Minnesota School Finance

Long-Term Facilities Maintenance Revenue Program

PFM's financial advisory business has a team of knowledgeable municipal advisors. We are happy to partner with you to evaluate your district's circumstances, and provide advice on how to develop a strategy that will address your facilities needs for the future.

The 2015 Minnesota Legislature established a Long-Term Facilities Maintenance (LTFM) revenue program (Program) providing districts with options to help invest in the ongoing maintenance of their facilities.[1] The prior laws for health and safety, deferred maintenance and alternative facilities were repealed effective June 30, 2016.

The Program requires districts to submit and adopt a 10-year plan (Plan) to the Minnesota Department of Education (MDE) for approval. The Plan needs to be updated and submitted to the Commissioner of Education annually for approval. The Plan can be part of a comprehensive financing plan to address facility needs.

Revenue Considerations

The revenue can be used for the following expenses:

- Deferred expenditures and capital maintenance projects necessary to prevent erosion of facilities;
- Increasing accessibility of school facilities; and
- Health and safety projects that qualify under Minnesota Statutes, section 123B.57.

The revenue cannot be used for:

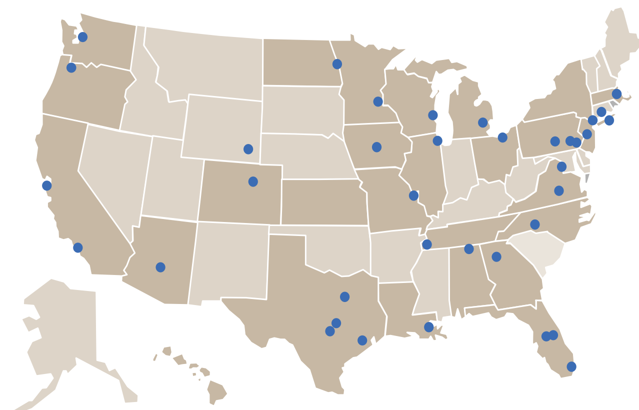
- Construction of new facilities, remodeling of existing facilities, or the purchase of portable classrooms;
- Financing a lease purchase agreement, installment purchase agreement, or other deferred payments agreement;
- Energy-efficiency projects under Minnesota Statutes, section 123B.65 for a building or property (or part thereof) used for post-secondary instruction or administration, or for a purpose unrelated to elementary and secondary education; and
- Violence prevention and facility security, ergonomics, or emergency communication devices.

Districts may fund qualified projects on a pay-as-you-go basis or with bonds, or a combination of the two. In addition, districts are able to save their annual LTFM revenue and use it for future projects.

MDE will calculate the amount of LTFM revenue that is available each year. If the district's average building age is less than 35 years, the amount of revenue is reduced. In some cases, the revenue can be increased if the district has: (1) health and safety projects in excess of $100,000 per site for indoor air quality, fire alarm and suppression, or asbestos abatement; (2) payments on existing alternative facilities bonds; and (3) additional costs that have been grandfathered in pursuant to the statute.

1 MS 123B.595

LTFM revenue is equalized with a combination of state aid and property taxes. For purposes of the equalization formula, the adjusted net tax capacity (ANTC) means the net tax capacity of the district, as calculated by the Minnesota Department of Revenue, reduced by 50% of the value of the agricultural land consisting of parcels of property or portions thereof that are agricultural land and buildings. The equalizing factor is equal to 123% of the state average ANTC per pupil.



National in Scope, Local in Orientation

PFM couples the advantages of a national firm possessing special sector expertise with office locations all across the country, staffed by professionals who are deeply familiar with the distinct needs of investors in their region.

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