



May 6, 2018

Governor Mark Dayton
Office of the Governor
130 State Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd
St. Paul, MN 55155

Via Electronic Delivery

Dear Governor Dayton,

I was disappointed to hear your attack on my integrity when speaking to the press on Friday. At no point in my conversations with you, members of your administration, legislators, press, or the public have I stated that you oppose building the much needed veterans homes in Preston, Montevideo, and Bemidji.

I would welcome you to personally watch my availability from the morning of May 3rd so you can see that I told the press and public only that "I was a little surprised at the Governor's reluctance to utilize these funds." As we discussed in your office on April 24th, we simply have a difference in opinion on the best way to fund these three projects.

My position, and that of the House of Representatives when we passed SF 3656 on a bipartisan basis on Thursday evening, is that we should use a portion of the Vikings stadium reserve to pay for these projects in cash. I would like to lay out precisely why I feel it is the most prudent and fiscally responsible path to do so.

MMB's 2012 November Budget Forecast describes the Vikings stadium reserve as follows (emphasis mine):

*As part of the Vikings stadium financing enacted in 2012, a **small reserve** was created within the state general fund. Unlike the cash flow and budget reserves, **the stadium reserve is a bookkeeping account** that simply reflects the balance of forecast revenue from the expanded gambling matched against forecast expenditures for stadium related costs².*

According to MMB's most recent Budget Forecast, the Vikings Stadium Reserve is forecast to reach \$58 million by the end of Fiscal Year 2019 and \$120.2 million by the end of Fiscal Year 2021³.

¹ Minnesota House Information Office: <https://www.youtube.com/watch?v=Tonr0Ny5QZg>

² MMB November 2012 Budget Forecast, Page 15:
<https://www.leg.state.mn.us/docs/2012/mandated/121181.pdf>

³ MMB February 2018 Budget Forecast, Page 4 & 62: <https://mn.gov/mmb-stat/000/az/forecast/2018/budget-and-economic-forecast/final.pdf>

Frankly, I have been puzzled by the insistence of you and Commissioner Frans that we should not rely on these projections for the Vikings Stadium Reserve.

As you well know, both the Governor and the Legislature have always relied on MMB's budget forecasts to produce biennial and supplemental budgets. For example, the table that shows the Vikings Stadium Reserve growing to \$120.2 million in Fiscal Year 2021 appears under the title "Planning Estimates."

I do appreciate that you have kept an open mind about the concept of a cap on the size of the Vikings Stadium Reserve. A cap would certainly be a mechanism in which the state could recapture the excess of these excess funds in order to fund the three veterans homes in Preston, Montevideo, and Bemidji. The House proposal would cap the reserve at \$26.82 million. This figure represents approximately 127 percent of the annual state debt service on the Vikings stadium.

Commissioner Frans has stated that he would like the Vikings Stadium Reserve to be capped at no less than \$41 million dollars, which is the total amount of state Vikings Stadium-related expenditures. The expenses that are part of the Vikings Stadium Reserve calculation include the state debt service, the City of Minneapolis debt service, the state's payment for Vikings Stadium operating expenses, the state's payment for the Vikings Stadium Capital Reserve, the Saint Paul Sports Facilities Grant, and Problem Gambling Appropriations⁴. However, I question if that is truly the appropriate way to calculate what the reserve cap should be. The priority for the Vikings Stadium Reserve should be as back up for the state debt service payments, and at present, I cannot foresee a situation in which those payments would be in jeopardy.

The 127 percent cap that is being proposed by the House happens to leave the reserve at the same amount as it was at the end of Fiscal Year 2017. If this amount was insufficient, I am curious why you and your administration did not propose another onetime infusion of funding similar to what happened in FY 2014 to put the reserve at your preferred higher level. Additionally, capping the reserve at 127 percent of the State Debt Service far exceeds other more critical reserve funds. For example, MMB recommends that the overall state budget reserve have a target of 4.9 percent⁵.

Beyond the specific discussion of what the cap should be, we must be cognizant that the money going into the stadium reserve is growing rapidly while expenses have leveled off. Lawful gambling tax revenues continue to grow and beginning in Fiscal Year 2021 over \$17 million annually in revenue from the City of Minneapolis will be added to the reserve⁶. Understanding this \$120 million reality is not stealing. It is making the best use of the state's readily available resources.

I understand that your preferred funding source for the three veterans homes would be through General Obligation bonds. In your \$1.5 billion proposed bill, you could not find room for these three homes, and to my knowledge the legislature has not received an updated proposal that includes these projects.

That is not to say that I do not recognize the \$13 million request your administration proposed for asset preservation at Minnesota Department of Veteran Affairs facilities. The House Capital Investment bill would provide \$10 million in asset preservation on top of the \$26 million in cash that is in the State Government Finance Bill bringing our total commitment to our state's aging

⁴ Minnesota House Fiscal Analysis Department, Page 15:
<http://www.house.leg.state.mn.us/Fiscal/Download/2022>

⁵ MMB Budget Reserve Recommendation: <https://mn.gov/mmb-stat/000/az/forecast/2017/budget-reserve-report/2017-09.pdf>

⁶ Minnesota House Fiscal Analysis Department, Page 8:
<http://www.house.leg.state.mn.us/Fiscal/Download/2022>

veterans to \$36 million. I would also note that paying cash for the homes saves the state 30 years of debt service payments on the bonds you would prefer we use.

My hope is that through this letter we can continue to seek a better understanding of each other so we can work together to do what is best for the veterans in Preston, Montevideo, Bemidji, and throughout all of Minnesota. I am always available to work with you and your administration to determine the best path forward for addressing the excessive amount of tax dollars in the Vikings Stadium Reserve.

Sincerely,

A handwritten signature in black ink that reads "Sarah Anderson". The signature is written in a cursive style with a prominent initial "S".

Sarah Anderson
State Representative, District 44A
Chair, House State Government Finance Committee