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**Fiscal Note**

**2023-2024 Legislative Session**

**SF1247 - 0 - Long-Term Facilities Revenue & Levies Uses**

Chief Author: **Gary Dahms**  
 Committee: **Education Finance**  
 Date Completed: **3/13/2023 10:00:09 AM**  
 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.

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

<b>Full Time Equivalent Positions (FTE)</b>	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-

**LBO Analyst's Comment**

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

**LBO Signature:** Alyssa Holterman Rosas    **Date:** 3/13/2023 10:00:09 AM  
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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.

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

**Bill Description**

Section 1 of the bill language adds provisions for intermediate and secondary cooperative districts for Long-Term Facilities Maintenance (LTFM) revenue.

- Subd. 3(a): Joint powers districts under MS 471.59 would become eligible to levy for long-term facilities maintenance costs under LTFM. Maintenance costs for leased facilities where a portion of leased costs attributable to the amortized cost of LTFM completed by a landlord would be eligible for LTFM revenue.
- Subd. 3(b): Resolutions may specify which member districts share project costs, but debt service must be the responsibility of all member districts.

Section 2, subdivision 1(h) currently allows member districts for intermediate school districts to levy for lease costs under the current \$65 per pupil unit maximum authority. The amendment to the language adds cooperative units and joint powers districts to also be allowed to levy for joint lease costs under the \$65 per pupil unit authority. A district may levy for the district’s proportionate share of lease expenditures. The authority is for buildings leased for any instructional purpose or school storage.

Effective for FY2024 and later.

**Assumptions**

Section 1

Under current law, only projects on buildings owned at the district are eligible for LTFM revenue. This expands the eligibility to lease costs due to LTFM projects completed by the landlord at leased facilities.

Intermediate and secondary cooperative districts may qualify for LTFM levies under current law. This expands the qualification to joint powers. Since there is no state aid associated with these districts, there would be no cost related to LTFM state aid.

All LTFM revenue increases related to the language changes would result in an increase in LTFM levy, with no increase in LTFM state aid.

Districts that choose to bond for LTFM costs would be eligible for the School Building Bond Ag Credit (MS 273.1387), which is a state cost. This is considered a secondary cost, and will not be included in the cost of this fiscal note but is calculated for reference.

It is assumed that three more districts at the average secondary levy of \$120,000 per district may participate in the first year totaling \$360,000 in additional levy authority per year. Districts that choose to bond for LTFM costs would be eligible

for the School Building Bond Ag Credit. Assuming that half the levy is bonded debt, the resulting School Building Bond Ag Credit (at 7%) is estimated to be \$25,200.

The member school districts for the 4 Intermediate School Districts (287, 288, 916 and 917) currently have an additional \$65 times the pupil unit lease levy authority. During the Pay23 levy cycle, all of the intermediates had full use of their levy cycle, 2 intermediate districts hit their available cap. The use of the current maximum regular lease levy authority of \$212 x pupil units varies significantly between districts and several are at or approaching the \$212 cap. If a cooperative decides to fund leases under the \$212 pupil unit authority, most districts could absorb the increase in the lease levy authority with a few districts needing another source of funding. With this legislation, providing an additional \$65 per pupil unit of lease levy funding, more coops are likely to proceed with projects for special education facilities. The optimum special education facility configuration is different than a typical school facility configuration. With this funding, many coops may elect to build a new special education facility or renovate a non-school facility for their special education programs under a capitalized lease.

It is estimated that each new coop will lease about \$400,000 each. It is assumed that if 25% of coops/ joint powers use the levy authority each year, it would add an additional \$1,600,000 in levy authority annually.

Software programming at MDE will need to be determined to distinguish among levy limits for intermediate, and or cooperative/joint power district levy limits. This is a part of normal business operations, and there will be no additional MNIT costs in this bill.

**Section 2**

There would be no fiscal impact to the State related to allowing cooperatives or joint powers districts to be able to levy for lease costs since this is all levy only.

Even though the legislation is effective in FY2024, the LTFM and lease levy projects have already been approved and the associated levies have been certified. It is assumed that all new LTFM projects and lease levy projects would be approved for FY2025.

**Expenditure and/or Revenue Formula**

Levy	2024	2025	2026	2027
LTFM Levy	-	120,000	360,000	360,000
Lease Levy	-	1,600,000	1,600,000	1,600,000
<b>Total Levy</b>	-	1,720,000	1,960,000	1,960,000

**Long-Term Fiscal Considerations**

The provisions in the bill would be in place permanently.

**Local Fiscal Impact**

The levy changes in the bill would allow local districts more funding flexibility related to LTFM. This may increase the total LTFM levy for some districts. In addition, it is expected that additional joint powers districts will take advantage of the lease levy process, which will increase the lease levy for some districts.

**References/Sources**

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