

## Lessard-Sams Outdoor Heritage Council

**MEMO:**            **Agenda Item #5**  
**DATE:**            Aug 31, 2020  
**SUBJECT:**        Preliminary Allocation Target, ML 2021/FY 2022  
**PRESENTER:**     Mark Johnson, Executive Director

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### **Suggested Action:**

By consensus, or motion and vote, the council should agree upon a benchmark figure for their ML2021/FY2022 allocation recommendations. This benchmark will serve to guide members' allocation recommendations that are due for return to LSOHC staff by Monday, September 14, 2020.

Staff suggests Council adopt the allocation benchmark of \$109,824,000. This provides an approximate 10% reserve to accommodate potential downward fluctuations in the November 2020 and/or February 2021 revenue forecasts. The \$109,824,000 benchmark will also require reductions to make allowances for the administrative operating budget (\$546,000) & LCC Legacy website costs (\$4,000), as well as Contracts Management (\$210,000) and Technical Evaluation Panel (\$150,000) funding recommendations; a total reduction of \$910,000. **After the reductions listed above, the 10% reserve benchmark figure available for allocation recommendations is \$108,914,000.**

### **Considerations:**

- MMB has provided a table of reserve scenario examples that are on page two for reference.
- Sean Fahnhorst, MMB liaison, provided this input, "MMB's economic analysts were very helpful and were willing to re-project FY22/23 sales tax figures. They anticipate \$120,812,000 will be available in FY22. I created a table for you, below, with some potential reserve amounts. There is quite a lot of variability this year. The biggest factors will be the speed of the economic recovery, the amount that is returned from prior projects (the extensions might lessen the amount), and the investment income. 10% could be a good reserve level to start from."
- House Fiscal Analysis' Brad Hagemeyer provided his perspective, "Just to note the 5% reserve requirement in statute is a minimum and given the variability in the forecast a higher reserve amount might be a good idea. It is always easier to add to the recommendations if the November Forecast shows a higher balance, rather than reduce the recommendations if the forecast is lower."
- Senate Fiscal Analysis' Dan Mueller provided his perspective, "I...agree with Brad that being on the cautious side is a good idea. It's easier to add than it is to subtract. I think 10% is a good starting point, but I would have some projects identified ahead of time that are easily scalable instead of having to do across the board reductions again if the February forecast comes back with further reductions in revenues."

### **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 8, 2020 meeting. Ultimately, the Council's total allocation recommendation is required to fall within the "most recent" forecast (February 2020 or potentially later) with at least a 5% mandated reserve. As a result, at this time staff recommends Council start with a conservative reserve target of at least 10% to accommodate potential downward forecast fluctuation.

If the November 2020 forecast does not reduce from current expectations, the Council can add or subtract funding as deemed advisable.

**On the next page please view MMB's Table of Reserve Scenarios and an Historic Allocations & Reserve Summary.**

**For Reference – MMB provided table of reserve scenario examples:**

Expected FY22 OHF Balance	Reserve	Reserve Amount	Amount Available to Appropriate
120,812,000	5%	5,493,850	115,318,150
-	6%	6,592,620	114,219,380
-	7%	7,691,390	113,120,610
-	8%	8,790,160	112,021,840
-	9%	9,888,930	110,923,070
-	10%	10,987,700	109,824,300
-	11%	12,086,470	108,725,530
-	12%	13,185,240	107,626,760
-	13%	14,284,010	106,527,990
-	14%	15,382,780	105,429,220
-	15%	16,481,550	104,330,450

**Historical Allocation & Reserve Summary**

Year	February Forecast	Reserve %	Allocation Recommended Amount	Recommended Bill Total <i>(via Nov Forecast)</i>	Difference from Original Recommendation	Recommended Bill Total <i>(via May Forecast)</i>	Difference from Last Recommendation
2016	\$116,945,560	5%	\$110,326,000	\$103,978,000	-5.75%	\$103,978,000	0.00%
2017	\$113,632,000	7%	\$107,200,000	\$113,923,000	6.27%	\$113,923,000	0.00%
2018	\$127,094,000	6%	\$119,900,000	\$127,505,000	6.34%	\$127,505,000	0.00%
2019	\$126,288,400	6%	\$119,140,000	\$137,140,000	15.11%	\$117,915,000	-14.02%
2020	\$120,812,000	10%	\$109,824,000	-	-	-	-

Note: A minimum of 5% was mandated in Statute in 2017 (MN Stat § 97A.056). Pre 2016, the LSOHC kept the reserve at 5% of forecast.