

Lessard-Sams Outdoor Heritage Council

MEMO: Agenda Item #2
DATE: September 5, 2019
SUBJECT: Preliminary Allocation Target, ML 2020/FY 2021
PRESENTER: Mark Johnson, Executive Director

Suggested Action:

By consensus, or motion and vote, the council should agree upon a benchmark figure for their ML2020/FY2021 allocation recommendations. This benchmark will serve to guide members' allocation recommendations that are due for return to LSOHC staff by Friday, September 13, 2019.

Staff recommends Council adopt the allocation benchmark of \$119,140,000. This provides a 6% reserve to accommodate potential downward fluctuations in the December 2019 and/or February 2020 revenue forecasts. The \$119,140,000 benchmark already makes allowances for the administrative operating budget & website (appropriated in ML2019), as well as Contracts Management and Technical Evaluation Panel funding recommendations.

- Reserve scenario examples are at the bottom of this page for reference.

Background:

In 2017, MN Statute 97a.056 was amended with subd. 24, "In any fiscal year, at least five percent of that year's projected tax receipts determined by the most recent forecast for the outdoor heritage fund must not be appropriated."

MMB will provide an updated forecast for the Council's December 10, 2019 meeting. Ultimately, the Council's total allocation recommendation is required to fall within the "most recent" forecast (February 2020) with at least the statutorily mandated 5% reserve. As a result, staff recommends Council utilize a conservative reserve target of 6% to accommodate potential downward forecast fluctuation.

If the February 2020 forecast comes in higher than current anticipations with anticipated reserve monies exceeding 5%, the Council may consider the following contingency options:

- a. Excess reserve funds could remain in the OHF and available for allocation the following fiscal year (FY2022)
- b. Council could provide a note to Legislative Leadership requesting any additional funds over the statutory 5% reserve be allocated to one or more appropriations as pre-determined by the Council.
- c. IF IN DEFECIT, Council could provide a note to Leadership requesting any shortage of funds be removed from one or more appropriations as pre-determined by the Council.

For Reference - Potential scenarios of 7%, 6%, and 5% reserve targets:

- Maintaining a 7% reserve provides approximately \$117.94 million available for appropriation
 - Maintaining a 6% reserve provides approximately \$119.14 million available for appropriation
 - Maintaining a 5% reserve provides approximately \$120.34 million available for appropriation
- Each of the above scenarios already makes accommodation for these budgetary considerations:
- Administrative Operating & Website Budget (\$565, 000 – appropriated by legislature in ML2019)
 - Contracts Management (\$210,000 – current proposal, necessary to fund annually for fiscal oversight)
 - Technical Evaluation Panel (\$150,000 – current proposal, necessary to fund annually per statute).