

HF498 - 0 - Long Term Facilities Maintenance Revenue

Chief Author: **Paul Marquart**  
 Committee: **Education Finance**  
 Date Completed: **2/9/2021 3:17:46 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	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	8	8	8	8
<b>Total</b>	-	-	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Biennial Total</b>			<b>8</b>			<b>16</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
<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:** 2/9/2021 3:17:46 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.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
General Fund		-	-	8	8	8
<b>Total</b>		-	-	8	8	8
<b>Biennial Total</b>				8		16
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund		-	-	8	8	8
<b>Total</b>		-	-	8	8	8
<b>Biennial Total</b>				8		16
<b>2 - Revenues, Transfers In*</b>						
General Fund		-	-	-	-	-
<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 deferred maintenance expenditures within the LTFM program. The authority is for buildings leased for any instructional purpose or school storage.

Effective for FY 2022 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.

Districts that choose to bond for LTFM costs would be eligible for the School Building Bond Ag Credit (MS 273.1387).

There would be no fiscal impact to MDE related to the language changes for LTFM.

Section 2

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

**Expenditure and/or Revenue Formula**

N/A

**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 slightly increase the total LTFM levy for some districts. It is assumed that three more districts at the average secondary levy of \$130,000 per district may participate in the first year totaling \$390,000 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 might is estimated to be \$8,000

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. This initial Pay 20 lease levy authority (including rollover) is \$12,857,171.58. During the Pay20 levy cycle, all of the intermediates had full use of their levy cycle with no intermediates hitting the available caps.

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, 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.

In Payable 20 levy, a number of special education coops received lease levy authority to enter into lease agreements. The average lease amount was roughly \$250,000 per site. Some coops have a single site, some have as many as 4 sites. It is assumed that 4 new coop sites would use the levy authority each year, adding an additional \$1 million in lease levy authority. No state aid applies.

**References/Sources**

N/A

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