

Fiscal Note

2023-2024 Legislative Session

HF3558 - 1A - Long Term Facilities Maint. Rev. Modifications

Chief Author: **Bianca Virnig**
 Committee: **Education Finance**
 Date Completed: **3/6/2024 9:50:22 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.

State Cost (Savings)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
General Fund	-	-	17	17	17
Total	-	-	17	17	17
Biennial Total			17		34

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
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.

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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	
General Fund	-	-	17	17	17	
Total	-	-	17	17	17	
Biennial Total			17			34
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	17	17	17	
Total	-	-	17	17	17	
Biennial Total			17			34
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
Biennial Total			-			-

Bill Description

The bill modifies the Long-Term Facilities Maintenance (LTFM) program under M.S. 123B.595. It allows the Commissioner to approve necessary roof repairs and replacement projects for long-term facilities maintenance revenue. 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 deferred maintenance costs, including roofing maintenance, on an annual basis. The remaining smaller school districts must currently fund their deferred maintenance costs from revenue 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 for roofing maintenance expenses, which would be additional LTFM revenue. 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.

MDE does not have data on roof scopes and costs including project square footage, minor/major repairs, complete roof replacement, etc. Therefore, MDE is making some assumptions to calculate the cost of this bill. The minimum roofing project cost in the bill is \$100,000. Using FY23 UFARS data, there were 38 districts with roofing projects with a cost of over \$100,000. The highest roofing project cost was \$6.3 million and the second highest roofing project cost was \$1.5 million. To calculate the cost of this bill, MDE removed the highest roofing cost and used the remaining 37 roofing projects for a total of \$15,200,000. The cost averages out to \$410,811 per roofing project. FY25 levies are already certified so MDE assumes the effective date is for FY26 and later.

It is assumed that some of the district roofing projects will be bonded rather than funded as an annual pay-as-you-go levy. Actual UFARS expenditure data for FY23 excluding the 28 hold harmless schools shows 17% of the roofing projects that were over \$100,000 in costs were bonded. Therefore, it is assumed that this same percentage will reflect future behavior.

To make the bill levy neutral statewide, the equalizing factor would have to be 133% of statewide average in FY26 and FY27. If the equalization factor is not increased, the increase in spending will be all levy.

FTE Education Finance Specialist II would be required to review the additional narrative information for the proposed roofing projects under the ten-year facility plan.

Expenditure and/or Revenue Formula

	FY24	FY25	FY26	FY27
Education Specialist 2		16,445	16,448	16,451

Long-Term Fiscal Considerations

The provisions in the bill would be in place permanently.

Local Fiscal Impact

Note that the statewide equalization factor can be increased to make the statewide aid total cancel the LTFM levy increase total. However, the local district level might see variations in how much state aid they receive since the increase in statewide equalization is spread across all independent school districts regardless of whether a district had a roofing project or not.

	FY24	FY25	FY26	FY27
Levy Increase			12,616,006	12,616,006

References/Sources

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