SCHOOL FACILITIES FINANCING WORKING GROUP

Report and Recommendations

Respectfully submitted to the chairs and ranking minority members of the legislative committees and divisions with primary jurisdiction over kindergarten through grade 12 education finance.

February 1, 2014

Cost of Report Preparation

The total cost for the Minnesota Department of Education (MDE) to prepare this report was approximately $7230. Most of these costs involved staff time in analyzing data from surveys and preparing the written report. Incidental costs include paper, copying, and other office supplies.

Estimated costs are provided in accordance with Minnesota Statutes 2011, section 3.197, which requires that at the beginning of a report to the Legislature, the cost of preparing the report must be provided.

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Executive Summary

Introduction

Excellence in education requires quality school environments that support student learning. The condition of school facilities varies widely among Minnesota school districts, as does local tax base and tax effort for facilities acquisition and long-term maintenance. Given the wide variations among districts in school facility needs and tax base, state involvement in school facilities funding is important to ensure that all students have access to quality learning environments.

Over the past 20 years, state support for school facilities has gradually eroded, while new programs such as alternative facilities funding and the capital project referendum levy have contributed to growing disparities in facilities funding among districts. There is broad agreement that Minnesota's current system of funding school facilities is in need of systematic overhaul.

Charge to the Working Group

The commissioner of education was directed to convene a working group consisting of representatives of school superintendents, business managers, school facilities directors, and school boards to develop recommendations for reforming the financing of prekindergarten through grade 12 education facilities to create adequate, equitable, and sustainable financing of public school facilities throughout the state.

These recommendations were to include options for funding educational facilities projects currently financed with debt service, alternative facilities, deferred maintenance, health and safety, building lease, and operating capital revenues. See Appendix B.

Working Group Membership and Activities

The working group consisted of sixteen members as designated in law (see Appendix C). This included three school superintendents, business managers, school facilities directors, and school board members, and four members appointed by the commissioner, including one charter school representative.

The working group met monthly, beginning on August 21, 2013.The recommendations included with this report were finalized and adopted at its final meeting on January 15, 2014.

The working group reviewed current facilities funding programs in Minnesota, including the history of each program as it evolved and changed. Trends and longitudinal data on usage and equalization for each program were discussed and analyzed. At the center of the discussion were ongoing needs for facilities such as deferred maintenance, building replacement, and health and safety requirements, as well as new and emerging needs like technology-added programming and all day-every day kindergarten.

In addition, the committee reviewed how other states finance facilities maintenance and initial construction.

Finally, the issue of accountability and department oversight through the review and comment process, and health and safety project approvals became part of the agenda.

Purpose and Responsibilities

The Minnesota State Constitution, Article XIII Section 1 states:

The stability of a republican form of government depending mainly upon the intelligence of people, it is the duty of the legislature to establish ***a general and uniform*** *system of public schools. The legislature shall make such provision by taxation or otherwise will secure a* ***thorough and efficient system*** *of public schools throughout the State.*

For the most part, our children are educated in public school facilities. This implies a need and responsibility to provide a core minimum standard of educational facilities across the state in order to provide a "general and uniform system" of education.

This core standard should, at a minimum, provide a pleasant, safe and healthy educational environment for every child, no matter the school or district they reside in. With this belief and core minimum standard comes responsibility.

It is the responsibility of school boards to build and maintain school facilities. In turn, boards must rely on the use of taxation to secure a thorough and efficient system throughout the state. They are elected to maximize and maintain the investment of the tax payers in these educational facilities for our students now and in the future.

It is the state's responsibility to give school boards access to resources to construct and maintain facilities that provide a uniform, safe and healthy environment for every student. Access to these resources should be adequate to meet the educational needs of our students, equitable across districts, and designed to encourage the efficient use of taxpayers' money.

Principles for Facilities Funding Reform

The working group first adopted a set of core principles that are listed below. These core principles became the foundation for the recommendations contained in this report.

1. Funding should be adequate, equitable and sustainable.
2. All districts should have access to comparable funding for comparable needs based on uniform procedures and eligibility criteria.
3. Local school districts should take the lead in determining facilities project needs, scope, and design.
4. Funding formulas and administrative procedures should be as simple as possible, so as to minimize administrative burdens / paperwork and maximize local control, while providing accountability.

5. Property tax levies for facilities should be equalized in a manner that minimizes variations in revenue per student for comparable tax effort regardless of variations in local tax base, and provides stability over time.

6. Special provisions should be made to ensure adequacy and equity for districts that have incurred facilities damage due to natural disasters.

7. Funding for charter schools should be comparable to funding for district schools.

8. Facilities funding should promote sound long-term planning and efficient use of resources.

Key Issues, Decision Points and Broad Recommendations

To build a framework for facilities funding recommendations, the working group focused on key issues and decision points related to those issues. Key issues, decision points, and broad recommendations of the working group are as follows:

1. Long-term Facilities Maintenance

    a. State limits on long-term maintenance funding without voter approval should be phased out over a four-year period so that all districts have access to long-term maintenance funding based on a 10-year facilities plan adopted by the local school board and approved by the commissioner.

    b. During the transition period, districts that are currently exempt from state funding limits should remain exempt, and limits should be gradually increased for all other districts.

2. Consolidation and Uses of Funding Streams

    a. Deferred maintenance revenue, health and safety revenue, and alternative facilities revenue should be consolidated into a single long-term facilities maintenance revenue program.

    b. The building lease levy should be replaced with a facilities improvement levy, with uses expanded to include remodeling of existing space to enhance building security and improve learning environments, and financing options expanded to include mechanisms other than leases.

    c. Operating capital revenue should be increased to reverse long-term erosion of buying power and provide additional resources for school technology.

    d. Debt service equalization, operating capital revenue, the capital projects referendum, and the new facilities improvement levy should remain separate funding streams.

3. Equalization

    a. All school facilities levies, including debt service revenue, long-term maintenance revenue, facilities improvement revenue, operating capital revenue, and the capital projects referendum, should be equalized by the state.

b. All equalization formulas should be indexed to the state average tax base per student to stabilize state and local shares of revenue.

4. Facilities Grants / Special Circumstances

   a. The facilities grant program should be replaced with enhanced debt service equalization for districts with special circumstances, including:

      i. districts that have incurred major unreimbursed losses from natural disasters;

      ii. districts with unusually high debt service tax rates; and

      iii. districts where new, expanded or remodeled facilities are needed to accommodate school district consolidation.

5. Funding for Specific Needs and Entities

   a. Charter school facilities funding should be at a level comparable to school district facility funding.

   b. Special needs of intermediate districts and cooperatives should be recognized.

   c. Further study is needed of technology needs and early learning program facility needs.

6. Review and Comment Process

   a. The project cost threshold for review and comment should be increased.

   b. The requirement for consultation on smaller facilities projects should be repealed.

   c. The requirement for review and comment on facilities projects funded entirely with long-term maintenance revenue, facilities improvement revenue or operating capital revenue should be repealed.

   d. Data submission requirements for review and comment should be simplified to reduce paperwork while maintaining accountability.

Specific Recommendations

Recommendation 1: Establish a new long-term facilities maintenance revenue program to replace the current alternative facilities, deferred maintenance and health and safety revenue programs, which provides adequate, equitable and sustainable long-term maintenance funding for all school districts statewide.

1. Minnesota should have one long-term facilities maintenance revenue program for all school districts that provides adequate, equitable and sustainable funding to maintain current

school facilities based on a 10-year plan adopted by the local elected school board and approved by the commissioner.

2. The new long-term facilities maintenance revenue program should be initiated beginning with revenue for FY 2017, replacing the alternative facilities, health and safety and deferred maintenance revenue programs.

3. To provide a transition from existing programs to the new program, state-imposed revenue limits for districts that do not currently qualify for alternative facilities revenue should be phased out over a four-year period.

4. For districts currently eligible for the alternative facilities revenue program, revenue will continue to be determined based on the district's 10-year facilities plan approved by the commissioner, without a statutory limit on the amount that can be raised without voter approval.

5. For districts not currently eligible for alternative facilities revenue, long-term facilities maintenance revenue should be phased in over a four-year period as follows:

    a. For FY 2017, maximum revenue equals the greater of:
        i. $300 times the district's Adjusted Pupil Units (APU) times the lesser of one or the ratio of the district's average building age to 35 years or
        ii. The amount the district would have qualified for under old law.

    b. For FY 2018, maximum revenue equals the greater of:
        i. $400 times the district's Adjusted Pupil Units (APU) times the lesser of one or the ratio of the district's average building age to 35 years or
        ii. The amount the district would have qualified for under old law.

    c. For FY 2019, maximum revenue equals the greater of:
        i. $500 times the district's Adjusted Pupil Units (APU) times the lesser of one or the ratio of the district's average building age to 35 years or
        ii. The amount the district would have qualified for under old law.

    d. For FY 2020 and later, all school districts will be eligible for long-term facilities maintenance revenue based on the district's 10-year facilities plan approved by the commissioner without a statutory limit on the amount that can be raised without voter approval, consistent with current practice for the 25 districts now eligible for alternative facilities revenue.

6. Long-term facilities maintenance plans should be required to include provisions for health, safety and environmental management (similar to what is currently funded for this purpose with health and safety revenue); districts will set aside a locally determined portion of long-term facilities maintenance revenue for this purpose.

7. Districts will determine whether to use the revenue on a pay-as-you-go basis or for bonded debt or a combination of the two. The portion of revenue for bonded debt will be recognized in the debt service fund and will reduce required debt service levy for long term facilities maintenance bonds.

8. Long-term maintenance revenue should be funded with an equalized levy. Regardless of whether the district is levying on a pay-as-you-go basis or for bonded debt, the levy should be equalized based on 125 percent of the state average ANTC per third prior year Adjusted Pupil Unit (equivalent to $8,281 based on FY 2015 data, compared with the current equalizing factor of $5,965).

9. Equalized revenue for all districts should be limited to the allowance per pupil unit generated under the formula for districts not currently eligible for alternative facilities revenue (e.g., $300 times the district's Adjusted Pupil Units (APU) times the lesser of one or the ratio of the district's average building age to 35 years for FY 2017). Revenue above the equalization limit will be unequalized.

10. The existing alternative facilities grandfather aid should be repealed. However, districts where the grandfather aid exceeds the new equalization aid should be held harmless.

11. Rough estimates of the statewide fiscal impact of the proposed long-term maintenance revenue phase-in were calculated using the following assumptions:
    a. Districts currently ineligible for alternative facilities funding will use the maximum amounts available under the proposed formula;
    b. Districts currently eligible for alternative facilities revenue and above the proposed per pupil funding limits for non-alternative facilities districts will have no change in revenue from current law; any tax relief from equalization will stay as tax relief; and
    c. Districts currently eligible for alternative facilities revenue and under the proposed per pupil funding limits for non-alternative facilities districts will tax relief from the proposed equalization to increase their revenue up to the revenue limits that apply to non-alternative facilities districts; any additional tax relief from the proposed equalization program will stay as tax relief.
    d. These assumptions are intended to provide a rough order of magnitude estimate of the fiscal impact of the proposal; more thorough analysis will be needed to provide a more refined estimate. These assumptions will overstate the fiscal impact for many non-alternative facilities districts, and may understate the fiscal impact for alternative facilities districts; however, at this time, MDE lacks more accurate information to develop estimates.

12. Based on these assumptions, estimated long-term maintenance revenue is as follows:
    a. For FY 2017, $54 million higher than under current law ($45 million for non-alternative facilities districts, $6 million for alternative facilities districts, and $3 million for charter schools (See Appendix A, Report #1).

b. For FY 2018, $98 million higher than under current law ($81 million for non-alternative facilities districts, $12 million for alternative facilities districts, and $5 million for charter schools (See Appendix A, Report #2).
c. For FY 2019, $149 million higher than under current law ($119 million for non-alternative facilities districts, $22 million for alternative facilities districts, and $8 million for charter schools (See Appendix A, Report #3).

13. Upon approval through the adoption of a resolution by each member district school board of an intermediate district, special education cooperative, secondary vocational cooperative or education district, and the approval of the Department of Education, a school district may include its proportionate share of the costs of long-term maintenance projects for the cooperative unit in its long-term maintenance revenue. The cooperative unit may issue long-term debt to finance the project costs, or cover the costs on a pay-as-you-go basis, using long-term maintenance revenue transferred from member districts to cover project costs or principal and interest payments. For fiscal years 2017-2019, this authority is in addition to the authority for individual district projects.

Rationale: Enabling all districts to access long-term facilities maintenance revenue based on an approved 10-year facilities plan is consistent with the facilities funding reform principles outlined above. More specifically, it would provide adequate, equitable and sustainable funding for all districts, comparable funding would be provided for comparable needs based on uniform procedures and eligibility criteria, and local school districts would take the lead in determining facilities project needs, scope, and design through the development of long-term facilities plans. In addition, consolidation of the three programs into one would reduce administrative burdens / paperwork and maximize local control, while providing accountability. And, property tax levies for facilities would be equalized in a manner that minimizes variations in revenue per student for comparable tax effort regardless of variations in local tax base, and provides stability over time.

Recommendation 2: Improve the debt service equalization formula by increasing the portion of debt service revenue that is eligible for equalization, restoring the state share of equalized revenue, and indexing future equalization to maintain stability in state and local shares of revenue.

Beginning in FY 2017, modify the current debt equalization formula as follows:

1. Lower the threshold for debt service equalization from 15.74 percent to 10 percent of ANTC;

2. Replace two-tiered debt equalization formula with single tier based on 125 percent of the state average ANTC / third year prior APU to ensure equity and stability over time (equivalent to $8,281 for FY 2015, compared with $3,550 for Tier 1 and $7,900 for Tier 2 under current law). This is the same equalizing factor proposed for the long-term facilities maintenance levy, the capital projects referendum levy and the facilities improvement levy.

3. Debt service equalization would not apply to bonds funded with long-term facilities maintenance revenue, since that revenue would be equalized with long-term facilities maintenance aid.

4. Current requirements for bond schedules to qualify for equalization would continue (e.g., 20-year term).

5. Based on the current debt service revenue (excluding alternative facilities debt revenue), the proposed increase in state debt service equalization aid is $66 million (See Appendix A, Report #4). This would increase the state share of debt service revenue to 14.3 percent. This preliminary aid estimate does not factor in any increase in debt service revenue due to the incentive effect of increased debt service equalization.

Rationale:

The state share of debt service revenue has declined from 11.3 percent in FY 1995 to 3.1 percent in FY 2015. Currently, 80 percent of all debt service revenue is below the threshold to qualify for equalization, and the equalizing factor for Tier 1 equalization is so low that only 7 percent of the state's students are in districts where the tax base per student is low enough to qualify for Tier 1 equalization aid. A stronger state commitment to debt service equalization is needed to ensure that all districts have access to adequate, equitable and sustainable funding for major facilities projects regardless of local tax base.

Recommendation 3: Equalize the capital projects referendum levy.

1. Continue the current capital projects levy revenue but base revenues approved in elections held in 2014 and later on a rate per pupil unit, and equalize the levy based on 125 percent of the state average ANTC per third-prior year Adjusted Pupil Unit (same equalization as long-term maintenance revenue, facilities improvement revenue and debt service revenue).

2. Based on current capital project referendum revenue, the proposed state equalization aid is $7 million (See Appendix A, Report #5). This would establish the state share of capital project referendum revenue at 12.4 percent. This preliminary aid estimate does not factor in any increase in capital project referendum authority due to the incentive effect of providing equalization aid.

Rationale: Equalization is needed to ensure that all districts have equitable access to capital project referendum revenue, regardless of local tax base. Currently, this revenue is heavily concentrated in suburban districts with above-average tax base per pupil unit.

Recommendation 4: Establish a new school facilities improvement revenue program to replace the current building lease levy, providing all school districts with access to a uniform allowance per student for locally defined facility needs.

1. Expand allowable uses of revenue to include not only building leases, but also facility modifications enhancing school safety and security, remodeling of existing space, building additions for instructional purposes, not to exceed 20 percent of existing building square footage (regardless of financing mechanism), and long-term facilities maintenance.

2. The allowance per adjusted pupil unit (APU) would be set at $180 for FY 2017 (an $18 increase over current lease levy maximum), plus $46 for districts that are members of an intermediate district, special education cooperative, secondary vocational cooperative, or

education district (current intermediate lease levy maximum) for intermediate / coop costs, and indexed for inflation in later years.

   a. For districts that are members of more than one cooperative unit, the districts would determine how to allocate the $46 among cooperative units; however, for districts that are members of an intermediate district, the $46 would go first for intermediate district costs.

   b. A district may also use a portion of its regular $180 per pupil unit allowance for cooperative unit facilities improvement, if $46 per pupil unit is not sufficient to meet the facilities improvement needs of the cooperative unit, and the district school board approves.

3. The revenue would be funded through an equalized levy, with the equalization factor set at 125 percent of the state average ANTC per third prior year APU (the same equalizing factor as long term maintenance revenue, debt service equalization and the capital projects levy).

4. A rough estimate of the fiscal impact of this proposal was calculated assuming that all districts use the maximum amount of revenue available. Based on this assumption, the total revenue increase would be $120 million, of which $55 million would be state aid and $65 million would be property tax levies (See Appendix A, Report #6).

Rationale: The current building lease levy addresses the need for limited facility expansion and leasing of space for instruction purposes, but does not address district needs for facility renovation and improvement to address school safety and security issues and current instructional needs. Most districts have significant unmet facilities needs and have room under the $162 limit for the lease levy, but are unable to access the revenue due to restrictions on use. Broadening the allowable uses of this revenue would address unmet needs and make the funding more equally available to all districts. Increasing the limit from $162 to $180 per pupil unit would benefit districts that are currently at or near the cap, restoring some of the purchasing power lost to inflation over the past several years. Districts have developed creative approaches such as ground leases for building additions to work around the current restriction limiting revenue to lease cost. If uses are expanded to include general remodeling of existing space, it would be much more straightforward to allow revenue to be used directly for remodeling costs, on a pay-as-you-go basis or for principal and interest on bonds. Equalization of the levy is needed to ensure equal access for all districts, regardless of local tax base.

Recommendation 5: Increase the operating capital revenue allowances and index operating capital funding for inflation.

1. Beginning in FY 2017, change the operating capital formula from:

   a. [($ 79 x APU) + ($109 x APU x limited Age Index) + ($31 x Year-round PU)]

   to:

   b. [($100 x APU) + ($120 x APU x limited Age Index)]

2. This is a $32.3 million increase in operating capital revenue (16%), which partially offsets the loss of buying power due to inflation over the past several years.
3. Beginning in FY 2018, index the operating capital allowances to the consumer price index to stabilize future funding in inflation-adjusted dollars.
4. Beginning in FY 2017, set the operating capital equalizing factor at 470 percent of the state average ANTC / APU (equivalent to $30,906 for FY 2015), which is significantly higher than the current equalizing factor of $14,500. In later years, indexing the equalizing factor to the state average ANTC per APU will maintain stability in state and local shares of revenue over time.
5. Charter schools would continue to receive the state average operating capital revenue per APU, all in the form of state aid. This is a $35 / APU increase for charter schools.
6. Assuming all school districts levy the maximum, revenue would increase by $32 million, with a $71 million increase in state aid and a $39 million reduction in local property taxes (See Appendix A, Report #7).

Rationale: The purchasing power of operating capital revenue has declined steadily for many years due to a lack of adjustments for inflation. At the same time, the need for operating capital has increased significantly due to growing use of instructional technology and the need for enhanced school security. Indexing both the revenue allowance and the equalizing factors for this program would ensure stability in purchasing power and state share of funding for the future. The increase in the equalizing factor would help to ensure that state total school levies for all facilities programs included in this report would not increase from current law.

Recommendation 6: Provide enhanced debt service equalization to address unique situations or needs.

1. Replace the current facilities grant program under Minnesota Statutes, section 123A.44 with enhanced debt service equalization for certain districts with unique needs.
2. Districts eligible for enhanced debt service equalization would include:
    a. A district that has experienced a natural disaster that qualifies for Federal Emergency Management Agency (FEMA) payments, with damages of $500,000 or more, and has repair and replacement costs not already covered by FEMA or insurance payments;
    b. A group of districts that are consolidating or that recently consolidated and needs to build or remodel facilities as part of the consolidation plan;
    c. A district that has a debt service tax rate after regular debt service equalization that exceeds 30 percent of ANTC.
3. Districts eligible for enhanced debt service equalization would have the same threshold of unequalized revenue (10%) as other districts, but would be eligible for a higher equalization

factor (e.g., 300 percent of state average ANTC / APU). For districts qualifying because of a natural disaster or facilities needs due to a consolidation, the higher equalization factor would apply to the entire debt service levy over 10 percent of ANTC. For districts qualifying because of a high debt service tax rate, the higher equalization factor would apply only to the portion of the debt service levy exceeding 30 percent of ANTC.

Rationale: No grants have been issued under the facilities grant program since 1994. It is expensive, cumbersome and does not provide an equitable ongoing solution for districts with unique facility needs. The enhanced debt equalization approach would target funding to districts with clearly established unique needs, and spread costs out over the life of the financing for the project. All districts that meet the criteria would qualify to participate, with needier low tax base districts receiving the greatest benefit. Incentives for efficiency would be maintained as qualifying districts would contribute a significant share of each added dollar of project cost.

Recommendation 7: Streamline the review and comment process.

1. Increase the threshold for review and comment from $1.4 million to $2 million.

2. Repeal the requirement for consultation on smaller facilities projects.

3. Eliminate the need for review and comment on projects funded entirely with long-term maintenance revenue, facilities improvement revenue (replaces lease levy), and operating capital revenue.

4. Simplify the required data submissions for review and comment to reduce paperwork while maintaining accountability.

5. Proposed amendments to the review and comment statute are shown in Appendix D.

Rationale: The current $1.4 million threshold is very low, including relatively small projects that do not justify the administrative burden associated with review and comment. The current consultation requirement for projects with costs between $500,000 and $1.4 million does not add value to the process. Projects funded with long-term maintenance revenue and facilities improvement revenue will go through the approval process for those revenues, which provide accountability tailored to those types of projects.

Recommendation 8: Address the facilities needs of other educational entities

1. For charter schools:

    a. Provide a long-term maintenance allowance of $59 per APU for FY 2017, $108 per APU for FY 2018, and $163 per APU for FY 2019, to reflect the average increase in revenue per pupil unit provided to school districts for long-term facilities maintenance in those years. For FY 2020 and later, this allowance will be indexed to the consumer price index to stabilize future funding in inflation-adjusted dollars.

    b. Provide a facilities improvement allowance for charter schools of $163 per APU, equal to the state average increase for school districts.

c. Continue to provide operating capital revenue to charter schools based on the state average revenue per pupil unit, which will increase with the above recommendations.

2. For intermediate districts, special education cooperatives, secondary vocational cooperatives and education districts:

   a. As outlined in recommendation #1, member school boards would be authorized to include a proportionate share of the long-term maintenance costs of cooperative units in their long-term maintenance revenue.

   b. As outlined in recommendation #4, school districts that are members of one or more cooperative units would be eligible for up to $46 per pupil unit in school facilities improvement revenue for cooperative unit costs, replacing the current building lease levy for intermediate district members.

Rationale: Under current law, the average facilities revenue per pupil unit for charter schools is roughly equal to the average facilities revenue per pupil unit for school districts. These recommendations would maintain that parity by providing charter schools with an increase in facilities revenue equal to the state average increase for school districts. Charter schools could use the increased revenue to cover building lease costs not covered by building lease aid or for other operating capital purposes. In addition, these recommendations would fill gaps in existing facilities maintenance and improvement funding for intermediate districts and provide parity between intermediate districts and joint powers cooperatives.

Summary of Fiscal Impact by District Type and Program

Reports 8-10 in Appendix A provide a summary of the combined effects of the recommendations outlined above, using the FY 2019 recommendations for long-term maintenance revenue (year 3 of phase-in,) together with the recommendations for other programs.

Report #8 shows the impact on revenue per pupil unit by district type and program. Total revenue would increase by $301 million, an average of $330 per pupil unit. Broken down by program, the average increase would be $35 per pupil unit for operating capital, $163 per pupil unit for long-term facilities maintenance, and $131 per pupil unit for facilities improvements. All districts and charter schools would receive approximately the same increase per pupil unit for operating capital. The increase for long-term facilities maintenance would vary depending on the current level of revenue per pupil unit. Districts currently qualifying for alternative facilities revenue would receive smaller increases than other districts, since current revenue is higher. On average, smaller rural districts would receive the largest increase per pupil unit, since they do not currently qualify for alternative facilities revenue, except for large health and safety projects. The increases in facilities improvement would also vary depending on the current lease levy per pupil unit: suburban districts and large non-metro districts would receive smaller increases on average than Minneapolis and St. Paul and smaller rural districts, where the current levy per pupil unit is smaller.

Report #9 shows the district-by-district impact on state aid and property tax levies. Total state aids would increase by $301 million, while state total property tax levies would decrease by $0.1 million. The state average tax rate for facilities would remain constant at 19 percent of ANTC, but average tax rates would decrease slightly for districts currently in the alternative facility program (due to limited revenue increased combined with improved levy equalization), and increase slightly for other districts (due to larger revenue increase). On average, tax rates for the districts with lowest tax base per pupil unit would decrease significantly, while tax rates for districts with high tax base per pupil would go up slightly. The increased level of state equalization would reduce the average tax rate needed to raise $1,000 of facilities revenue per pupil unit from 13.3 percent to 10.8 percent. Districts with low tax base per pupil unit would receive the biggest benefit from equalization, with the tax rate needed to raise $1,000 per pupil unit declining from 21.1 percent to 13.8 percent of ANTC.

Report #10 summarizes the state total revenue, aid and levy change by program. The state total facilities revenue increase of $301 million would be a 23 percent increase in total facilities funding. The increase of $301 million in state facilities aid would increase the state share of facilities funding from 17 percent to 33 percent.

Appendix A: Statistical Reports

Report #1: Long-Term Maintenance Revenue, FY 2017

Report #2: Long-Term Maintenance Revenue, FY 2018

Report #3: Long-Term Maintenance Revenue, FY 2019

Report #4: Debt Service Equalization

Report #5: Capital Projects Referendum

Report #6: Facilities Improvement Revenue

Report #7: Operating Capital Revenue

Report #8: School Facilities Revenue Summary

Report #9: School Facilities Aid and Levy Summary

Report #10: School Facilities Funding Summary by Program

Note: All reports are based on estimated data for fiscal year 2015 as of the November 2013 state budget forecast, with the exception of current law health and safety revenue, which reflects the three-year average revenue for each district for fiscal years 2011, 2012 and 2013. While the proposal would begin to take effect in fiscal year 2017, no adjustments were made to this data to extrapolate FY 2015 costs, pupil units and tax capacities out to FY 2017 and later. In addition, no adjustments were made for changes in school district behavior as a result of proposed funding formula changes, except that school districts currently eligible for alternative facilities revenue whose current long-term facilities maintenance revenue is less than the limits applied to other districts during the phase-in period were assumed to hold their levies constant and use any increase in state aid from improved equalization to increase revenue up to the level of the limits applied to non-alternative facilities districts in those years. Revenues shown in the reports assume no change in long-term maintenance revenue from current law for alternative facilities districts with revenue above the limits applied to non-alternative facilities districts, and assume all non-alternative facilities districts opt to receive the maximum long-term maintenance revenue available under the limits each year. It was also assumed that all districts will opt to receive the maximum operating capital and facilities improvement revenues available under the proposed formulas, and that improved debt service equalization does not impact the amount of debt revenue for any districts. As a result of these assumptions, the revenue, aid and levy estimates shown are ballpark estimates only, and will need to be refined before a fiscal note can be prepared on the fiscal impact of the proposals.

REPORT # 1: LONG-TERM MAINTENANCE REVENUE, FY 2017
Non-Alt Fac Dist Max = $300 / APU
Eq Ftr = 125% of St Avg ANTC / 3rd PY APU ($8,281)

	CURRENT LONG-TERM MAINTENANCE REVENUE					PROPOSED REVENUE		CURRENT AND PROPOSED AID			CURRENT AND PROPOSED LEVY		
		3 Yr Avg											
	FY 2015	FY 11-13	FY 2015	FY 2015									
	Deferred	Heath &	Alt Fac	Alt Fac		Total	Revenue	Aid			Levy		
DISTRICT	Maint	Safety	Big Dist	Other	Total	Revenue	Change	Current	Proposed	Change	Current	Proposed	Change
State Total	26,858,192	49,442,414	180,861,330	45,202,649	302,364,585	356,304,806	53,940,221	23,535,160	81,097,896	57,562,737	278,829,425	275,206,909	(3,622,516)
MPLS & ST PAUL	-	7,112,602	45,634,470	-	52,747,072	52,747,072	-	14,732,577	15,777,891	1,045,314	38,014,494	36,969,180	(1,045,314)
OTHER METRO, INNER	1,649,942	5,662,129	46,388,112	2,639,815	56,339,998	60,793,190	4,453,192	1,117,917	6,061,793	4,943,876	55,222,081	54,731,398	(490,683)
OTHER METRO, OUTER	4,952,046	13,011,693	61,259,805	8,344,142	87,567,685	98,906,288	11,338,602	3,045,281	24,423,505	21,378,224	84,522,405	74,482,783	(10,039,622)
NONMET>=2K	8,643,760	10,302,811	27,578,943	12,956,016	59,481,530	74,275,795	14,794,265	3,007,490	18,445,474	15,437,983	56,474,040	55,830,321	(643,718)
NONMET 1K-2K	6,148,776	6,187,210	-	12,746,857	25,082,842	35,275,648	10,192,806	1,173,597	9,308,827	8,135,229	23,909,245	25,966,822	2,057,577
NONMET < 1K	5,463,668	7,165,971	-	8,515,819	21,145,458	31,237,369	10,091,911	458,297	4,010,963	3,552,666	20,687,160	27,226,405	6,539,245
CHARTER	-	-	-	-	-	3,069,444	3,069,444	-	3,069,444	3,069,444	-	-	-
Alt Facility Eligible	-	21,484,441	180,861,330	2,678,619	205,024,390	210,462,936	5,438,547	19,286,064	40,148,543	20,862,480	185,738,326	170,314,393	(15,423,933)
Alt Facility Ineligible	26,858,192	27,957,974	-	42,524,030	97,340,195	142,772,426	45,432,230	4,249,096	37,879,909	33,630,813	93,091,099	104,892,517	11,801,417
ALL SCHOOL DISTRICTS	26,858,192	49,442,414	180,861,330	45,202,649	302,364,585	353,235,362	50,870,777	23,535,160	78,028,452	54,493,293	278,829,425	275,206,909	(3,622,516)
Lowest Wealth Quintile	7,151,731	9,390,253	18,230,272	14,086,698	48,858,954	60,385,807	11,526,853	3,758,573	26,696,165	22,937,592	45,100,381	33,689,642	(11,410,739)
2nd Lowest Wealth	4,256,436	9,283,080	25,745,432	5,470,628	44,755,576	56,020,270	11,264,694	4,557,727	18,294,164	13,736,437	40,197,849	37,726,106	(2,471,743)
Middle Wealth Quintile	5,097,969	8,933,767	40,595,251	9,819,309	64,446,296	72,955,744	8,509,448	1,175,668	13,724,977	12,549,309	63,270,628	59,230,766	(4,039,861)
2nd Highest Wealth	4,343,752	9,700,621	54,683,834	5,252,651	73,980,857	82,604,322	8,623,465	3,043,192	8,313,147	5,269,955	70,937,665	74,291,176	3,353,511
Highest Wealth Quintile	6,008,303	12,134,695	41,606,541	10,573,363	70,322,902	81,269,219	10,946,317	11,000,000	11,000,000	-	59,322,902	70,269,219	10,946,317

	CURRENT REVENUE PER PUPIL IN ADM					PROPOSED REVENUE PER PUPIL IN ADM							
		3 Yr Avg											
	FY 2015	FY 11-13	FY 2015	FY 2015									
	Deferred	Heath &	Alt Fac	Alt Fac	Grand	Total	Revenue	Aid			Levy		
DISTRICT	Maint	Safety	Big Dist	Other	Total	Revenue	Change	Current	Proposed	Change	Current	Proposed	Change
State Total	29	54	198	49	331	390	59	26	89	63	305	301	(4)
MPLS & ST PAUL	-	85	544	-	629	629	-	176	188	12	453	441	(12)
OTHER METRO, INNER	17	59	485	28	589	636	47	12	63	52	578	573	(5)
OTHER METRO, OUTER	17	45	213	29	305	344	39	11	85	74	294	259	(35)
NONMET>=2K	43	52	138	65	298	372	74	15	92	77	283	280	(3)
NONMET 1K-2K	60	60	-	124	245	344	99	11	91	79	233	253	20

Non-Alt Fac Districts Shown at Gtr of Formula Max or Current Revenue; Alt Fac districts below Formula Max assumed to hold levy constant and increase revenue by amount of aid increase

REPORT # 1: LONG-TERM MAINTENANCE REVENUE, FY 2017
Non-Alt Fac Dist Max = $300 / APU
Eq Ftr = 125% of St Avg ANTC / 3rd PY APU ($8,281)

	CURRENT LONG-TERM MAINTENANCE REVENUE					PROPOSED REVENUE		CURRENT AND PROPOSED AID			CURRENT AND PROPOSED LEVY		
		3 Yr Avg											
	FY 2015	FY 11-13	FY 2015	FY 2015									
	Deferred	Heath &	Alt Fac	Alt Fac		Total	Revenue	Aid			Levy		
DISTRICT	Maint	Safety	Big Dist	Other	Total	Revenue	Change	Current	Proposed	Change	Current	Proposed	Change
NONMET < 1K	59	78	-	92	229	338	109	5	43	38	224	295	71
CHARTER	-	-	-	-	-	59	59	-	59	59	-	-	-
Alt Facility Eligible	-	53	450	7	510	524	14	48	100	52	462	424	(38)
Alt Facility Ineligible	58	61	-	93	212	311	99	9	82	73	203	228	26
ALL SCHOOL DISTRICTS	31	57	210	52	351	410	59	27	91	63	324	320	(4)

Non-Alt Fac Districts Shown at Gtr of Formula Max or Current Revenue; Alt Fac districts below Formula Max assumed to hold levy constant and increase revenue by amount of aid increase

REPORT # 2: LONG-TERM MAINTENANCE REVENUE, FY 2018
Non-Alt Fac Dist Max = $400 / APU
Eq Ftr = 125% of St Avg ANTC / 3rd PY APU ($8,281)

	CURRENT LONG-TERM MAINTENANCE REVENUE					PROPOSED REVENUE		CURRENT AND PROPOSED AID			CURRENT AND PROPOSED LEVY		
	FY 2015	3 Yr Avg FY 11-13	FY 2015	FY 2015				Aid			Levy		
	Deferred	Heath &	Alt Fac	Alt Fac		Total	Revenue						
DISTRICT	Maint	Safety	Big Dist	Other	Total	Revenue	Change	Current	Proposed	Change	Current	Proposed	Change
State Total	26,858,192	49,442,414	180,861,330	45,202,649	302,364,585	400,750,394	98,385,809	23,535,160	103,459,778	79,924,618	278,829,425	297,290,616	18,461,191
MPLS & ST PAUL	-	7,112,602	45,634,470	-	52,747,072	52,747,072	-	14,732,577	17,370,522	2,637,944	38,014,494	35,376,550	(2,637,944)
OTHER METRO, INNER	1,649,942	5,662,129	46,388,112	2,639,815	56,339,998	62,689,395	6,349,397	1,117,917	7,401,990	6,284,073	55,222,081	55,287,405	65,324
OTHER METRO, OUTER	4,952,046	13,011,693	61,259,805	8,344,142	87,567,685	112,443,097	24,875,412	3,045,281	30,994,733	27,949,452	84,522,405	81,448,365	(3,074,040)
NONMET>=2K	8,643,760	10,302,811	27,578,943	12,956,016	59,481,530	86,398,142	26,916,612	3,007,490	24,334,944	21,327,454	56,474,040	62,063,198	5,589,158
NONMET 1K-2K	6,148,776	6,187,210	-	12,746,857	25,082,842	42,633,267	17,550,424	1,173,597	12,411,769	11,238,172	23,909,245	30,221,498	6,312,253
NONMET < 1K	5,463,668	7,165,971	-	8,515,819	21,145,458	38,240,822	17,095,364	458,297	5,347,220	4,888,923	20,687,160	32,893,601	12,206,441
CHARTER	-	-	-	-	-	5,598,600	5,598,600	-	5,598,600	5,598,600	-	-	-
Alt Facility Eligible	-	21,484,441	180,861,330	2,678,619	205,024,390	217,169,265	12,144,876	19,286,064	47,355,363	28,069,299	185,738,326	169,813,902	(15,924,424)
Alt Facility Ineligible	26,858,192	27,957,974	-	42,524,030	97,340,195	177,982,529	80,642,333	4,249,096	50,505,814	46,256,719	93,091,099	127,476,714	34,385,615
ALL SCHOOL DISTRICTS	26,858,192	49,442,414	180,861,330	45,202,649	302,364,585	395,151,794	92,787,209	23,535,160	97,861,178	74,326,018	278,829,425	297,290,616	18,461,191
Lowest Wealth Quintile	7,151,731	9,390,253	18,230,272	14,086,698	48,858,954	72,914,510	24,055,557	3,758,573	35,594,155	31,835,583	45,100,381	37,320,355	(7,780,026)
2nd Lowest Wealth	4,256,436	9,283,080	25,745,432	5,470,628	44,755,576	64,673,216	19,917,640	4,557,727	23,711,818	19,154,092	40,197,849	40,961,398	763,549
Middle Wealth Quintile	5,097,969	8,933,767	40,595,251	9,819,309	64,446,296	80,261,011	15,814,715	1,175,668	17,374,023	16,198,355	63,270,628	62,886,988	(383,640)
2nd Highest Wealth	4,343,752	9,700,621	54,683,834	5,252,651	73,980,857	88,515,860	14,535,003	3,043,192	10,181,181	7,137,989	70,937,665	78,334,679	7,397,014
Highest Wealth Quintile	6,008,303	12,134,695	41,606,541	10,573,363	70,322,902	88,787,197	18,464,295	11,000,000	11,000,000	-	59,322,902	77,787,197	18,464,295

	CURRENT REVENUE PER PUPIL IN ADM					PROPOSED REVENUE PER PUPIL IN ADM							
	FY 2015	3 Yr Avg FY 11-13	FY 2015	FY 2015				Aid			Levy		
	Deferred	Heath &	Alt Fac	Alt Fac	Grand	Total	Revenue						
DISTRICT	Maint	Safety	Big Dist	Other	Total	Revenue	Change	Current	Proposed	Change	Current	Proposed	Change
State Total	29	54	198	49	331	439	108	26	113	88	305	326	20
MPLS & ST PAUL	-	85	544	-	629	629	-	176	207	31	453	422	(31)
OTHER METRO, INNER	17	59	485	28	589	656	66	12	77	66	578	578	1
OTHER METRO, OUTER	17	45	213	29	305	391	87	11	108	97	294	284	(11)
NONMET>=2K	43	52	138	65	298	433	135	15	122	107	283	311	28
NONMET 1K-2K	60	60	-	124	245	416	171	11	121	110	233	295	62

Non-Alt Fac Districts Shown at Gtr of Formula Max or Current Revenue; Alt Fac districts below Formula Max assumed to hold levy constant and increase revenue by amount of aid increase

REPORT # 2: LONG-TERM MAINTENANCE REVENUE, FY 2018
Non-Alt Fac Dist Max = $400 / APU
Eq Ftr = 125% of St Avg ANTC / 3rd PY APU ($8,281)

	CURRENT LONG-TERM MAINTENANCE REVENUE					PROPOSED REVENUE		CURRENT AND PROPOSED AID			CURRENT AND PROPOSED LEVY		
		3 Yr Avg											
	FY 2015	FY 11-13	FY 2015	FY 2015									
	Deferred	Heath &	Alt Fac	Alt Fac		Total	Revenue	Aid			Levy		
DISTRICT	Maint	Safety	Big Dist	Other	Total	Revenue	Change	Current	Proposed	Change	Current	Proposed	Change
NONMET < 1K	59	78	-	92	229	414	185	5	58	53	224	356	132
CHARTER	-	-	-	-	-	108	108	-	108	108	-	-	-
Alt Facility Eligible	-	53	450	7	510	540	30	48	118	70	462	423	(40)
Alt Facility Ineligible	58	61	-	93	212	387	176	9	110	101	203	278	75
ALL SCHOOL DISTRICTS	31	57	210	52	351	459	108	27	114	86	324	345	21

Non-Alt Fac Districts Shown at Gtr of Formula Max or Current Revenue; Alt Fac districts below Formula Max assumed to hold levy constant and increase revenue by amount of aid increase

REPORT # 3: LONG-TERM MAINTENANCE REVENUE, FY 2019
Non-Alt Fac Dist Max = $500 / APU
Eq Ftr = 125% of St Avg ANTC / 3rd PY APU ($8,281)

	CURRENT LONG-TERM MAINTENANCE REVENUE					PROPOSED REVENUE		CURRENT AND PROPOSED AID			CURRENT AND PROPOSED LEVY		
		3 Yr Avg											
	FY 2015	FY 11-13	FY 2015	FY 2015									
	Deferred	Heath &	Alt Fac	Alt Fac		Total	Revenue	Aid			Levy		
DISTRICT	Maint	Safety	Big Dist	Other	Total	Revenue	Change	Current	Proposed	Change	Current	Proposed	Change
State Total	26,858,192	49,442,414	180,861,330	45,202,649	302,364,585	451,507,043	149,142,458	23,535,160	125,833,459	102,298,299	278,829,425	325,673,584	46,844,159
MPLS & ST PAUL	-	7,112,602	45,634,470	-	52,747,072	53,513,225	766,153	14,732,577	18,963,152	4,230,575	38,014,494	34,550,073	(3,464,422)
OTHER METRO, INNER	1,649,942	5,662,129	46,388,112	2,639,815	56,339,998	65,474,068	9,134,071	1,117,917	8,719,053	7,601,136	55,222,081	56,755,015	1,532,934
OTHER METRO, OUTER	4,952,046	13,011,693	61,259,805	8,344,142	87,567,685	127,278,978	39,711,293	3,045,281	37,241,218	34,195,938	84,522,405	90,037,760	5,515,355
NONMET>=2K	8,643,760	10,302,811	27,578,943	12,956,016	59,481,530	100,472,328	40,990,798	3,007,490	30,224,414	27,216,924	56,474,040	70,247,914	13,773,874
NONMET 1K-2K	6,148,776	6,187,210	-	12,746,857	25,082,842	50,689,409	25,606,566	1,173,597	15,514,711	14,341,114	23,909,245	35,174,698	11,265,453
NONMET < 1K	5,463,668	7,165,971	-	8,515,819	21,145,458	45,592,150	24,446,692	458,297	6,684,025	6,225,728	20,687,160	38,908,124	18,220,964
CHARTER	-	-	-	-	-	8,486,885	8,486,885	-	8,486,885	8,486,885	-	-	-
Alt Facility Eligible	-	21,484,441	180,861,330	2,678,619	205,024,390	226,773,649	21,749,260	19,286,064	54,214,306	34,928,242	185,738,326	172,559,343	(13,178,982)
Alt Facility Ineligible	26,858,192	27,957,974	-	42,524,030	97,340,195	216,246,509	118,906,313	4,249,096	63,132,268	58,883,172	93,091,099	153,114,241	60,023,141
ALL SCHOOL DISTRICTS	26,858,192	49,442,414	180,861,330	45,202,649	302,364,585	443,020,158	140,655,573	23,535,160	117,346,574	93,811,414	278,829,425	325,673,584	46,844,159
Lowest Wealth Quintile	7,151,731	9,390,253	18,230,272	14,086,698	48,858,954	87,398,108	38,539,154	3,758,573	44,492,694	40,734,121	45,100,381	42,905,414	(2,194,967)
2nd Lowest Wealth	4,256,436	9,283,080	25,745,432	5,470,628	44,755,576	74,049,745	29,294,169	4,557,727	29,085,310	24,527,584	40,197,849	44,964,435	4,766,586
Middle Wealth Quintile	5,097,969	8,933,767	40,595,251	9,819,309	64,446,296	88,585,346	24,139,050	1,175,668	20,821,935	19,646,267	63,270,628	67,763,411	4,492,783
2nd Highest Wealth	4,343,752	9,700,621	54,683,834	5,252,651	73,980,857	96,198,321	22,217,463	3,043,192	11,946,634	8,903,442	70,937,665	84,251,686	13,314,021
Highest Wealth Quintile	6,008,303	12,134,695	41,606,541	10,573,363	70,322,902	96,788,638	26,465,736	11,000,000	11,000,000	-	59,322,902	85,788,638	26,465,736

	CURRENT REVENUE PER PUPIL IN ADM					PROPOSED REVENUE PER PUPIL IN ADM							
		3 Yr Avg											
	FY 2015	FY 11-13	FY 2015	FY 2015									
	Deferred	Heath &	Alt Fac	Alt Fac	Grand	Total	Revenue	Aid			Levy		
DISTRICT	Maint	Safety	Big Dist	Other	Total	Revenue	Change	Current	Proposed	Change	Current	Proposed	Change
State Total	29	54	198	49	331	494	163	26	138	112	305	357	51
MPLS & ST PAUL	-	85	544	-	629	638	9	176	226	50	453	412	(41)
OTHER METRO, INNER	17	59	485	28	589	685	96	12	91	80	578	594	16
OTHER METRO, OUTER	17	45	213	29	305	443	138	11	130	119	294	313	19
NONMET>=2K	43	52	138	65	298	503	205	15	151	136	283	352	69
NONMET 1K-2K	60	60	-	124	245	495	250	11	151	140	233	343	110

Non-Alt Fac Districts Shown at Gtr of Formula Max or Current Revenue; Alt Fac districts below Formula Max assumed to hold levy constant and increase revenue by amount of aid increase

REPORT # 3: LONG-TERM MAINTENANCE REVENUE, FY 2019
Non-Alt Fac Dist Max = $500 / APU
Eq Ftr = 125% of St Avg ANTC / 3rd PY APU ($8,281)

	CURRENT LONG-TERM MAINTENANCE REVENUE					PROPOSED REVENUE		CURRENT AND PROPOSED AID			CURRENT AND PROPOSED LEVY		
		3 Yr Avg											
	FY 2015	FY 11-13	FY 2015	FY 2015									
	Deferred	Heath &	Alt Fac	Alt Fac		Total	Revenue	Aid			Levy		
DISTRICT	Maint	Safety	Big Dist	Other	Total	Revenue	Change	Current	Proposed	Change	Current	Proposed	Change
NONMET < 1K	59	78	-	92	229	494	265	5	72	67	224	421	197
CHARTER	-	-	-	-	-	163	163	-	163	163	-	-	-
Alt Facility Eligible	-	53	450	7	510	564	54	48	135	87	462	429	(33)
Alt Facility Ineligible	58	61	-	93	212	471	259	9	137	128	203	333	131
ALL SCHOOL DISTRICTS	31	57	210	52	351	514	163	27	136	109	324	378	54

Non-Alt Fac Districts Shown at Gtr of Formula Max or Current Revenue; Alt Fac districts below Formula Max assumed to hold levy constant and increase revenue by amount of aid increase

REPORT # 4: DEBT SERVICE EQUALIZATION
Excludes Alt Facilities Debt
Eq Threshold = 10% of ANTC; EQ FTR = 125% of Avg ANTC / 3rd Prior Yr APU ($8,281)

CURRENT DEBT EQUALIZATION CALCS									PROPOSED DEBT EQUALIZATION CALCS					
Total Revenue	Unequalized Revenue	Tier 1 Revenue	Tier 2 revenue	Tier 1 levy %	Tier 2 levy %	Tier 1 Aid	Tier 2 Aid	Total Aid	Total Revenue (Excl Alt Bond)	Unequalized Revenue	Equalized Revenue	Equalized Revenue Levy %	Debt Aid	Proposed Aid Change
739,837,161	587,422,064	107,133,654	45,281,442	99%	52%	1,215,135	21,803,387	23,018,522	619,151,448	398,999,126	220,152,322	60%	88,796,687	65,778,166
55,867,319	55,867,319	0	0			0	0	0	42,956,612	37,497,104	5,459,509	65%	1,932,673	1,932,673
100,080,451	82,773,024	15,657,926	1,649,501	99%	57%	150,588	703,225	853,813	66,421,155	46,227,714	20,193,440	60%	8,134,947	7,281,134
270,226,453	205,023,302	44,423,991	20,779,159	100%	58%	12,338	8,632,815	8,645,153	237,601,133	149,304,681	88,296,452	61%	34,239,805	25,594,652
159,445,706	115,964,153	26,734,470	16,747,083	97%	39%	680,074	10,219,121	10,899,195	138,723,992	79,034,135	59,689,857	49%	30,243,284	19,344,089
86,293,517	69,905,342	11,986,604	4,401,571	98%	64%	271,171	1,591,915	1,863,087	73,546,660	46,162,457	27,384,204	67%	8,973,492	7,110,405
67,923,715	57,888,924	8,330,663	1,704,129	99%	61%	100,965	656,309	757,274	59,901,896	40,773,035	19,128,860	72%	5,272,486	4,515,212
0	0	0	0			0	0	0	0	0	0		0	0
318,592,112	277,375,490	36,248,803	4,967,819	100%	67%	0	1,638,253	1,638,253	238,441,241	183,331,817	55,109,424	61%	21,581,935	19,943,681
421,245,048	310,046,574	70,884,851	40,313,623	98%	50%	1,215,135	20,165,133	21,380,269	380,710,207	215,667,309	165,042,898	59%	67,214,753	45,834,484
739,837,161	587,422,064	107,133,654	45,281,442											
157,999,131	89,610,525	38,386,750	30,001,855	97%	43%	1,215,135	17,088,934	18,304,069	141,507,239	61,704,695	79,802,544	43%	45,475,643	27,171,573
138,223,289	107,312,006	24,916,235	5,995,048	100%	63%	0	2,231,513	2,231,513	127,058,087	74,189,516	52,868,571	59%	21,697,763	19,466,250
179,483,749	132,856,608	37,809,029	8,818,112	100%	72%	0	2,455,992	2,455,992	139,911,269	79,430,698	60,480,571	67%	19,931,319	17,475,327
123,033,202	118,853,111	3,928,458	251,634	100%	89%	0	26,947	26,947	95,788,830	81,790,917	13,997,913	88%	1,691,963	1,665,015
141,097,790	138,789,815	2,093,182	214,793	100%	100%	0	0	0	114,886,023	101,883,300	13,002,723	100%	0	0

Proposed debt equalization formula uses same equalizing factor as for long-term maintenance revenue and facilities improvement revenue

REPORT # 5
CAPITAL PROJECTS REFERENDUM
Equalized at Same Level as Debt service and Long-Term Maint:
125% of State Avg ANTC / 3rd Prior Yr APU ($8,281)

DISTRICT	Total Revenue	FY 2015 Adjusted Pupil Units	Revenue / APU	ANTC / 3yp APU	Levy Percent	Levy	12.4% Aid
State Total	57,577,049	913,209	63	6,625	88%	50,419,473	7,157,576
MPLS & ST PAUL	0	83,891	-	7,684		0	0
OTHER METRO, INNER	18,280,089	95,582	191	6,950	95%	17,305,119	974,970
OTHER METRO, OUTER	36,264,664	287,222	126	5,935	84%	30,444,218	5,820,446
NONMET>=2K	909,231	199,745	5	5,542	83%	758,830	150,401
NONMET 1K-2K	1,347,265	102,475	13	6,460	86%	1,158,748	188,517
NONMET < 1K	775,800	92,329	8	10,009	97%	752,559	23,241
CHARTER	0	51,966	-			0	0
Alt Facility Eligible	45,052,901	401,874	112	6,570	89%	39,923,998	5,128,903
Alt Facility Ineligible	12,524,148	459,370	27	6,673	84%	10,495,475	2,028,673
ALL SCHOOL DISTRICTS	57,577,049	861,243	67	6,625	88%	50,419,473	7,157,576
Lowest Wealth Quintile	3,901,825	182,789	21	3,743	49%	1,920,622	1,981,203
2nd Lowest Wealth	2,713,748	167,447	16	4,947	57%	1,558,877	1,154,871
Middle Wealth Quintile	9,678,314	167,001	58	5,765	70%	6,797,091	2,881,223
2nd Highest Wealth	18,144,423	177,048	102	7,274	94%	17,004,144	1,140,279
Highest Wealth Quintile	23,138,739	166,959	139	11,612	100%	23,138,739	0

REPORT # 6
FACILITIES IMPROVEMENT REVENUE
Replacing Building Lease Levy
Equalized at 125% of State Avg ANTC / 3rd Prior Yr APU ($8,281)

	CURRENT BUILDING LEASE LEVY				PROPOSED FACILITIES IMPROVEMENT REVENUE							PROPOSED CHANGE		
DISTRICT	Lease Levy Regular	Lease Levy Interm.	Total Levy	Total / APU	Regular @ $162 / APU	Cooperative @ $46 / APU	Total (Maximum)	ANTC / 3yp APU	Levy Percent	Levy	State Aid	Revenue Change	Levy Change	Revenue Change / APU
State Total	52,576,897	6,340,258	58,917,155	65	161,829,348	16,683,285	178,512,633	6,625	69%	123,625,562	54,887,070	119,595,477	64,708,407	131
MPLS & ST PAUL	402,856	0	402,856	5	15,100,344	0	15,100,344	7,684	78%	11,760,105	3,340,239	14,697,488	11,357,249	175
OTHER METRO, INNER	7,547,625	2,629,870	10,177,494	106	17,204,787	4,329,909	21,534,696	6,950	76%	16,403,033	5,131,663	11,357,201	6,225,538	119
OTHER METRO, OUTER	25,534,883	3,710,389	29,245,272	102	51,699,879	8,498,720	60,198,599	5,935	71%	42,750,784	17,447,815	30,953,327	13,505,512	108
NONMET>=2K	12,605,267	0	12,605,267	63	35,954,037	1,906,613	37,860,650	5,542	65%	24,793,629	13,067,020	25,255,382	12,188,362	126
NONMET 1K-2K	4,162,552	0	4,162,552	41	18,445,500	1,024,750	19,470,250	6,460	68%	13,201,886	6,268,364	15,307,698	9,039,334	149
NONMET < 1K	2,323,714	0	2,323,714	25	16,619,274	923,293	17,542,567	10,009	84%	14,716,125	2,826,442	15,218,853	12,392,411	165
CHARTER	0	0	0	-	6,805,527	0	6,805,527		0%	0	6,805,527	6,805,527	0	131
Alt Facility Eligible	28,326,535	4,897,483	33,224,017	83	72,337,284	9,827,138	82,164,422	6,570	75%	61,936,967	20,227,455	48,940,404	28,712,949	122
Alt Facility Ineligible	24,250,363	1,442,775	25,693,138	56	82,686,537	6,856,147	89,542,684	6,673	69%	61,688,596	27,854,088	63,849,546	35,995,458	139
ALL SCHOOL DISTRICTS	52,576,897	6,340,258	58,917,155	68	155,023,821	16,683,285	171,707,106	6,625	72%	123,625,562	48,081,543	112,789,950	64,708,407	131
Lowest Wealth Quintile	10,660,779	401,923	11,062,702	61	32,902,056	2,555,675	35,457,731	3,743	45%	15,960,015	19,497,717	24,395,029	4,897,312	133
2nd Lowest Wealth	9,707,895	272,249	9,980,144	60	30,140,487	1,924,900	32,065,387	4,947	58%	18,576,942	13,488,445	22,085,243	8,596,798	132
Middle Wealth Quintile	10,880,757	2,516,818	13,397,575	80	30,060,135	4,959,508	35,019,643	5,765	70%	24,450,612	10,569,030	21,622,067	11,053,037	129
2nd Highest Wealth	14,219,778	1,520,284	15,740,062	89	31,868,577	4,368,792	36,237,369	7,274	88%	31,711,017	4,526,352	20,497,307	15,970,955	116
Highest Wealth Quintile	7,107,688	1,628,984	8,736,672	52	30,052,566	2,874,410	32,926,976	11,612	100%	32,926,976	0	24,190,304	24,190,304	145

* Assumes that: 1) intermediate district members use the full $46 / APU, 2) Minneapolis, St Paul and Duluth do not use this revenue, and 3) other districts use $10 / APU of the available $46/APU.

REPORT # 7: OPERATING CAPITAL REVENUE
Revenue = ($100 x APU) + ($120 x APU x Age Index)
Equalized at 470% of State Avg ANTC / APU ($30,906)

		OPERATING CAPITAL REVENUE			REVENUE / ADJ PUPIL UNIT			OPER CAPITAL LEVY			OPER CAPITAL AID		
DISTRICT	Adjusted Pupil Units	CURRENT	PROPOSED	CHANGE	CURRENT	PROPOSED	CHANGE	CURRENT	PROPOSED	CHANGE	CURRENT	PROPOSED	CHANGE
State Total	913,209	205,420,333	237,736,499	32,316,166	225	260	35	86,598,055	47,852,225	(38,745,829)	118,822,278	189,884,274	71,061,996
MPLS & ST PAUL	83,891	19,448,281	22,444,099	2,995,818	232	268	36	9,472,979	5,131,384	(4,341,595)	9,975,302	17,312,715	7,337,413
OTHER METRO, INNER	95,582	21,924,822	25,370,223	3,445,402	229	265	36	10,507,401	5,703,222	(4,804,179)	11,417,420	19,667,001	8,249,581
OTHER METRO, OUTER	287,222	63,936,633	74,047,812	10,111,179	223	258	35	26,265,833	14,270,390	(11,995,443)	37,670,800	59,777,422	22,106,623
NONMET>=2K	199,745	44,520,944	51,513,686	6,992,742	223	258	35	16,968,661	9,208,157	(7,760,504)	27,552,283	42,305,529	14,753,246
NONMET 1K-2K	102,475	23,055,874	26,703,779	3,647,905	225	261	36	10,171,926	5,599,136	(4,572,790)	12,883,948	21,104,643	8,220,695
NONMET < 1K	92,329	20,844,428	24,128,611	3,284,184	226	261	36	13,211,254	7,939,936	(5,271,318)	7,633,174	16,188,675	8,555,501
CHARTER	51,966	11,689,352	13,528,289	1,838,937	225	260	35	-	-	-	11,689,352	13,528,289	1,838,937
Alt Facility Eligible	401,874	91,011,598	105,259,241	14,247,643	226	262	35	40,682,230	22,074,271	(18,607,959)	50,329,368	83,184,970	32,855,602
Alt Facility Ineligible	459,370	102,719,383	118,948,969	16,229,587	224	259	35	45,915,825	25,777,955	(20,137,870)	56,803,558	93,171,015	36,367,457
ALL SCHOOL DISTRICTS	861,243	193,730,981	224,208,210	30,477,230	225	260	35						
Lowest Wealth Quintile	182,789	40,624,316	47,057,374	6,433,058	222	257	35	10,463,990	5,685,985	(4,778,005)	30,160,325	41,371,389	11,211,063
2nd Lowest Wealth	167,447	37,451,741	43,337,481	5,885,740	224	259	35	12,413,535	6,739,067	(5,674,467)	25,038,206	36,598,414	11,560,207
Middle Wealth Quintile	167,001	37,187,071	43,060,759	5,873,688	223	258	35	14,819,271	8,050,449	(6,768,822)	22,367,800	35,010,310	12,642,510
2nd Highest Wealth	177,048	40,349,618	46,654,912	6,305,294	228	264	36	20,228,846	10,974,504	(9,254,343)	20,120,772	35,680,408	15,559,637
Highest Wealth Quintile	166,959	38,118,236	44,097,685	5,979,449	228	264	36	28,672,413	16,402,220	(12,270,193)	9,445,823	27,695,465	18,249,642

REPORT # 8
SCHOOL FACILITIES REVENUE SUMMARY
Working Group Proposal vs Current Law Revenue / APU

	CURRENT LAW REVENUE PER ADJUSTED PUPIL UNIT											PROPOSED REVENUE PER APU							PROPOSED CHANGE				
DISTRICT	Oper. Capital	Deferred Maint	3 Yr Avg FY 11-13 Heath & Safety	Alt Fac Big Dist	Alt Fac Other	Lease Levy Regular	Lse Lvy Interm.	Charter Lease	Capital Projects Refer.	Non-Alt Fac Debt	Grand Total	Oper. Capital	Long Term Maint.	Facilities Improve. (Lease Lvy)	Charter Lease Aid	Capital Projects Refer.	Debt Excl Alt Fac	Grand Total	Oper. Capital	Long Term Maint.	Facilities Improve. (Lease)	Total Revenue per APU	Total Revenue (Maximum)
State Total	225	29	54	198	49	58	7	66	63	678	1,428	260	494	195	66	63	678	1,758	35	163	131	330	301,054,102
MPLS & ST PAUL	232	-	85	544	-	5	-	-	-	512	1,377	268	638	180	-	-	512	1,597	36	9	175	220	18,459,459
OTHER METRO, INNER	229	17	59	485	28	79	28	-	191	695	1,811	265	685	225	-	191	695	2,062	36	96	119	250	23,936,674
OTHER METRO, OUTER	223	17	45	213	29	89	13	-	126	827	1,583	258	443	210	-	126	827	1,864	35	138	108	281	80,775,800
NONMET>=2K	223	43	52	138	65	63	-	-	5	695	1,283	258	503	190	-	5	695	1,650	35	205	126	367	73,238,922
NONMET 1K-2K	225	60	60	-	124	41	-	-	13	718	1,241	261	495	190	-	13	718	1,676	36	250	149	435	44,562,170
NONMET < 1K	226	59	78	-	92	25	-	-	8	649	1,137	261	494	190	-	8	649	1,602	36	265	165	465	42,949,728
CHARTER	225	-	-	-	-	-	-	1,164	-	-	1,389	260	163	131	1,164	-	-	1,719	35	163	131	330	17,131,348
Alt Facility Eligible	226	-	53	450	7	70	12	-	112	593	1,525	262	564	204	-	112	593	1,736	35	54	122	211	84,937,307
Alt Facility Ineligible	224	58	61	-	93	53	3	-	27	829	1,347	259	471	195	-	27	829	1,781	35	259	139	433	198,985,446
ALL SCHOOL DISTRICTS	225	31	57	210	52	61	7	-	67	719	1,430	260	514	199	-	67	719	1,760	35	163	131	330	283,922,753
Lowest Wealth Quintile	222	39	51	100	77	58	2	-	21	774	1,346	257	478	194	-	21	774	1,725	35	211	133	379	69,367,242
2nd Lowest Wealth	224	25	55	154	33	58	2	-	16	759	1,326	259	442	191	-	16	759	1,668	35	175	132	342	57,265,153
Middle Wealth Quintile	223	31	53	243	59	65	15	-	58	838	1,585	258	530	210	-	58	838	1,894	35	145	129	309	51,634,805
2nd Highest Wealth	228	25	55	309	30	80	9	-	102	541	1,378	264	543	205	-	102	541	1,655	36	125	116	277	49,020,064
Highest Wealth Quintile	228	36	73	249	63	43	10	-	139	688	1,529	264	580	197	-	139	688	1,868	36	159	145	339	56,635,489

REPORT # 9

SCHOOL FACILITIES AID AND LEVY SUMMARY

Working Group Proposal vs Current Law

		Facilities Aid			Facilities Levy			Facilities Levy Rate (Percent of ANTC)			Levy Rate (% of ANTC) To Generate Revenue of $1,000 /APU		
DISTRICT	ANTC / APU	Current	Proposed	Change	Current	Proposed	Change	Current	Proposed	Change	Current	Proposed	Change
State Total	6,576	225,889,891	527,072,998	301,183,106	1,078,054,610	1,077,925,605	(129,005)	19.0%	19.0%	0.0%	13.3%	10.8%	-2.5%
MPLS & ST PAUL	7,064	24,707,879	41,548,778	16,840,899	90,846,942	92,465,501	1,618,560	15.3%	15.6%	0.3%	11.1%	9.8%	-1.4%
OTHER METRO, INNER	6,912	13,389,151	42,627,635	29,238,485	159,754,407	154,452,596	(5,301,811)	24.2%	23.4%	-0.8%	13.3%	11.3%	-2.0%
OTHER METRO, OUTER	5,940	49,361,233	154,526,707	105,165,474	405,254,154	380,864,480	(24,389,674)	23.8%	22.3%	-1.4%	15.0%	12.0%	-3.0%
NONMET>=2K	5,508	41,458,968	115,990,649	74,531,680	214,781,996	213,489,238	(1,292,758)	19.5%	19.4%	-0.1%	15.2%	11.8%	-3.5%
NONMET 1K-2K	6,483	15,920,632	52,049,727	36,129,096	111,274,561	119,707,636	8,433,074	16.7%	18.0%	1.3%	13.5%	10.8%	-2.7%
NONMET < 1K	10,176	8,848,745	30,994,869	22,146,124	96,142,550	116,946,155	20,803,605	10.2%	12.4%	2.2%	9.0%	7.8%	-1.2%
CHARTER	-	72,203,284	89,334,632	17,131,348	-	-	-	n/a	n/a	n/a	n/a		n/a
Alt Facility Eligible	6,464	71,253,685	184,337,569	113,083,884	541,500,461	513,353,885	(28,146,577)	20.8%	19.8%	-1.1%	13.7%	11.4%	-2.3%
Alt Facility Ineligible	6,674	82,432,922	253,400,796	170,967,874	536,554,149	564,571,721	28,017,572	17.5%	18.4%	0.9%	13.0%	10.3%	-2.6%
ALL SCHOOL DISTRICTS		153,686,608	437,738,365	284,051,758	1,078,054,610	1,077,925,605	(129,005)	19.0%	19.0%	0.0%	13.3%	10.8%	-2.5%
Lowest Wealth Quintile	3,730	52,222,968	152,818,645	100,595,677	193,732,068	162,503,632	(31,228,436)	28.4%	23.8%	-4.6%	21.1%	13.8%	-7.3%
2nd Lowest Wealth	4,805	31,827,446	102,024,803	70,197,357	190,131,849	177,199,645	(12,932,204)	23.6%	22.0%	-1.6%	17.8%	13.2%	-4.6%
Middle Wealth Quintile	5,771	25,999,460	89,213,817	63,214,357	238,621,065	227,041,513	(11,579,551)	24.8%	23.6%	-1.2%	15.6%	12.4%	-3.2%
2nd Highest Wealth	7,275	23,190,911	54,985,636	31,794,725	220,812,880	238,038,219	17,225,340	17.1%	18.5%	1.3%	12.4%	11.2%	-1.3%
Highest Wealth Quintile	11,531	20,445,823	38,695,465	18,249,642	234,756,749	273,142,596	38,385,847	12.2%	14.2%	2.0%	8.0%	7.6%	-0.4%

REPORT # 10
SCHOOL FACILITIES FUNDING SUMMARY BY PROGRAM
Draft Proposal vs Current Law

PROGRAM	CURRENT LAW			PROPOSED			PROPOSED CHANGE		
	REVENUE	AID	LEVY	REVENUE	AID	LEVY	REVENUE	AID	LEVY
LONG-TERM MAINTENANCE:									
Deferred Maintenance	26,858,192	4,052,988	22,805,203						
Health & Safety	49,442,414	196,108	49,246,307						
Alt Facility - Big districts	180,861,330	19,286,064	161,575,266						
Alt Facility - Other	45,202,649	-	45,202,649						
Total Long-term Maintenance	302,364,585	23,535,160	278,829,425	451,507,043	125,833,459	325,673,584	149,142,458	102,298,299	46,844,159
CAPITAL PROJECTS REFERENDUM	57,577,049	-	57,577,049	57,577,049	7,157,576	50,419,473	-	7,157,576	(7,157,576)
FACILITIES IMPROVEMENT:									
Building Lease Levy - Regular	52,576,897	-	52,576,897	161,829,348			109,252,451		
Building Lease Levy- Intermediate	6,340,258	-	6,340,258	16,683,285			10,343,026		
Total	58,917,155	-	58,917,155	178,512,633	54,887,070	123,625,562	119,595,477	54,887,070	64,708,407
OPERATING CAPITAL	205,420,333	118,822,278	86,598,055	237,736,499	189,884,274	47,852,225	32,316,166	71,061,996	(38,745,829)
CHARTER SCHOOL LEASE AID	60,513,932	60,513,932	-	60,513,932	60,513,932	-	-	-	-
DEBT EXCLUDING ALT FACILITY	619,151,448	23,018,522	596,132,925.92	619,151,448	88,796,687	530,354,760.31	-	65,778,166	(65,778,166)
GRAND TOTAL	1,303,944,501	225,889,891	1,078,054,610	1,604,998,603	527,072,998	1,077,925,605	301,054,102	301,183,106	(129,005)
Percent change							23%	133%	0%
State and local shares of revenue		17%	83%		33%	67%		16%	-16%
					79.9%				
FACTORS USED IN PROPOSED FORMULAS:									
Long-term Maintenance Allowance			500		Operating Capital Allow - per pupil			100	
Long-term Maintenance Eq Factor (% of State Avg ANTC / 3YP APU)			125%		Operating Capital Allow - Age-adjusted			120	
					Operating Capital Equalizing Factor - % of sta			470%	
Capital Project Referendum Eq Factor (% of State Avg ANTC / #YP AF			125%						
					Debt Service Equalizing Threshold (% of ANT(			10%	

REPORT # 10
SCHOOL FACILITIES FUNDING SUMMARY BY PROGRAM
Draft Proposal vs Current Law

LONG-TERM MAINTENANCE:									
Deferred Maintenance	26,858,192	4,052,988	22,805,203						
Health & Safety	49,442,414	196,108	49,246,307						
Alt Facility - Big districts	180,861,330	19,286,064	161,575,266						
Facilities improvement allowance - regular			180		Debt Service Eq Factor (% of State Avg ANTC			125%	
Facilities improvement allowance - intermediate & coops			46						
Facilities improvement Eq Factor (% of State Avg ANTC / 3YP APU)			125%						
Facilities improvement allowance - non-intermediate use assumption			10	(assumes Minneapolis, St Paul & Duluth do not use this levy)					

Appendix B: Statutory Language Establishing Facilities Work Group

2013 Session -- Chapter 116, Article 6, Sec. 9

SCHOOL FACILITIES FINANCING WORK GROUP.

The commissioner of education must convene a working group to develop recommendations for reforming the financing of prekindergarten through grade 12 education facilities to create adequate, equitable, and sustainable financing of public school facilities throughout the state. Membership on the working group must include representatives of school superintendents, business managers, school facilities directors, and school boards. The scope of the working group recommendations must include funding options for facilities projects currently financed with debt service, alternative facilities, deferred maintenance, health and safety, building lease, and operating capital revenues. The commissioner, on behalf of the working group, must submit a report to the chairs and ranking minority members of the legislative committees and divisions with primary jurisdiction over kindergarten through grade 12 education finance by February 1, 2014, recommending how best to allocate funds for school facilities.

Appendix C: School Facilities Financing Work Group Membership

Co-Chairs

Mark Bollinger, Chief Administrative Officer; Minneapolis Public Schools
Commissioner Appointment

Bob Indihar, Superintendent; Moose Lake
Representing; Minnesota Association of School Administrators (MASA)

Members

Joe Arthurs, Buildings and Grounds Supervisor; Health and Safety Coordinator; Hibbing
Representing: Minnesota Educational Facility Management Professionals (MASMS)

Earl V. Athman, Business Manager: Pierz Schools
Representing: Minnesota Association of School Business Officials (MASBO)

Paul Bourgeois, Executive Director of Finance and Operations; Minnetonka Schools
Representing: Minnesota Association of School Business Officials (MASBO)

Greg Crowe, Financial Advisor; Ehlers
Commissioner Appointment

Kim Eisenschenk, Business Manager; Sauk Rapids-Rice Schools
Representing: Minnesota Association of School Business Officials (MASBO)

Al Fan, Executive Director; Charter School Partners
Commissioner Appointment

Kevin Hildebrandt, Director of Buildings and Grounds; Health and Safety; Faribault Public Schools
Representing: Minnesota Educational Facility Management Professionals (MASMS)

Grace Keliher, Director of Government Affairs; Minnesota School Boards Association
Representing: Minnesota School Boards Association

Peter Nelson, School Board Treasurer; St. Peter Public Schools
Representing: Minnesota School Boards Association (MSBA)

Heather Nosan; Project Manager; Rosemount-Apple Valley Schools-Dist. 196
Representing: Minnesota Educational Facility Management Professionals (MASMS)

Ann Pate, Vice Chair, Wadena-Deer Creek School Board

Representing: Minnesota School Boards Association (MSBA)

Michael Vogel, Assistant to the Superintendent for Operations; South Washington County School District
Commissioner Appointment

Dee Wells, Superintendent; Inver Grove Heights Community Schools
Representing: Minnesota Association of School Administrators (MASA)

Wayne Wormstadt, Superintendent; Windom Area Schools - ISD 177
Representing: Minnesota Association of School Administrators (MASA)

Ex-Officio Members

Representative Duane Quam (Byron)

Representative Yvonne Selcer (Minnetonka)

Senator LeRoy Stumpf (Plummer)

Minnesota Department of Education Staff

Rose Hermodson , Assistant to the Commissioner

Daron Korte, Government Relations Director

Tom Melcher, School Finance Director

View materials from this Task Force on the MDE website or at the following link:

http://education.state.mn.us/MDE/Welcome/AdvBCT/SchFacFinanWorkGroup/index.html

Appendix D: Proposed Amendments to Minnesota Statutes

Review and Comment Statute:

Minnesota Statutes, section 123B.71, subdivision 8, is repealed:

~~Subdivision 1.**Consultation.**~~

~~A school district shall consult with the commissioner of education before developing any plans and specifications to construct, remodel, or improve the building or site of an educational facility for which the estimated cost exceeds $500,000. This consultation shall occur before a referendum for bonds, solicitation for bids, or use of capital expenditure facilities revenue according to section 126C.10, subdivision 14, clause (2). The commissioner may require the district to participate in a management assistance plan before conducting a review and comment on the project.~~

Subd. 8. **Review and comment.**

A school district, a special education cooperative, or a cooperative unit of government, as defined in section 123A.24, subdivision 2, must not initiate an installment contract for purchase or a lease agreement, hold a referendum for bonds, nor solicit bids for new construction, expansion, or remodeling of an educational facility that requires an expenditure in excess of $500,000 per school site if it has a capital loan outstanding, or ~~$1,400,000~~ $2,000,000 per school site if it does not have a capital loan outstanding, prior to review and comment by the commissioner. ~~The commissioner may exempt~~ A facility addition, maintenance project, or remodeling project funded only with general education revenue, ~~aid and levy, alternative facilities bonding and levy program, or health and safety revenue~~ long-term facilities maintenance revenue or facilities improvement revenue is exempted from this provision ~~after reviewing a written request from a school district describing the scope of work~~. A capital project under section 123B.63 addressing only technology is exempted from this provision if the district submits a school board resolution to the commissioner stating that funds approved by voters will be used only as authorized in section 126C.10, subdivision 14.

A school board shall not separate portions of a single project into components to avoid the requirements of this subdivision.

Minnesota Statutes, section 123B.71, subdivision 9, is amended to read:

Subd. 9.**Information required.**

A school board proposing to construct a facility described in subdivision 8 shall submit to the commissioner a proposal containing information including at least the following:

(1) the geographic area and population to be served, preschool through grade 12 student enrollments for the past five years, and student enrollment projections for the next five years;

(2) a list of existing facilities by year constructed, their uses, and an assessment of the extent to which alternate facilities are available within the school district boundaries and in adjacent school districts;

(3) a list of the specific deficiencies of the facility that demonstrate the need for a new or renovated facility to be provided, the process used to determine the deficiencies, a list of those deficiencies that will and will not be addressed by the proposed project, and a list of the specific benefits that the new or renovated facility will provide to the students, teachers, and community users served by the facility;

(4) ~~the relationship of the project to any priorities established by the school district, educational cooperatives that provide support services, or other public bodies in the service area;~~

~~(5) a description of the pedestrian, bicycle, and transit connections between the school and nearby residential areas that make it easier for children, teachers, and parents to get to the school by walking, bicycling, and taking transit;~~

~~(6) a specification of how the project maximizes the opportunity for cooperative use of existing park, recreation, and other public facilities and whether and how the project will increase collaboration with other governmental or nonprofit entities;~~

~~(7)~~ a description of the project, including the specification of site and outdoor space acreage and square footage allocations for classrooms, laboratories, and support spaces; estimated expenditures for the major portions of the project; and the dates the project will begin and be completed;

(5) ~~(8)~~ a specification of the source of financing the project including applicable statutory citations; the scheduled date for a bond issue or school board action; a schedule of payments, including debt service equalization aid; and the effect of a bond issue on local property taxes by the property class and valuation;

~~(9) an analysis of how the proposed new or remodeled facility will affect school district operational or administrative staffing costs, and how the district's operating budget will cover any increased operational or administrative staffing costs;~~

~~(10) a description of the consultation with local or state transportation officials on multimodal school site access and safety issues, and the ways that the project will address those issues;~~

~~(11) a description of how indoor air quality issues have been considered and a certification that the architects and engineers designing the facility will have professional liability insurance;~~

~~(12) as required under section 123B.72, for buildings coming into service after July 1, 2002, a certification that the plans and designs for the extensively renovated or new facility's heating, ventilation, and air conditioning systems will meet or exceed code standards; will provide for the monitoring of outdoor airflow and total airflow of ventilation systems; and will provide an indoor air quality filtration system that meets ASHRAE standard 52.1;~~

~~(13) a specification of any desegregation requirements that cannot be met by any other reasonable means;~~

~~(14) a specification of how the facility will utilize environmentally sustainable school facility design concepts;~~

~~(15) a description of how the architects and engineers have considered the American National Standards Institute Acoustical Performance Criteria, Design Requirements and Guidelines for Schools of the maximum background noise level and reverberation times; and~~

~~(16) any existing information from the relevant local unit of government about the cumulative costs to provide infrastructure to serve the school, such as utilities, sewer, roads, and sidewalks~~.

(6) confirmations of the district and contracted professionals that the project is planned and will be executed to consider and comply with the following:

(i) section 471.345 Uniform Municipal Contracting Law;
(ii) sustainable design;
(iii) section 123B.72 School Facility Commissioning requiring certification that plans and designs for extensively renovated or new facility's heating, ventilation, and air conditioning systems will meet or exceed current code standards; and will provide an air quality filtration system that meets ASHRAE standard 52.1;
(iv) American National Standards Institute Acoustical Performance Criteria, Design Requirements and Guidelines for Schools of the maximum background noise level and reverberation times;
(v) Minnesota State Fire Code;
(vi) applicable building code under chapter 326B;
(vii) consultation with appropriate governmental units regarding utilities, roads, sewers, sidewalks, retention ponds, school bus and automobile traffic, safe access for walkers and bicyclists;

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School Facilities Financing Work Group
Recommendations Summary

February 1, 2014

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Long-Term Facilities Maintenance

- Combine the Deferred Maintenance, Health & Safety and Alternative Facilities Revenue programs into a new Long-Term Facilities Maintenance Revenue program available to all districts
- Phase out state limits on long-term maintenance funding without voter approval over four years for districts not currently in the alternative facilities program
- Equalize the long-term maintenance levy at 125 percent of state average Adjusted Net Tax Capacity (ANTC) per pupil unit

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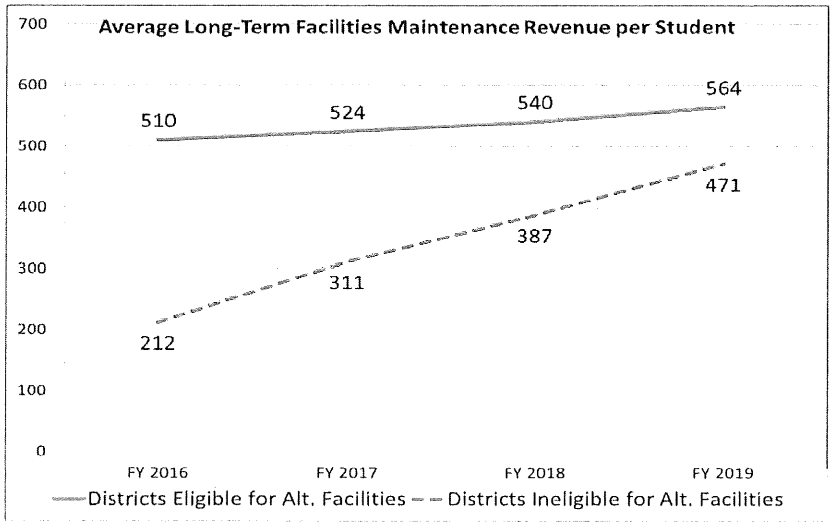
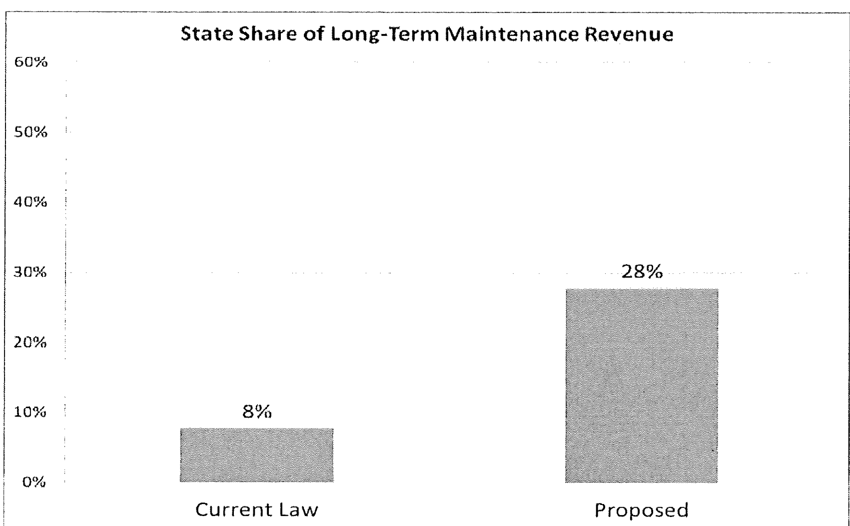
Phasing out state limits on long-term facilities maintenance funding would close the revenue gap between districts that are currently eligible and ineligible for alternative facilities revenue:



Improved equalization would increase the state share of long-term maintenance revenue from 8 percent to 28 percent:



Debt Service Equalization

- Lower the threshold to qualify for debt service equalization from 15.74 percent to 10 percent of Adjusted Net Tax Capacity (ANTC)
- Replace two-tiered equalization with a single tier, equalized at 125 percent of state average ANTC per pupil unit

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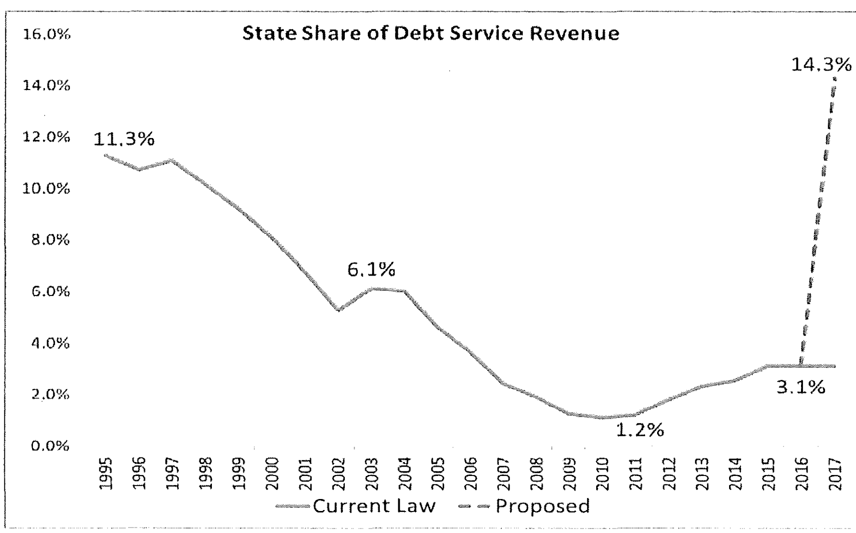
Improved equalization would increase the state share of debt service revenue from 3 percent to 14 percent, slightly higher than the original level of 11 percent in FY 1995:



Capital Projects Referendum

- Equalize the capital projects referendum levy at 125 percent of state average Adjusted Net Tax Capacity (ANTC) per pupil unit

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Lease Levy / School Facilities Improvement Revenue

- Replace the school building lease levy with a new facilities improvement revenue that would expand the current uses of revenue to including facility remodeling to enhance school safety and security and provide improved learning environments
- Increase the maximum allowance from $162 to $180 per pupil unit, indexed to the CPI in later years
- Equalize the levy at 125 percent of state average Adjusted Net Tax Capacity (ANTC) per pupil unit

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Operating Capital Revenue

- Increase operating capital revenue to restore a portion of buying power lost to inflation since FY 2003.
- Increase the operating capital equalizing factor to restore the state share of funding, and index the equalizing factor to the state average ANTC per pupil unit to stabilize the state share in the future

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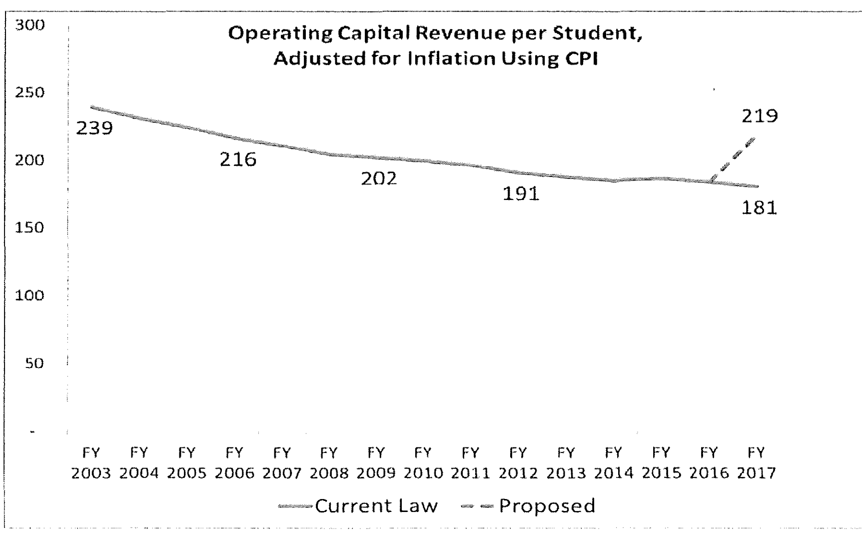
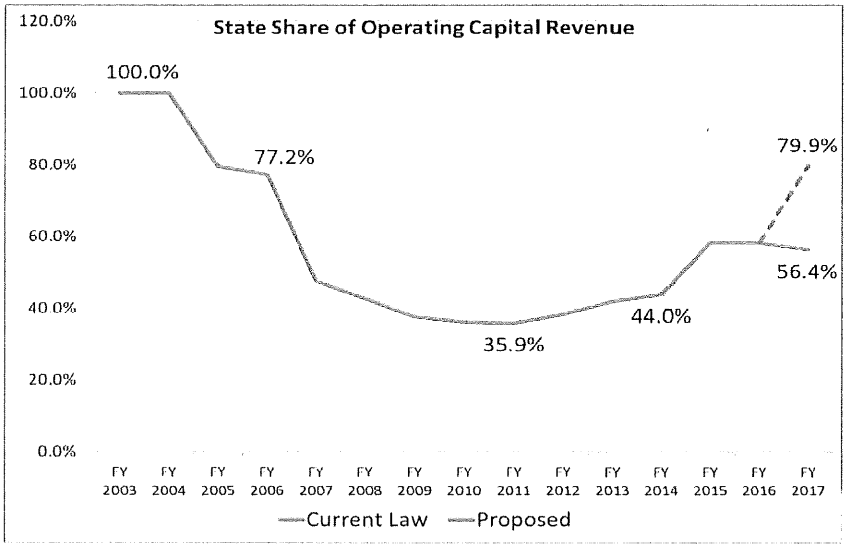
Increasing the operating capital allowance would restore purchasing power to approximately the FY 2006 level:



Improved equalization would restore the state share of operating capital revenue to approximately the FY 2005 level:



Districts with Unique Needs

- Provide enhanced debt service equalization for districts with unique needs:
  - Significant unfunded natural disaster costs
  - School district consolidations
  - Unusually high debt service tax rates

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Review and Comment Process

- Increase the dollar threshold for review and comment
- Eliminate review and comment for projects funded entirely with long-term maintenance revenue, facilities improvement revenue and operating capital revenue
- Reduce paperwork for remaining review and comments
- Eliminate consultation requirements for smaller projects

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Charter Schools and Cooperatives

- Provide funding increases for charter schools comparable to increases provided for school districts
- Expand allowable uses of lease levy authority for members of intermediates consistent with facilities improvement program and extend this authority to include special education coops, secondary vocational coops and education districts
- Allow member school boards of intermediate districts and coops to include a proportionate share of intermediate / coop costs in the district's long-term maintenance revenue

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Fiscal Impact

- Initial modeling shows an estimated overall increase in school facilities revenue of $206 million in FY 2017, $250 million in FY 2018, and $301 million in FY 2019.

- There would be no increase in state total school levies; but levies would increase for some districts, (especially those receiving significant new revenue), and decrease for others.

- Initial modeling provides only a rough first estimate of fiscal impact. Further work is needed to analyze the behavioral effects of facilities funding changes on local school facilities plans and costs, and how that would affect funding.

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