Governor's Statement

In January before the current legislative session began, Senate and House leaders acknowledged several pressing issues that they would work to resolve: the budget shortfall, capital bonding, redistricting and finally, the stadium issue.

It is now March 15, and just two weeks remain until their targeted adjournment date. And none of these issues are resolved.

So much publicity was given to an early budget bill crafted by democrat and republican leaders that most people think that the budget problem is solved. It is not.

So much legislative time and effort has been focused on easy short-term solutions but the fact remains that they are a long way from finishing their job.

Could we still do the responsible thing? Sure. And I would tell them that it is important to continue trying.

It is important because it would be irresponsible to pass a bonding bill that requires more debt service than our long-term budgets can reasonably support.

It is important because inaction will only create further risk for education, health care, long term care, public employees, local government, state services and the state's credit rating.

Having said that, let me now address the least important of the important issues we face: A baseball stadium.

I will not support a bill that raises an existing state tax or creates a new state tax to pay for a baseball stadium.

I would only support a baseball stadium bill that authorizes the state to finance a stadium.

Therefore I am offering a plan:

The state of Minnesota would finance - not fund - a baseball stadium by issuing $330 million in taxable revenue bonds to pay for the design and construction of a baseball stadium.

A gift by the team of $165 million dollars would be placed in a fund. In addition, the team would make annual payments of approximately $10 million dollars to the gift fund.

The gift fund would be invested for the 30-year term of the revenue bonds and the profits would then be used to pay off interest and principal.

The team would assume responsibility for the investment of the fund and guarantee the state from any loss for the length of the loan.

I believe that this is a simple and safe way to use the states ability to obtain low interest debt but still maintain an arms length from what is for the most part a private business deal.

I have kept my statement brief because I want to emphasize that while Commissioner Wheelock and I have been concentrating on issues of higher priority, Assistant Finance Commissioner Peter Sausen has come up with what I think is a pretty good idea.

If the legislature wants to take advantage of this idea maybe we can get the stadium issue settled and move on to the Budget.

Baseball Stadium Financing Outline

The Facts

- State issues $330 million in revenue bonds for a new stadium.
- Taxable bonds are sold at today's low interest rates (6.5%).
- Twins pay for one-half of the stadium costs upfront, giving $165 million as a gift to the state.
- Interest earned on the gift (estimated at 8.5%) pays the principal at the end of 30 years and funds roughly one-half of the interest payments over the 30 years.
- The Twins make annual payments of about $10 million each year to provide the rest of the interest payment.

The Plan

- $330 million in taxable revenue bonds sold at an estimated 6.5% rate of interest to pay for the design and construction of the stadium and are paid off at the end of 30 years.
- The $330 million in principal on the bonds is paid at the end of the 30 years, with about $21.5 million in interest earnings paid annually during the 30 years.
- The $165 million Twins contribution is placed in the gift fund and invested.
- The gift fund has a long-term investment horizon of 30 years and assumes an average return on the investment of 8.5%.
- The investment return is greater than the interest rate on the bonds sold, resulting in an investment profit that pays roughly one-half of the annual interest costs and the entire principal after 30 years.

The Team's Role

- The Twins contribute one-half of the project costs upfront as a non-refundable gift to the state.
- The Twins assume the risk that investment returns are sufficient, along with the annual payments, to cover annual interest payments and the principal payment at the end of 30 years.
- The Twins enter into a 30 year lease for use of the publicly owned stadium.
- The Twins select all investment advisors, giving the team more control over the gift fund's investment strategy.
- At predetermined time periods of four years, the Twins are required to bring the gift fund up to the amount expected if investment returns are less than expected.
- The Twins provide sufficient security or guarantees to ensure that state taxpayers hold no risk for future interest or principal payments.