



INFLATION'S IMPACT ON PUBLIC SCHOOL CAPITAL PROJECTS

The voter-approved facilities projects in the Tracy Area and Canby School Districts have been significantly affected by unprecedented construction inflation, a scarcity of bidders in southwest Minnesota, a shortage of workers, and extended timelines for receiving supplies.

Navigating district obligations

Districts are required to adhere to the MDE Review and Comment process, which involves utilizing professionals to prepare the best cost estimates for the scope of work, obtaining approval from MDE to proceed to the voters, drafting and preparing bond referendum ballot language, assessing tax impact, managing stakeholder communications, among other tasks. After securing voter approval, districts must then prepare construction bid documents and proceed to solicit and receive bids.

The **financial strains, lack of workers, and extended timelines come with extra unforeseen costs to districts**. Without your help we may be required to make difficult decisions regarding project cutbacks, timeline extensions, or further reductions in staffing and programming, directly impacting our children. Your approval of tax exemptions for goods and products will greatly assist our school districts in completing crucial safety and school improvement projects. These include installing new doors, door locks, security cameras, walls in our elementary schools that extend to the ceiling for safety, and relocating offices to provide clear visibility of our front entrances.

Tracy Area Public Schools and Canby Public Schools are both undergoing *critical and extensive updates* to facilities:

- HVAC
- Energy management systems
- Asbestos abatement
- Boilers
- Chiller replacements
- Air handler units
- Duct work ventilation improvements
- Roof replacements
- Sewer piping

A viable solution for school districts

The proposed exemption from sales and use tax for school facilities presents a viable solution to alleviate many of these challenges. By offering a rebate on sales taxes associated with facility improvements and construction, this initiative would enable us to prioritize essential projects that directly benefit our students and taxpayers.

However, the process schools are required to follow takes months to complete. The unprecedented increase in inflation over these months has negatively impacted our ability to provide all the deliverables.

The Tracy Area and Canby School Districts are requesting legislative support for SF 3392 that would allow for a state sales tax exemption and refund on materials and supplies used to help complete our voter-approved school improvement project.

The Legislature has approved this request by school districts in the past and has stepped in when other unforeseen disasters have impacted the usability of our local school buildings – special funding has helped address the damage from floods, tornadoes, and fires. Today, school districts that passed bond referenda in the years of 2022 and 2023 are faced with a new and serious challenge in their efforts to improve the quality and durability of their local schools during unprecedented construction inflation.