bonds can’t be refinanced until 2023.

Fueling the growth in the reserve is revenue from electronic pulltabs that were legalized in 2012 to pay for the stadium. Electronic pulltabs caught on slowly. In 2013, the pulltabs brought in a relatively paltry \$16 million. But by 2017, after they caught on with the public, they brought in \$200 million.

The new audit covers a period from 2012 through the end of June 2018. At the end of that fiscal year, the reserve had a balance of \$44 million. The reserve is projected to grow to \$193 million in 2023.

The gambling revenue covers about \$30 million in annual debt service for the state’s \$348 million share of the stadium’s cost. It also covers, for now, the Minneapolis portion of the debt, which is \$150 million. In addition to the debt service, the fund provides another \$10 million. That covers payments to the stadium’s operating and capital improvement funds as well as \$3 million for St. Paul sports facilities.

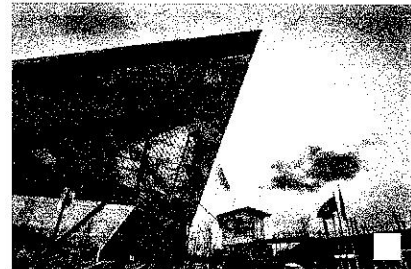
As e-pulltabs took off, so did the reserve fund, pulling in much more than needed to pay for the stadium and making it a tempting pot of cash for legislators. At one point, House Republicans proposed using some of the money for veterans homes, but that got no traction from former Gov. Mark Dayton, who preferred to see how well the pulltab revenue would continue to fare.

State Office of Management and Budget Commissioner Myron Frans has previously urged restraint, and the Vikings have said now is not the time to tap the money.

Frans expressed his preference Wednesday for keeping healthy reserves. “I think you know me well enough to know that I like fund balances,” he told lawmakers.

But he added that the fund has grown beyond its intended purpose of providing a backstop for bond payments, confronting lawmakers with a decision about what to do with the surplus cash. “Those are legitimately hard discussions,” Frans said.

Vikings vice president Lester Bagley said that if the bonds are refinanced in 2023 they could be paid off in 20 years instead of 30. That would reduce the public annual debt service payment from \$30 million to \$21 million. He also wasn’t keen to revisit the hard-



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The U.S. Bank Stadium reserve account is expected to grow to nearly \$200 million by 2023.

fought 2012 financing mechanism. “We worked a long time on that legislative solution,” he said. “It was a difficult, painstaking deal and we need to stick to it.”

Further complicating the deal is the possibility of some sort of debt restructuring in 2021, when the city of Minneapolis has to start making payments for its share of the stadium cost. At that time, the state’s share drops by \$9 million annually.

Speaking at the public hearing, Sen. Ann Rest, DFL-New Hope, said that given a potential recession and fluctuations in gambling revenue, “paying off the debt seems to be the fiscally responsible action.”

In an indication of how quickly ideas for spending the money arise, Sen. Mary Kiffmeyer, R-Big Lake, suggested another option. She said the charitable groups that run the pulltab operations “keep pennies on the dollar for the work that they do.”

The report found no basis for a legislator’s audit-triggering claim that the Office of Management and Budget had improperly transferred \$20 million from the fund.

But Buse said the Office of the Legislative Auditor seized on the claim to conduct a comprehensive analysis of the stadium deal. “We traced all the revenues. We went through all the expenditures,” he said. Multiple times, he said the audit was “completely clean,” calling that a rare and extraordinary conclusion.

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