MINNESOTA · REVENUE

Preliminary

March 11, 2013

Property Taxes and Local Aids Only --See Separate Analysis for State Taxes

PROPERTY TAX
Rochester Area Medical Center
Development Authority

	Yes	No
DOR Administrative Cost/Savings	x	

Department of Revenue Analysis of H.F. 0409 (Norton) 1st Engrossment

	Fund Impact			
	FY2014	FY2015	FY2016	FY2017
	(000's)			
General Fund	\$0	\$0	(unknown)	(unknown)

Effective July 1, 2013.

EXPLANATION OF THE BILL

The bill establishes a Rochester Area Medical Center Development Authority (RAMCDA) to provide for the development of the city of Rochester as a global destination medical center. The authority would be required to prepare a development plan for the city that identifies projects necessary to attract medical-related and other businesses to the city and to support growing numbers of patients, visitors, and residents. Officers and duties of the non-profit RAMCDA corporation are specified, as are the scope of the projects that can be undertaken.

The authority is permitted to undertake and finance these projects by issuing revenue bonds. The total principal of these bonds is limited to \$585 million. No bonds may be issued later than twenty years after enactment, and no bonds may mature later that December 31, 2049.

Two thirds of any increase in designated state taxes will be transferred annually to the authority for debt service ad administrative and operating expenses. Designated state taxes include any of the following taxes attributable to businesses located in the city of Rochester and any Mayo Clinic facilities located in the state: personal income tax, corporate franchise tax, state general levy on commercial-industrial property, and sales and use tax.

The baseline amount for calculating the increase in designated state taxes is calendar year 2011. Two thirds of the increase in designated state taxes over the 2011 baseline amount constitutes the "value capture amount" for any given year.

Each year, the amount of funds requested by the authority, which is not to exceed either the value capture amount or \$75 million, is to be transferred from the general fund to the authority. The first transfer would occur on July 15, 2015 and would be based on the increase in designated state taxes in calendar year 2013. Subsequent transfers would occur annually on the same date as long as any revenue obligations issued by the authority remain outstanding.

REVENUE ANALYSIS DETAIL

- The state general levy property tax estimates are based taxes payable 2011 and 2013 data.
- The county of Olmsted is assumed to be a good proxy for the city of Rochester plus other statewide Mayo property.
- Based on preliminary information, the state general levy component of the value capture amount is estimated to be \$1.4 million in FY 2016, growing to approximately \$4.0 million in FY 2020.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

Transparency, Understandability, Simplicity & Accountability	Decrease Complicated new authority and funding mechanism.
Efficiency & Compliance	Neutral
Equity (Vertical & Horizontal)	Neutral
Stability & Predictability	Neutral
Competitiveness for Businesses	Neutral
Responsiveness to Economic Conditions	Neutral

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue Property Tax Division - Research Unit www.revenue.state.mn.us/research_stats/ pages/revenue-analyses.aspx

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