Long Term Facility Maintenance Board Authorized Equalized Levy (LTFM) FAQ's

From MREA's June 29, 2015 Webinar with Tom Melcher, MDE; Greg Crowe, Ehlers; Mike Hoheisel, WR Baird

When will a district need to submit a 10 year plan to MDE?

The timeline for the first plan will be extremely tight. By statute, in order for MDE to specify a levy for you to authorize, you need to have a plan approved by MDE. That means the preliminary plan needs to be back to MDE in August and for you to have it nearly completed by the end of September when boards certify their preliminary levy.

When will information about these required 10 year plans be available?

MDE will be sending an information packet to districts soon outlining the steps needed to create a plan and provide the necessary information to MDE. It will include a spreadsheet in which you are to input how much you plan to spend in each of the major categories of Health and Safety, Deferred Maintenance and Handicapped Access in the next ten years and year-by-year.

You will also be asked to provide narrative on any Health and Safety project over $100,000 for which you are eligible for additional revenue.

If a district is planning to bond on these revenues, you must include a bond schedule so MDE can be sure you have sufficient LTFM revenue to pay off the bond.

Will districts be limited to the projects they list on the 10 year plan or will there be flexibility?

The initial 10 year plan will focus on FY '17 and any bonding districts wish to begin. Districts can amend the plan every year and will be revising the plans every two years. The expectation is that the out years, 7-10, will be very soft and subject to the revisions districts do every two years.

Can a district use LTFM to do a roof project in year 4 of the 10 year plan?

Yes, districts do not need to spend the $193 per APU in FY '17 to receive the revenue. Districts can save up enough money in revenue to pay for the roof project on a pay-as-you-go basis, or in a combination of pay-as-you go and a bond against future LTFM funds to raise the funds for that roof project. This is the kind of planning districts will need to do in their 10 year plans.

Will there be a reserve fund balance in UFARS for LTFM? Can it go into deficit or be a surplus?

Yes, districts do not need to spend the revenue in the year it is revenue to the district. You can accumulate a surplus to carry out a project on the plan for a future year, or you can have it go into the negative if you can cash flow a project for wish you will replenish the fund in future years.

What if districts have unused Health and Safety Revenue, or conversely a Health and Safety Deficit?

There will be three years in which MDE will clean up the Health and Safety levies: Pay 16, 17 and 18. Districts with unused levy will be able to levy in those three years. Districts with deficits will need to levy over those three years to balance their deficit. They can decide how they spread that levy over the three years.

These must approved Health and Safety projects. If these are unused levy revenues are awaiting MDE approval for a Health and Safety projects, those need to get resolved.

Will LTFM be one budget item or separated by category?

Details by finance code will be required for the five categories of Health and Safety, a separate section for Health and Safety over $100,000, a section on handicapped access, and sections under deferred maintenance such as roofs, building envelopes.

It is important to realize that this a lot of new money for schools and we want to be accountable to the legislature on the uses of this new money.

Will the Deferred Maintenance Reserve be kept separate or rolled into the LTFM reserve account?

In the end of the day, the Deferred Maintenance reserve will be rolled into LTFM. When that will happen has not yet been determined. MDE will consult with its Financial Management Advisory Committee prior to proceeding.

Health and Safety will need to be kept separate to be sure to clean up deficits in districts' Health and Safety accounts.

Will Deferred Maintenance continue as a separate revenue stream?

Deferred Maintenance is one of three revenue programs being replaced by LTFM. FY '16 is the last year we will have separate Health and Safety, Deferred Maintenance, and Alt Finance programs. Beginning in FY '17 they will all be LTFM.

Can LTFM funds be used to make QZAB lease payments as Deferred Maintenance funds are currently able to be used?

Tom and MDE will need to think about that one for a while.

Will the Operating Capital program continue?

Yes, districts will receive the same revenue as before per APU for the same specified purposes. There is no change in the revenue amount. The equalization factor will increase and there will be lower local property tax effort for Operating Capital.

How come some districts do not receive any equalization for LTFM?

The program is equalized at 123% of state average Adjusted Net Tax Capacity per district-with 50% of Ag Land used for equalization purposes. Therefore, not all districts will qualify. But many do—approximately 215 out of the 332 school districts do qualify for aid.

For the most part, districts which are not receiving state equalization include those with higher percentages of seasonal rec property, heavily value weighted ag districts that even with a 50% reduction do not qualify, and Twin Cities suburban districts mainly on the west and south sides of the Twin Cities.

Will the equalization aid to levy ratios stay stable into the future?

Yes, a key feature of LTFM is that equalization is pegged to 123% of the average state ANTC per pupil. Districts whose ANTC moves in a manner similar to the state average should have stable aid to levy ratios. This is different from the debt service aid which is pegged at fixed dollar amount and the aid is decreasing as a percentage of debt service because of increasing ANTC values per APU state-wide.