

Negative impact of Education Omnibus bill amendment

The House Education Committee voted in favor of adding an amendment to the Education Omnibus Bill that would mandate Mounds View Public Schools to establish a trust fund for the proceeds from the sale of Snail Lake Landing Property in Shoreview. Authored by Representative Krinkie of Shoreview and Representative Buesgens of Jordan, the amendment requires that interest earned from this trust would be used for general operating purposes.

Current state law forbids school districts from using capital funds for operating funds. This ensures fiscal responsibility by preventing districts from using one-time money for unsustainable, long-term and ongoing needs.

The School Board of Mounds View Public Schools voted unanimously to oppose legislative efforts that reject the current law regarding capital spending. Passage of this proposed legislation takes local control of specific financial decisions away from the locally elected School Board and places it in the control of the State. If successful, this legislation will have a negative financial effect on Mounds View Public Schools for several reasons:

1. This legislation interferes with the capital spending plan already approved by the School Board.

In 2004, the School District sold property that will produce approximately \$6.3 million in revenue from a development called Snail Lake Landing in Shoreview. Based on current laws for the sale of the property and the receipt of \$2.7 million of the proceeds in 2004, the School Board has committed to a three-year capital spending plan. This plan designates capital revenue for projects including deferred maintenance for roof repairs on buildings that are 30+ years old, additional debt pay off which eases a burden on our taxpayers, purchasing much-needed textbooks for students and replacing library instructional materials that date back to the 1970s.

	04-05	05-06	06-07
Future Sources of Capital Revenue:			
Sale of Snail Lake Landing Property	\$6,300,000		
Sale of Ralph Reeder Property		\$1,300,000	
Sale of District Service Center Property			\$500,000
Sale of Family Service Center Property		\$450,000	
Total Sources	\$6,300,000	\$1,750,000	\$500,000
Future Uses of Capital Revenue:			
Deferred Maintenance - Roof Replacements		\$878,800	
Deferred Maintenance - Exterior Wall Restoration		\$475,491	
Deferred Maintenance - Window Replacements		\$645,709	
Operating Capital - Technology	\$515,500	\$570,000	
Operating Capital - HVAC Deferred Maint		\$414,500	
Repurposing Costs		\$550,000	
Reduction in Debt Service - Offset amount equal to Financial Impact of closing schools		\$359,847	\$776,361
TCAAP Payoff (Escrowed & Paid annually until bonds called)		\$1,650,000	
Textbooks			\$375,000
IMC Materials			\$375,000
Magnet Program			\$450,000
Total Uses	\$515,500	\$5,544,347	\$1,976,361
Net Change	\$5,784,500	(\$3,794,347)	(\$1,476,361)
Beginning Fund Balance	\$0	\$5,784,500	\$1,990,153
Ending Fund Balance	\$5,784,500	\$1,990,153	\$513,792

2. This legislation would force the School Board to impose additional taxation on property owners and reduce General Fund programs for students.

Under state law, schools boards have the authority and responsibility to determine spending priorities. As locally elected officials, the School Board members of Mounds View Public Schools have identified capital spending priorities and have committed funding to them. If this legislation is successful, the Board would likely respond by increasing the Alternative Facilities Levy in order to address the ongoing need for facilities improvements on the schools' aging buildings. This would generate a tax increase for residents through short-term borrowing to cash flow the projects identified for FY 2005-2006. In addition, the School Board would likely have to take money from the General Fund, reducing the amount of funds available for classroom instruction.

Tax Impact:

	<u>Dollars</u>	<u>Tax Impact on a \$250,000 home</u>
Increase the Tax Levy in 06-07 - Alternative Facilities projects	\$2,414,500	\$85.21
Forgo the Reduction in Debt Service tax levy in 2006	<u>\$776,361</u>	<u>\$27.40</u>
	<u><u>\$3,190,861</u></u>	<u><u>\$112.61</u></u>

Program Impact:

Transfer funds from the General Fund	\$1,883,622
Incur additional costs for interest expense on Short-term borrowing	<u>\$105,633</u>
	<u><u>\$1,989,255</u></u>

3. This legislation does not produce enough money to keep all of our eight elementary schools open.

The estimated savings for closing two schools next year totals \$400,000 next year and \$600,000 annually after 2005-06. The estimated interest earned by this proposed legislation totals \$264,000 annually.

	<u>FY 05-06</u>	<u>FY 06-07</u>	<u>FY 07-08</u>
Approximate Annual Interest on \$6,300,000	\$264,000	\$264,000	\$264,000
Estimated Savings from closing 2 Elementary Schools	\$400,000	\$600,000	\$600,000
Difference	<u>(\$136,000)</u>	<u>(\$336,000)</u>	<u>(\$336,000)</u>



April 26, 2005