



State Airports Fund Balance Policy

Policy # FM012
Revised: 10-27-2020

Policy Owner: Director, Office of Financial Management

Policy Contact: Director, Office of Aeronautics

Policy Statement

The Minnesota Department of Transportation (MnDOT) must maintain a reserved fund balance in the state airports fund of:

- not less than 5% of total appropriations
- not more than 15% of total appropriations
- not more than \$3 million

In conjunction with Minnesota Management & Budget's annual budgeting process prescribed in [Minnesota Statutes 16A.103](#), the MnDOT Office of Financial Management, in cooperation with Aeronautics staff, must prepare a formal budget forecast for the state airports fund in November and February every fiscal year. The forecast must cover the current fiscal year and two additional biennia into the future.

If any forecast projects that the fund balance target will not be met, MnDOT must propose mitigating actions. Potential actions include:

- Adjustments to airline flight property tax
- Supplemental budget submissions
- Postponement or acceleration of grant applications and awards
- Modifications of local contribution rates

Reason for Policy

This policy ensures an appropriate level of reserve to protect against major fluctuations in revenue. State statutes do not require that a specific balance be maintained in the state airports fund; however, it is important that a sufficient amount is maintained to avoid a deficit in the fund at the end of a biennium. Therefore, setting an appropriate amount for the reserved fund balance is an important management decision that the statutes reserve for the Commissioner.

The amount of estimated revenue is a major factor in determining the estimated fund balance. Although unlikely, events could occur to substantially affect the receipt of actual revenue, such as airline bankruptcies, disruption of petroleum supply, or substantial economic recession.

Prudent business practice is to have adequate fund balance to protect against uncertainty and volatility of revenues.

Applicability

All MnDOT employees must comply with this policy.

Key stakeholders with responsibilities under this policy include:

- Commissioner
- Chief Financial Officer
- Director, Office of Aeronautics

Definitions

Airline Flight Property Tax

Tax paid to the state airports fund by the airlines in lieu of other property taxes on “flight property,” as defined in [Minnesota Statutes §§270.071 to 270.079](#).

Note: The overall amount of the tax is determined each year by MnDOT and is calculated as the difference between the total appropriations to the state airports fund by the legislature and the estimated revenues to the airports fund from all other sources, plus an additional allowance for contingencies.

Fund Balance (State Airports Fund)

The amount of estimated and actual revenue either projected or received by the state airport fund for a given fiscal year, less appropriations (made by legislature or through statutory provisions), or if after the end of a fiscal year, actual revenue minus the total amount of expenditures plus remaining encumbrances. Revenue includes aircraft registration tax, aviation fuel tax, aircraft sales tax, airline flight property tax, interest earnings on cash balances in the state airports fund, and other miscellaneous revenues.

State Airports Fund

The operating fund for the MnDOT Office of Aeronautics as specified by [Minnesota Statutes §360.017](#). It is a governmental fund that accounts for public monies used to acquire, construct, improve, maintain, and operate airports and other navigational facilities, assist municipalities to do the same, promote interest and safety in aeronautics, and pay salaries and expenses of MnDOT related to aeronautical planning, administration, and operation.

Note: For purposes of this policy, the State Airports Fund does not include activity in the Hangar Loan and Air Transportation revolving funds specified by Minnesota Statutes [§360.305](#) and [§360.024](#).

Responsibilities

Commissioner

- Ensure that an appropriate fund balance is maintained in the State Airports Fund.

Chief Financial Officer

- Ensure that the budget process provides appropriate information to the Commissioner and the Aeronautics Director, to meet the obligations of this policy.
- Work with Director, Office of Aeronautics and stakeholders to recommend revenue or spending changes to manage the fund balance, as needed.

Director, Office of Aeronautics

- Work with Chief Financial Officer and stakeholders to recommend revenue or spending changes to manage the fund balance, as needed.

Policy Owner (Director, Office of Financial Management)

- Review the policy every two years, or sooner as necessary, to ensure the policy remains up to date.
- Ensure documents and training associated with the policy remain current.
- Monitor state, federal, enterprise, agency, or other requirements that apply to the policy or procedures.
- Consult with the Office of Chief Counsel to ensure the policy and procedures remain compliant with all state, federal, enterprise, agency, or other requirements.
- Ensure that necessary approvals by state or federal agencies are obtained before changes to the policy or procedures are implemented.
- Work with the Policy Coordinator to revise the policy and/or confirm its accuracy.
- Communicate policy revisions, reviews, and retirements to stakeholders.

Resources and Related Information

Resources

- [Minnesota Statutes §§270.071 to 270.079](#) *Airline Flight Property Tax*
- [Minnesota Statutes §360.017](#) *State Airports Fund*
- [Minnesota Statutes §360.305](#) *Expenditures for Airports and Navigation*
- [Minnesota Statutes §360.024](#) *Air Transportation Service Charge*
- Business Data Catalog (BDC) – accessible from employee Intranet
- MnDOT's [Policy Website](#)

History and Updates

Initial Adoption

Date: 2-14-2014

Comments: Policy #FM012 adopted

First Revision

Date: 10-27-2020

Comments: Policy updated and converted to new template

Authorization

Policy Owner: Robin Sylvester
Electronic Signature: _____
Digitally signed by Robin Sylvester
Date: 2020.10.20 15:06:57 -05'00'
Director – Office of Financial Management

Governance Committee has reviewed this policy and recommends approval:

Corrine Calhoun
Electronic Signature: _____
Digitally signed by Corrine Calhoun
Date: 2020.10.21 06:43:26 -05'00'
Governance Committee Chair

Responsible Senior Officer:

Scott R Peterson
Electronic Signature: _____
Digitally signed by Scott R Peterson
Date: 2020.10.27 10:17:47 -05'00'
Deputy Commissioner – Chief Administrative Officer

Policy Review

This policy has been reviewed by the Policy Owner, the policy content is current, and no significant modifications are needed. Minor modifications have been noted in the “Comments” section.

First Review Robin Sylvester
Policy Owner Signature and Date: _____
Digitally signed by Robin Sylvester
Date: 2022.10.17 11:44:55 -05'00'

Comments: Added two policy owner responsibilities to match revised template

Second Review

Policy Owner Signature and Date: _____

Comments: Minor clerical edits.

Next Review

The next scheduled review for this policy is February 2027.