

HF51 - 0 - Long-Term Facilities Maintenance Program Modified

Chief Author: **Bianca Virnig**
 Committee: **Education Finance**
 Date Completed: **3/6/2025 1:47:13 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 | |
|----------------------|----------|--------|--------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Dollars in Thousands | | | | | |
| General Fund | - | - | 2,970 | 4,920 | 5,010 |
| Total | - | - | 2,970 | 4,920 | 5,010 |
| Biennial Total | | | 2,970 | | 9,930 |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|--------|--------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| 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.

LBO Signature: Alyssa Holterman Rosas **Date:** 3/6/2025 1:47:13 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 | | FY2025 | FY2026 | FY2027 | FY2028 |
| | | | | | FY2029 |
| General Fund | - | - | 2,970 | 4,920 | 5,010 |
| Total | - | - | 2,970 | 4,920 | 5,010 |
| Biennial Total | | | 2,970 | | 9,930 |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | |
| General Fund | - | - | 2,970 | 4,920 | 5,010 |
| Total | - | - | 2,970 | 4,920 | 5,010 |
| Biennial Total | | | 2,970 | | 9,930 |
| 2 - Revenues, Transfers In* | | | | | |
| General Fund | - | - | - | - | - |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | - |

Bill Description

The bill modifies the Long-Term Facilities Maintenance (LTFM) program under Minnesota Statutes 2024, section 123B.595. It allows districts to add roofing repair and replacement projects \$100,000 or more per site to be eligible for additional annual levy or annual debt service. The facilities plan must address the maintenance and repair schedule for each school's roof for which funding is requested. 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. The bill is effective for revenue for fiscal year (FY) 2027 and later.

Assumptions

Under current law, the largest 28 independent school districts are allowed to levy deferred maintenance costs, including roofing repairs/maintenance/replacement, on an annual basis. The remaining smaller school districts must currently fund their deferred maintenance costs from revenue per APU, and they often use bonding to spread the impact of the expenses over several years. This bill would allow all independent school districts to levy an annual amount for roofing project expenses, which would be additional LTFM revenue. This is estimated to affect approximately 300 independent school districts per year that currently depend upon the \$380/APU plus an average building calculation to fund these projects.

MDE does not have data on school's 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 the yearly average for FY 2017 through FY 2024 UFARS data, there were 44 districts that had roofing projects with a cost of \$100,000 or more using annual pay-go funding. Project costs (and levy) for this group averaged \$22,600,000 per year. Using the average for FY 2017 to FY 2024 UFARS data, there were 30 districts that used bond funding. Project costs for this group averaged \$27,600,000. Assuming interest adds 50% more to the project costs, and a term of ten years, the annual bonding levy would be about \$4,100,000 for this group. The \$22,600,000 in pay-go and \$4,100,000 in bonding were run through the LTFM forecast for FY 2027 through FY 2029 to get updated levy amounts.

The equalizing factor is left blank and MDE assumes that it will be updated to make the bill levy neutral. To do this, the equalizing factor would have to be increased to 125.5% of statewide average in FY 2027 and 127% in FY 2028 and later. These equalizing factors were used to calculate the cost of the change.

This will take additional FTE at MDE for review and approval of additional projects. MDE is currently in the process of hiring for an FTE that could cover this additional work.

Expenditure and/or Revenue Formula

| HF51 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|--------------------------------|---------|-----------|-----------|-----------|
| Entitlement | | 3,300,000 | 5,100,000 | 5,000,000 |
| 90% Current Year Appropriation | | 2,970,000 | 4,590,000 | 4,500,000 |
| 10% Final Year Appropriation | | | 330,000 | 510,000 |
| Total Appropriation | | 2,970,000 | 4,920,000 | 5,010,000 |

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.

References/Sources

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