

SF4305 - 2A - Long Term Facilities Maint. Rev. Modifications

Chief Author: **Rob Kupec**
 Committee: **Education Finance**
 Date Completed: **3/11/2024 9:53:46 PM**
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note has been reviewed and meets the LBO requirements for compliance with the fiscal note Uniform Standards and Procedures. MDE provided a range of estimates for possible levy impacts in the preparation of this fiscal note. Please review the local impact section of this note for an explanation of this range of possible impacts.

LBO Signature: Alyssa Holterman Rosas **Date:** 3/11/2024 9:53:46 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

The bill modifies the Long-Term Facilities Maintenance (LTFM) program under Minnesota Statutes 2023, section 123B.595. It allows additional revenue for the Commissioner to approve necessary roof repairs and replacement projects for long-term facilities maintenance revenue. The minimum roof replacement cost must be estimated at \$100,000 or more per site. Districts would be required to supply additional roof expense documentation, including the maintenance and repair schedule for each roof specified in the plan. The formula equalization percentage of 123% of the statewide average adjusted net tax capacity divided by adjusted pupil units (APU) is stricken and left blank.

Assumptions

Under current law, the largest 28 districts are allowed to levy needed funding for deferred maintenance costs, including roofing maintenance, on an annual basis. The remaining smaller school districts must currently fund their deferred maintenance costs, which includes roofing projects, from revenue that is calculated per adjusted pupil unit, and they often use bonding to spread the impact of the expenses over several years. This bill would allow all districts to levy an annual amount of additional LTFM revenue for roofing maintenance expenses. This is estimated to affect approximately 307 districts per year that currently depend upon the \$380/APU plus an average building calculation to fund these repairs.

There is a minimum roofing repair and replacement cost of \$100,000 per site. Roofing project scopes and costs are unknown because of the various factors involved: roofing project square footage, minor/major repairs, complete roof replacement, etc. There are approximately 2,000 school buildings in the State of Minnesota. It is unknown which buildings need roof repair or replacement. In addition, the equalizing factor determines the aid/levy split on a district by district basis. With all these unknowns, MDE is able to provide a cost range of \$4 million to \$12 million per year for this bill, which will be in all local levy costs if the equalization factor does not change. There will be additional duties in the bill that can be handled by the newly approved, yet to be hired, Education Finance Specialist 2 in School Finance.

Expenditure and/or Revenue Formula

NA

Long-Term Fiscal Considerations

The provisions in the bill would be in place permanently.

Local Fiscal Impact

There will be a local cost for this bill, with costs depending on unknown roofing repair and replacement costs. MDE estimates the local cost to be between \$4 million and \$12 million per year depending on the number and size of roofing projects, and how many school districts pay upfront or bond for the roofing project costs. In addition, the roofing levy is not required, and it will be up to school districts to choose if they want to levy for roofing repairs and replacements.

The equalization factor needed in FY26 and FY27 to make the bill levy neutral at the statewide level for the \$4 million cost is 126%. The equalization factor needed in FY26 and FY26 to make the bill levy neutral at the statewide level for the \$12 million cost is 133%. If the equalization factor is not increased, the increase in spending will be all levy.

Note that while the statewide equalization factor can be increased to make the statewide aid total cancel the total LTFM levy increase, there will be variations in the local district level state aid received, since the increase in statewide equalization is spread across all independent school districts regardless of whether a district had a roofing project or not.

References/Sources

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