



State Airports Fund Balance Policy

Policy # FM012
Effective:

Policy Owner: Director, Office of Financial Management

Policy Contact: Director, Office of Aeronautics

Policy Statement

The Minnesota Department of Transportation 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 MnDOT policies.

Key stakeholders affected by 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](#). 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 actually 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. 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 policy every two years, or sooner as necessary, to ensure policy remains up-to-date.
- Ensure documents and training associated with the policy remain current.
- Work with Policy Coordinator to revise policy and/or confirm its accuracy.
- Communicate policy revisions, reviews, and retirements to stakeholders.

Resources & 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 & Updates

Title: *State Airports Fund Balance Policy (2020)*

Revision	Date	Comments
Initial Adoption	2-14-2014	Policy #FM012 adopted
1 st Revision		Policy updated and converted to new template
2 nd Revision		
3 rd Revision		

Authorization

Policy Owner:

Signature: _____

Print Name: _____

Date: _____

Governance Committee has reviewed this policy and recommends approval:

Signature: _____

Print Name: _____

Date: _____

Responsible Senior Officer:

Signature: _____

Print Name: _____

Date: _____

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.

Date	Policy Owner Signature	Comments