Alternative Facilities Bonding and Levy Program Reference Manual

For School Districts Qualifying Under MN Stat. § 123B.59, Subd. 1, Paragraph (a)[1]

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[1] This reference manual does not cover the limited participation in the program under MN Stat.§ 123B.59, subd. 1, paragraph (b) by smaller districts that have one or more health & safety projects with an estimated cost of $500,000 or more per site.

A. FORWARD

The purpose of this document is to provide school districts with information that will assist with planning and project submission for the Alternative Facilities Bonding and Levy Program under M.S. 123B.59. The document applies to districts eligible under M.S. 123B.59(1)(a), presently 25 large districts. There are many elements of the program from project inception to final financial closeout. This document covers many critical aspects of the program but is not all-inclusive.

B. DEFINITIONS (for purposes of this document only)

(1) Project – A project is defined by the school district. It may be a single category or classification of work. Some examples are: roof removal and replacement, tuck-pointing, flooring removal and replacement, asbestos abatement and replacement, mechanical ventilation replacement, plumbing removal and replacement and so on. A project may include several categories of alternative facilities-eligible work grouped by the district for purposes of bidding and/or contracting like asbestos abatement, mechanical ventilation replacement and plumbing removal and replacement at the same building. Projects may include multiple buildings, fiscal years or categories of work (deferred maintenance, health and safety and disabled access). A project may encompass all work at a single site. Expenditures must be identified separately by fiscal year, category of work, and building/site at the time of initial project approval and subsequently for significant modifications to the project(s).

Projects may be combined with non-alternative facilities construction work in order to facilitate the usual contracting practices of districts. However, the district must maintain suitable accounting procedures in order to ensure the costs of eligible work are tracked separately, such that the actual cost of work can be reconciled at a future time to the amount approved for Alternative Facilities funding.

A user friendly website system for project entry is anticipated for the future. Until the web system is available all Alternative Facilities projects will be submitted through an e-mail spreadsheet called the Project List. The UFARS Course Code will be used to match APPROVAL with UFARS reported amounts by course code.

The Project List will be provided to each school district on an annual basis to submit new projects, update previously approved projects, and report prior year actual cost for each ongoing and finished project. The format includes columns for Course Code, Project Description, Building Description, Project Status, Funding Source, Prior Fiscal Year Actual Project Cost, Current Year Estimated Project Cost, Next Fiscal Year Estimated Project Cost, Two Plus (2nd Next) Fiscal Year Estimated Project Cost. When the district returns the Project List with new estimates MDE will include those amounts in the Page 8 levy calculation spreadsheet provided to districts for use in requesting levy authorization. In summer 2014 districts will submit project cost estimates for fiscal 2015-16 to be placed on the 2014 PAY 2015 levy.

(2) Facility – A facility is interpreted to mean physical building structures and land owned by the district. It also includes fixtures and major components that are attached to the building or land, such as heating boilers, water fountains, built-in cabinetry and external electrical poles. Owned refers to real property both owned in fee simple and under long term contract where there is stated, written intent to purchase at the contract's end.

(3) Categories of eligible work – Subd. 2(a) of the statute identifies three categories of eligible work: health and safety, deferred capital and maintenance, and disabled access. Additional details are found in Sections M through O.

(4) Deferred Work – Work is considered deferred when it has been postponed beyond the time that a manager, using reasonable and prudent work scheduling practices, would accomplish the work. This includes work that is scheduled to occur after a specific building component is reasonably expected to fail (e.g. roof is replaced 20 years after installation and its life expectancy is 15 years). Allowable deferred work also includes component(s) that the district responsible person making application for funding under the program has definite, specific knowledge of the component need for repair, its scope and its cost, but does not include contingencies based on historical experience or other forecasting involving probability. The MDE may request an explanation or documentation as to why a district considers a project(s) deferred upon the occasion of initial review.

(5) Erosion – To meet this condition, physical erosion or deterioration must exist and the reason for the project is to eliminate the erosion or deterioration. Examples of these include conditions of oxidation or rust, physical abuse, water intrusion, excessive wear and tear, fractured or broken components, and deformation. This work may also include repair or replacement of other building components damaged by the original erosion, to the extent that they qualify.

(6) Excluded goals – Work primarily intended to address non-erosion deficiencies in the areas of energy savings (including State Energy Code), State Building Code changes, State Mechanical Code changes (except where allowed under H&S), or for the purposes of improving educational adequacy is not fundable under this program. Nor is maintenance work that can be considered "scheduled," such as quarterly replacement of filters. The goal is to neither increase nor diminish from the approved projects functionality or capacity, but to reverse or eliminate deterioration or erosion and restore the area to its original condition. Thus, this is not an "upgrade" or improvement program, though mandatory code issues may be considered for approval on an as-needed basis.

(7) Qualifying Age and Square Footage – Age is determined from the building addition's stated year on the MDE's Age and Square Footage website. Age may be pro-rated by month if a district is within a year of qualifying. Square footage is also determined from the Age and Square Footage report. Both age and square footage shall be validated by a third party architectural firm for districts newly qualifying for the program. A school district that qualified for eligibility under M.S. 123B.59(1)(a) as of July 1, 2007 remains eligible if it falls below minimal age and size requirements in clause (2) but continues to meet requirements in clauses (1), (3), and (4). See Section C on page 4.

(8) Significant Project Change – A significant change to a project is determined by a change in scope of work, a change in amount, or in the decision to not do the work. The threshold is a change greater than 10% in either scope of work or amount. If a project exceeds the threshold, the MDE may require that the Project List be revisited and additional information provided before an increase in cost is authorized.

(9) Maintenance Projects – Merriam Webster dictionary defines "maintain" as a verb: to keep in an existing state (as of repair, efficiency, or validity): preserve from failure or decline <*maintain* machinery>. MN Statute 123B.59 language makes eligible: deferred

capital expenditures and maintenance projects necessary to prevent further erosion of facilities.

(10) Other Funding Sources – Capital project costs funded with health and safety revenue, voter approved bonds or other funding sources cannot be included as authorized costs for this program. The difference between costs and these sources is eligible for levy or bonding under the program. Insurance proceeds and warranties also must be applied first to program costs.

C. QUALIFYING DISTRICTS

M.S. 123B.59 provides for eligibility as follows (excerpted):

Subdivision 1. **To quality.** (a) An independent or special school district qualifies to participate in the alternative facilities bonding and levy program if the district has:

(1) More than 66 students per grade.
(2) Over 1,850,000 square feet of space and the average age of building space is 15 years or older or over 1,500,000 square feet and the average age of building space is 35 years or older.
(3) Insufficient funds from projected health and safety revenue and capital facilities revenue to meet the requirements for deferred maintenance, to make accessibility improvements, or to make fire, safety, or health repairs.
(4) A ten-year facility plan approved by the commissioner according to subdivision 2.

D. TEN-YEAR FACILITY PLAN

M.S. 123B.59 describes eligibility as follows (excerpted):

Subd. 2. **Facility plan.** (a) A district qualifying under subdivision 1, paragraph (a), must have a ten-year facility plan approved by the commissioner that includes an inventory of projects and costs that would be eligible for:
(1) Health and safety revenue, without restriction as to project size.
(2) Disabled access levy.
(3) Deferred capital expenditures and maintenance projects necessary to prevent further erosion of facilities.

E. REQUIREMENT TO PERIODICALLY UPDATE AND INDICATE FUNDING MEANS

M.S. 123B.59 describes this requirement as follows (excerpted):

(c) The school district must:
(1) Annually update the plans.
(2) Biennially submit a facility maintenance plan.
(3) Indicate whether the district will issue bonds to finance the plan or levy for the costs.

F. REQUIREMENT TO PUBLISH NOTIFICATION TO TAXPAYERS

M.S. 123B.59, subdivisions 3 (for bond) and 3a (for levy), describe these requirements as follows (excerpted):

Subd. 3 (b): At least 20 days before the earliest of solicitation of bids, the issuance of bonds, or the final certification of levies under subdivision 5, the district must publish notice of the intended projects, the amount of the bond issue, the total amount of district indebtedness.

Subd. 3a (b): At least 20 days before a final district certification of levies under subdivision 5, the district must publish notice of the intended projects, including the total estimated project cost.

Regardless of the requirement for Review and Comment or not, publishing requirements are established under M.S. 123B.59 and not under M.S. 123B.71. Refer to the comment found in M.S. 123B.71, Subd. 12. The MDE does not require proof of notification prior to either project or funding approval, but requests a copy of this notification be provided subsequent to its publication. MDE may withdraw the funding approval if a district fails to publish notice of the intended projects under this section.

G. REQUIREMENT FOR REVIEW AND COMMENT

M.S. 123B.71 describes the requirement for review and comment as follows (excerpted):

Subd. 8. 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 $2,000,000 per school site if it does not have a capital loan outstanding, prior to review and comment by the commissioner. A facility addition, maintenance project, or remodeling project funded only with general education revenue, deferred maintenance revenue, alternative facilities bonding and levy program revenue, lease levy proceeds, capital facilities bond proceeds, or health and safety revenue is exempt from this provision. A capital project under section 123B.63 addressing only technology is exempt from this provision if the district submits a school board resolution stating that funds approved by the 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.

Beginning July 1, 2014, an alternative facilities project is exempt from review and comment. However, an alternative facilities project in conjunction with projects funded with non-exempt funding, (not exempted by M.S. 123B.71 Subd. 8.), with total costs in excess of $2,000,000 requires review and comment. The district should contact the Schools Facility Specialist Dale Sundstrom at 651-582-8605 to discuss review and comment requirements concerning non-exempt funding or with questions concerning review and comment requirements.

H. AUTHORITY TO BOND OR TO LEVY

M.S. 123B.59 provides for authority to bond or to levy as follows (excerpted):

Subd. 3. **Bond authorization.** (a) A school district may issue general obligation bonds under this section to finance facilities plans approved by its board and the commissioner. Chapter 475, except sections 475.58 and 475.59, must be complied with. The district may levy under subdivision 5 for the debt service revenue. The authority to issue bonds under this section is in addition to any bonding authority authorized by this chapter, or

other law. The amount of bonding authority authorized under this section must be disregarded in calculating the bonding or net debt limits of this chapter, or any other law other than section 475.53, subdivision 4.

Subd. 3a. **Levy authorization.** (a) A school district may levy under this section to finance the portion of facilities plans approved by its board and the commissioner that are not financed through bond issues according to subdivision 3.

Note the statutory requirement for the school board to adopt facility plans under the Alternative Facilities Bonding and Levy Program. The agency interprets this to mean that facilities projects and amounts and means of funding must be board-approved and documented in board minutes.

I. CANNOT FUND SAME WORK UNDER M.S. 123B.57 AND M.S. 123B.58

M.S. 123B.59 provides as follows (excerpted):

Subd. 4.**Levy prohibited for capital projects.**

A district that participates in the alternative facilities bonding and levy program is not eligible to levy and cannot receive aid under sections 123B.57 and 123B.58 for any capital projects funded under this section. A district may levy and receive aid for health and safety environmental management costs and health and safety regulatory, hazard assessment, record keeping, and maintenance programs as defined in section 123A.443, subdivision 2, and approved by the commissioner.

J. ALTERNATIVE FACILITIES AID

Districts qualifying for revenue under M.S. 123B.59, subd. 1(a), receive alternative facilities aid equal to the lesser of annual revenue or the amount levied to service alternative facilities bonds in the Pay 1997 levy cycle, or for districts levying under the pay-as-you-go provision in Pay 1998, 1/6th of the Pay 1998 levy. Alternative facilities obligations also qualify for Health and Safety equalization revenue.

K. ACCOUNTING FOR ALTERNATIVE FACILITIES REVENUE AND EXPENDITURE M.S. 123B.59 Subd. 8.

M.S. 123B.59 Subd. 8 provides as follows:

Separate account. Districts must account for alternative facilities revenues and expenditures using UFARS Finance Code 386. Any excess or deficiency of revenues over expenditures will be established in Balance Sheet Code GNL 409. This reserved revenue will be accounted for in determining future levy and bonding authority, and must be used to fund future approved projects, to prepay bonds issued for alternative facilities projects, or to make payments on principal and interest. If no further projects are anticipated, the balance must be transferred to the debt service fund, according to M.S. 475.65

The department requires districts to report actual annual costs of approved projects and to provide estimated future year costs until project completion. A goal for the future web based system is reconciliation of the project cost with approved cost and reconciliation of

the alternative facilities fund balance. A further goal is that this be accomplished with the least cost and additional workload at the district office and at the MDE.

Tax Levy Calculations (Page 8 sent to school districts during summer levy data collection)

Determinations of the amount to be authorized for bonding or the amount of the annual levy will take into account the district's reserve for alternative facilities fund balance (GNL 409) and the estimated cost of projects included in the district's approved plan, as updated to reflect current estimates of projects costs for all active projects. The calculations are completed using aggregate data for all projects in the district, not by individual project. The calculations for taxes payable in 2015 will be done as follows:

Expenditures

1.	FY 2014 estimated expenditures for approved projects (from UFARS— Finance Code 386).	$_____
2.	FY 2015 estimated expenditures for approved projects (from updated Alternative Facilities plan).	$_____
3.	FY 2016 estimated expenditures for approved projects (from updated Alternative Facilities plan).	$_____
4.	Subtotal, approved expenditures, FY 14 – FY 16.	$_____
5.	FY 2017 and later estimated expenditures for approved projects being initiated in FY 2016 or earlier or otherwise receiving detailed review and approval for bonding at this time.	$_____

Less amounts available:

6.	Alternative Facilities fund balance as of 6/30/2013 (Fund 6, GNL 409).	$_____
7.	Pay as you go levy for taxes payable in 2013 (FY 2014).	$_____
8.	Pay as you go levy for taxes payable in 2014 (FY 2015).	$_____
9.	Alternative Facilities aid for FY 2014 (Fund 6).	$_____
10.	Alternative Facilities aid for FY 2015 (Fund 6).	$_____
11.	Bond proceeds from bonds issued during FY 2014.	$_____
12.	Subtotal, amounts available as of 6/30/2015 excluding unused bonding authority as of 6/30/2014.	$_____
13.	Bond proceeds from bonds issued after 6/30/2014.	$_____
14.	Approved Costs – Revenues = Pay 2015 revenue or bond.	$_____
15.	Requested Pay 15 Pay-as-you-go Levy Amount (portion of ln14).	$_____

Levy & bonding limitations:

- For a district only doing annual levies, the levy limit for Pay 2015 equals line 4 less line 12.
- For a district with bonding and annual levies, the levy limit for annual levies for Pay 2015 cannot exceed line 4 less line 12, and the total of the annual levies and the amount of new bonding authority to be issued cannot exceed the sum of lines 4 and 5 less the sum of lines 12, 13, 14, and 15.

L. BASIC PLAN OF ACTION AND MILESTONES: A project may be processed in the following order.

Before starting the application process, the district needs to engage in some preparatory work. The elements of the local planning process are vital for the success of the approval process, allowing subsequent activities and interactions to proceed in a more orderly fashion.

1. The district shall determine:
   a) Which buildings are to be affected.
   b) What work is to be accomplished.
   c) What timelines and costs are anticipated.
   d) How it/they will be funded (bond or levy).

   There are legal steps that must be met, including:
   a) School board adoption of the ten-year plan.
   b) Submission of the plan for approval.
   c) Beginning with summer 2014 alternative facilities projects are exempt from Review and Comment however if project is combined with non-exempt revenue consider Review and Comment under M.S. 123B.71.
   d) Public notification under both the alternative facilities and review and comment statutes.

   If further information is needed in any of the areas, contact MDE staff as appropriate.

2. Qualifying projects are identified by the district by submitting a Project List. Basic required information include:
   a) Building name (or district-wide is allowed for some projects).
   b) Project status (New or Existing), and funding source (Bond or Levy).
   c) Project description including scope of work.
   d) Project number (UFARS Course Code).
   e) Estimated cost by fiscal year(s).

   See Attachment One for additional technical details. See Attachment Two for Excel file format for the Project List. The collection of many projects over a ten-year period constitutes the ten-year plan.

3. For complex projects involving multiple fiscal years, categories of work or buildings, breakdowns must be provided for initial project review. Before a project is approved, the MDE must be provided with Project List detail that supports each project. Paragraph O below (especially paragraph (1)) and Attachment Two provide supporting details.

4. The updated annual plan shall include updated estimates or actual costs, and include updated project description and cost information for existing projects if this information has changed.

5. The program allows districts to list projects regardless of their size. Districts must list projects that exceed $10,000 and request approval from the MDE prior to proceeding. Project approval does not allow for “contingencies” (that is, approval for funds without specifying work), and requires that districts reconcile the actual work costs with approvals at the close of each fiscal year. If an emergency situation occurs requiring immediate district action and the district believes the work is fundable but MDE approval is not immediately available, the work can be approved after its occurrence, so long as the MDE is notified on the next business day.

6. If a project cost increases by more than 10% of the originally estimated cost, if a district decides to not proceed with the project, or if the district wishes to substitute a project that has not yet been approved for funding, MDE approval will be required to authorize funding to avoid incurring unfunded costs, by the next day if a project list item increases by more than $10,000 **due to change in scope of work.** Project increases greater than $10,000 due to materials or labor increases or due to unanticipated related work, that does not exceed 10%, can be approved at the annual review. If there is a general plan change involving several projects, the district should notify the MDE of this situation as soon as possible so that a plan review involving the project(s) may be conducted. If the change is insignificant (less than 10 percent, nominal change in scope of project work), the plan review may wait for the next annual update.

7. After a list of new and updated projects has been provided, the district shall notify the agency by letter that its ten-year plan has been submitted and requests that the plan be reviewed. After this notification, the agency will process the request approval within 60 calendar days of receipt of the written request or of any required Review and Comment documents, whichever occurs later. Submission of the ten year plan does not assure approval of all projects included in the plan, as only those projects for which funding is being immediately requested will receive close agency review. Districts should not begin construction on unapproved projects of greater than $10,000, as funding is not assured.

8. The approval process may include a site visit by MDE staffers. They will want to examine the deteriorated condition of proposed work and get an on-site perspective of the intended construction objectives. The MDE will contact the district to establish an agreeable date, time and location for the visit.

9. Projects to be funded will be marked with a STATE APPROVAL of “YES,” meaning they are cleared for funding. Projects marked “NMI” (needs more information) informs the district that there is an issue or question with the project, and that it should contact the MDE, attention Dale Sundstrom for more information. Projects marked “NO” will be so marked based on criteria presented herein and may be appealed at the district’s discretion. UFARS Course Code Dimensions available for district use are 016 through 618, 643 through 666, and 670 through 999.

10. Review and Comment (R&C). See statute M.S. 123B.71 especially Subd. 8. After the project is approved under the Alternative Facilities program as meeting program funding eligibility requirements, if site costs exceed $2,000,000 per year, or $500,000 for a district with a capital loan outstanding, and combined with non-exempt funding sources, (those sources requiring review and comment), it shall be considered for review under M.S. 123B.71. Upon either R&C exemption or completion, MDE will provide agency project approval.

11. Projects approved or that have completed their R&C review are ready for administrative funding action. If for bonding, a letter authorizing bonding will be generated by the agency, signed by the Commissioner and transmitted to the district. Whether bonding or for "pay as you go" levy, the district will receive a letter signed by the commissioner confirming the funding together with a list of the approved projects. If for bonding, the letter will also authorize the bonding process and amount.

Projects are required to be separated into one of three categories (deferred maintenance, health and safety, disabled access) on the Project List because there are three different sets of criteria that are applied to the approval of each, and the MDE needs to know which to apply. The three qualifying criteria are depicted below. Law and these criteria will determine whether or not a project is approved for funding.

M. DISABLED ACCESS QUALIFYING CRITERIA

The project shall conform to both the district's ADA/Sec. 504 disabled access transition plan and the current ADAAG (ADA Accessibility Guidelines for Buildings and Facilities) version, as well as applicable state and local building and fire codes. District asserts this by submitting the project, though the MDE may require validation of this process.

N. HEALTH AND SAFETY QUALIFYING CRITERIA

The project shall conform to the criteria set forth in the current version of the Health and Safety (H&S) statute (M.S. 123B.57) and the current Commissioner's H&S Application Memorandum, which can be found on the Minnesota Department of Education website.

O. DEFERRED MAINTENANCE QUALIFYING CRITERIA

(1) Qualifying Capital Expenditures and Maintenance projects. Eligible projects are "…deferred capital expenditures and maintenance projects necessary to prevent further erosion of facilities…" The meaning of this phrase is that there are two categories of qualifying projects: those that are "…capital expenditures…" and those that are "…maintenance projects…" Broadly speaking, the meaning of "eligible projects" given in this phrase is the same as that provided for in the definition of "Project," found in Paragraph B (1) above, is deferred according to the definition in B(4) above, and is necessary to prevent further erosion of facilities as defined in paragraph B(4) above and in paragraphs O(4) and O(8) below.

(a) Capital expenditures are defined as a line-item on the project list that exceeds $10,000. Approval for this work, or any change exceeding $10,000 for this work, may have to take place before the work commences (refer to paragraph L(6)) unless an emergency situation arises, in which case the district shall contact the MDE the next business day. Contingency funding will not be granted for these projects.

(b) Maintenance projects are identified and defined as line-items on the project list of $10,000 or less. Projects that cost $5,000 or more shall be identified individually on the project initial list while those costing less than $5,000 can be grouped with similar work. Approval for this work can usually be delayed and granted as part of the subsequent annual application, after the scope and cost of the work is known and is documented. Contingency funding will not be granted for these projects.

(2) The purpose remains the same. The use for the area and activities conducted in the area are essentially the same before and after the work. Thus, a science lab before would remain a science lab.

(3) There is no expansion or re-alignment of function. Any change in the number of students served or changes in the facility to accommodate the number of students served must not be funded with alternative facilities funds. Thus, a classroom designed for 20 students would not expand to 30, or vice versa. Also, there is no increase of space and there is no new construction. The project cannot modify the facility's functionality or capacity, but shall restore or replace to prevent further deterioration of the facility.

(4) The project must counteract any physical erosion in effect restoring the component to as near to "like new" as is feasible. Portions of projects relating to additional or competing objectives (worthy as they might be) shall not be funded. These include portions of projects that have an energy or financial anticipated benefit. The exception will be for portions of projects that provide these as secondary benefits. For example, if pneumatic mechanical ventilation control logic has eroded to the point where it must be replaced but is no longer available.

(5) Planned or scheduled maintenance projects are ineligible. For example, routine replacement of fittings, traps, filters, belts, moving components or repairs of a planned or preventative nature are excluded.

(6) Technology is excluded from eligibility, as it is considered to be equipment and not part of a facility. Repair or replacement of telecommunications and computer installations and connectivity are excluded, except for repair/replacement of facility automation computer installations or telecommunications wiring as a result of erosion, deterioration or mechanical breakdown as the primary purpose for the work. Electrical service and lighting, clocks and alarms/PA are allowable. Software in support of facility functions does not erode for purposes of this section.

(7) Violence prevention and physical security issues are excluded from eligibility, because the Safe Schools Levy under M.S. 126C.44 provides a dedicated source of funding for this purpose.

(8) Erosion is not the same as obsolescence. Facilities which function well but which do not meet service requirements are not eligible for funding. For example, swimming pool depth correction.

(9) Renovation in support of educational adequacy, changing functionality or student loading (worthy goals in and of themselves) are not eligible for funding, since the necessary component of "...to prevent further erosion of facilities..." is missing as a primary purpose. Thus, if walls are demolished due to legitimate erosion correction but are re-installed in a different configuration for renovation purposes, the portion of costs related to any reconstruction will be excluded from allowable costs.

(10) Contingency Funding Excluded. MDE cannot approve a contingency fund for projects that have yet to be determined. However, if some portion of these projects can be identified specifically, approval can be made for that portion of these projects. Otherwise, projects of this nature completed during the fiscal year can be submitted for approval as part of the district's updated plan the following year.

(11) Reasonable in-house engineering and technical administrative costs may be charged to the program if the work hours indicated are directed to program support activities and adequate documentation of these hours is maintained. Also, funding of out-source capacity in direct support of approved projects is allowable. Costs for accounting, bookkeeping or financial tracking activities relative to Alternative Facilities projects are allowed if costs are **substantial** and **well documented**. Non-technical administrative costs are excluded from funding.

(12) The work shall be accomplished within the fiscal year or years identified within the approved project.

P. TIMELINES

(1) Districts must submit ten year plans (or modifications thereto) annually between December 1st and June 1st. Law requires that plans be reviewed with the MDE biannually. To qualify for Alternative Facility Bonding and Levy authority for an application year, districts must submit or validate their 10 year plan, and complete project applications. The components of a completed application are:

a. Letter of transmittal, including any known changes to qualification, target amounts, and whether bond or levy.
b. Project List including new and revised projects
c. If revenue is used that is not exempt from Review and Comment and the Application amount for a building/project exceeds $2,000,000, ($500,000 for capital loan districts) Review and Comment materials must be submitted.
d. Additional materials as requested, including technical reports and validation reports.

(2) Projects with application materials received after June 30th may be assigned a PPA (provisional project approval) at the discretion of the agency, depending on application materials received. However, if completed application materials are not received by September 30th, the project will not receive a PPA and will be processed in the next application year. The PPA concept was invoked to allow districts to receive maximum levy authority by September 30th, but to permit the district and MDE extra time to review the district's submitted plan and projects. MDE will make every effort to approve or disapprove projects assigned a PPA by mid-November, when levy limitation forms are issued for final levy certification. The PPAs will be processed on a first come, first served basis. However, if the volume of PPAs is such that MDE cannot complete processing of PPAs by mid-November, levy limitations related to remaining PPAs will be zeroed out. MDE will continue to process PPAs after mid-November, and will revise the levy limitations to include late approvals until the final levy certification deadline in late December. Districts with PPAs processed after final levy certification may be required to have a special board meeting to recertify the levy. PPAs not processed by the final levy certification deadline in late December will be processed for the next levy year. Should plans and/or projects be not sustainable, revenue authority can be reduced, but not increased from the maximum amount established by September 30th.

(3) Projects exceeding $10,000 shall be approved before funding is authorized, so that the MDE has the opportunity to validate the qualifications of the project relative to the Alternative Facilities Bonding and Levy program approval criteria, including any document plan review and site visit.

(4) The criteria used in this document shall be applied to all projects approved on/after June 1, 2014.

Q. TECHNICAL ASSISTANCE AND ON-SITE VISITS/TOURS

(1) Program and/or project technical assistance is available from Dale Sundstrom 651-582-8605 or dale.sundstrom@state.mn.us.

(2) MDE may include an on-site tour and meeting with district administrative personnel to make sure that the precise scope of work is understood to facilitate the process of approving the ten-year plan and projects. If Review and Comment is required, the MDE School Facilities Specialist Chris Kubesh 651-582-8319 professional may conduct an on-site tour as well, either concurrently or separately.

(3) Although the district may include out-sourced professionals as it deems necessary in the preparation of its information and reports, the MDE may choose to confirm the essence of the work and funding with district personnel.

R. APPROVALS –WHAT DO THEY MEAN

(1) A project is approved with YES placed in the State Approval box for the project when the Alternative Facilities Program Specialist is satisfied that all questions have been answered and all criteria in support of M.S. 123B.59 have been met.

(2) Following this action, those projects requiring Review and Comment in support of M.S. 123B.71 shall be accomplished and satisfied.

(3) The project approval is for the scope of work, in the amounts and timeframes identified. If a district wishes to change scope of work, amount or timeframe, the processes identified in the first two bullets above must be re-satisfied. The district shall not assume that a project approval extends to like projects or that an increase in cost, change in work scope or change in fiscal year(s) constitutes “technical adjustments.” **While the MDE approves estimated amounts, the actual amounts must eventually replace them.**

(4) Projects where specific approvals are not given prior to the work being done are subject to disqualification of funding for the unapproved portion.

Questionnaire

What questions did the Alternative Bonding and Levy Program Reference Manual not answer?

Please e-mail this form to Dale Sundstrom at dale.sundstrom@state.mn.us. Thank you.

Attachment One

Format for Project (as an example):

District Number: 0007
District Type: 01
District Name: Lake Wobegon Area Schools
Project Number: 201
Building(s): 429, 435, 436, 602
Project Descriptions: Roof repairs multiple buildings
Approved Amount:

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Contribute
2014 Application	150,000	100,000	50,000	25,000	0	250,000
2015 Application	145,000	75,000	55,000	25,000	0	25,000
2016 Application	145,000	85,000	65,000	30,000	10,000	50,000
2017 Application	145,000	85,000	55,000	0	30,000	-10,000
2018 Application	145,000	85,000	55,000	15,000	25,000	10,000
2019 Application	145,000	85,000	55,000	15,000	0	-25,000

Notes:

1. Light areas are estimates, shaded areas are actuals (as reported under UFARS).
2. Only one row is open per year (e.g. second row for 2014 application). Only estimates can be changed, but all estimates within the row can be modified.
3. The right-most column is THAT PROJECT'S CONTRIBUTION TO BOND OR LEVY AUTHORITY for that application year. Calculation changes are based on entry changes and actual amounts reported and approved.
4. Method of calculation of "Contribute" column:
   - For 2014 application for Pay 2015 taxes: Sum of FY 2015 and FY 2016
   - For 2015 application for Pay 2016 taxes: Sum of FY 2015 through FY 2017 less Pay 2015 Contribute
   - For 2016 application for Pay 2017 taxes: Sum of FY 2015 through FY 2018 less Pay 2015 plus Pay 2016 contribute. And so on.
5. Project must be entered no later than June 30th. Projects (or changes to projects) received after June 30th may be assigned a PPA and approval / levy authority may be delayed until the next application year.

Attachment Two

Project List:

The initial project information must be included, at the project inception, with the annual submission of new and revised projects in Excel-formatted software to MDE, The Project List. If change in project cost exceeds 10% it may be revisited at the agency's discretion. The Project List must be received no later than June 30th. Project Lists (or changes to lists) received after June 30th may be assigned a PPA and approval / levy authority may be delayed until the next application year.

Only work actually identified, including costs, may be submitted. Work of a nature of "reasonably anticipated" or contingencies may not be submitted until their scope and cost are known.

The projects may be updated annually if requested by the district. Additional work that falls within the scope of the list may be added by the district for annual review during the summer. If projects occur that are large or unusual, the district should either contact the MDE for direction before adding to the list or establish a new project, as it chooses.

Format:

Course Code Number	Project Description	Building Description	Project Status	Funding Source	FY 13	FY 14	FY 15	FY 16